

GENERAL PURPOSE STANDING COMMITTEE No. 5

Thursday 16 September 2004

Examination of proposed expenditure for the portfolio areas

RURAL AFFAIRS, LOCAL GOVERNMENT, EMERGENCY SERVICES, AND LANDS

The Committee met at 8.00 p.m.

MEMBERS

Mr I. Cohen (Chair)

The Hon. R. H. Colless
The Hon. A. R. Fazio
The Hon. K. F. Griffin

Ms S. P. Hale
The Hon. C. J. S. Lynn
The Hon. I. W. West

PRESENT

The Hon. Tony Kelly, *Minister for Rural Affairs, Minister for Local Government, Minister for Emergency Services, and Minister for Lands*

Department of Lands

Mr W. Watkins, *Director-General*
Ms L. Scambler, *Director, Group Finance*

Department of Local Government

Mr G. Payne, *Director-General*
Mr J. Hogg, *Manager, Business Services*
Mr R. Bailey, *Business Services Co-ordinator*

New South Wales Rural Fire Service

Mr P. Koperberg, *Commissioner*

New South Wales Fire Brigades

Mr G. Mullins, *Commissioner*

State Emergency Service

Brigadier P. McNamara, *Director-General*
Major-General H. Howard, *Chair, Management Committee*

Office of Emergency Services

Mr R. Lyons, *Director*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

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

CHAIR: I declare this meeting open to the public. I welcome you to this public hearing of General Purpose Standing Committee No. 5. I thank the Minister and the departmental officers for attending today. At this meeting the Committee will examine the proposed expenditure for the portfolio areas of Rural Affairs, Local Government, Emergency Services and Lands. Before questions commence some procedural matters need to be dealt with. 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 photos. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee.

There is no provision for members to refer directly to their own staff while at the table. Members and their staff are advised that any messages should be delivered through the attendant on duty or the Committee clerks. For the benefit of members and Hansard I ask departmental officers to identify themselves by name, position and department or agency before answering a question referred to them. The Committee has agreed to the following format for the hearing: Lands and Rural Affairs for 30 minutes, Emergency Services for 45 minutes and Local Government for 45 minutes. The Committee certainly will be flexible if there are areas in which people wish to pursue a question. I declare the proposed expenditure open for examination. Minister, do you wish to make a brief opening statement?

The Hon. TONY KELLY: No, I will leave it to the Committee.

CHAIR: On Lands, in the May mini-budget you announced that there was going to be a conversion of about 11,500 leasehold lands to freehold, including the lifting of the moratorium against conversion on 2,000 high-conservation leasehold lands. It was argued that this was part of a \$30 million cost-saving exercise. Minister, will that allow uncontrolled clearing, subdivisions and development? We are dealing with some 3.5 million hectares of leasehold land—that is about 4.5 per cent of the State—and there is a great deal of concern that that will lessen the protection on those lands.

The Hon. TONY KELLY: Yes, that is certainly true. The announcement by the Treasurer in the May mini-budget included a whole host of items, one of which was the provision whereby the Government is intending to allow approximately 11,500 perpetual leases to be converted to freehold, and legislation was subsequently passed to that effect. An investigation was carried out by PricewaterhouseCoopers to ascertain the equity that the Government still held in those perpetual leases, because perpetual leases are exactly as their name implies. They are not 99-year leases, as some people might think, or even 50-year or 30-year leases. They are perpetual; they are forever.

A lot of them were at fixed rents. I think the Coalition parties when in government, if my memory serves me correctly, increased the rents to a certain figure, about \$100 a year for the leases. The rents have increased by the CPI since then, but the Government had PricewaterhouseCoopers investigate the costs of administering those 11,500 leases. PricewaterhouseCoopers indicated to the Government that, on average, the cost of administering the leases was about \$350 a year. On average the Government was getting about \$140 a year, so effectively the Government was losing on the leases. In effect, we also had very little equity in them. It was suggested that about 3 per cent equity was all that the Government had.

In the May mini-budget the Treasurer announced two things: first, that the Government would increase rents on the perpetual leases to market rent after two years. In that two years, people who held the leases would get a letter offering them an opportunity to purchase them at the 3 per cent figure. When the Coalition Government increased the rents in the early 1990s it put a moratorium on about 2,500 of the 11,500 leases. The reason it did that was because it was considered that in some cases the leases had some environmental factors and needed to be reserved from sale—for instance a 1,000-acre paddock on which a little two-acre corner had some environmental factor. Significantly, since that time there has been considerable other legislation brought forward by this Government, such as the Native Vegetation Act, the Threatened Species Conservation Amendment Act, that protects the lessee regardless of the tenure. We believe it is probably more appropriate to now look at some covenants.

The proposed conversion of the leasehold to freehold will not significantly affect the environmental protection of the affected land, because of the Government's new legislation and also because we have the ability to place covenants on them. Apart from current legislation, I am also now required to consult with the Minister for the Environment when considering conversion of any perpetual leases. There is also legislative provision for placing conditions on the conversion that will protect environmental and other significant values, as I have mentioned. Further, there will be specific conditions on each of the conversions so that they cannot be subdivided without permission of the Minister.

So there will be a blanket rule of no subdivision on any blocks that are converted. The Government will look at each block subject to the moratorium to determine whether they should be reserved from sale. If the Government decides that the blocks will not be sold, but if the lessee is permitted to purchase the land but still put a covenant on it to protect the environmental factors on the land, that is the way we will approach it. Subject to all of that, I have a requirement to consult with the Minister for the Environment. The process will take some time, and we will look at each individual block of land as the applications are received. There certainly will not be a fire sale of Crown land.

CHAIR: You said that there were about 11,000 Crown leases?

The Hon. TONY KELLY: There are roughly 11,500 perpetual leases. We have 84,000 leases.

CHAIR: Is 3.5 million hectares a reasonable assessment of the area?

The Hon. TONY KELLY: I am not sure of the area.

Mr WATKINS: In broad terms it is around that mark. It depends on how you classify it.

CHAIR: Would you agree that that represents about 4.5 per cent of the land area of New South Wales?

Mr WATKINS: If you look at the figures, generally you are looking at Crown land representing around 47 per cent of the total State. In the eastern and central division it represents around 20 per cent.

CHAIR: Has the department yet worked out which Crown leasehold lands of conservation significance will not be available for conversion? If so, what is the process that is used?

The Hon. TONY KELLY: Within the next few days we will send out letters to the 11,500 people who have those leases. As I said earlier, they have two years within which to convert. Any that have a moratorium on them will be individually assessed by the department to determine, firstly, whether they should be retained from sale; secondly, whether we consult with the Minister for the Environment to ascertain his views; and, thirdly, if there are some environmental factors or if they are significant lands, we will apply covenants over and above the covenant I referred to earlier which is automatically placed on all of them—the covenant that will not allow for subdivision. So every one will be looked at to determine the environmental factors. The Minister for the Environment will also be consulted.

CHAIR: With the conversion or sale of this land is it reasonable to expect that it will be going for about 3 per cent of the market price?

The Hon. TONY KELLY: Yes. As I said earlier, the reason for that is that these are perpetual leases. A lot of people get confused with what happens around Canberra, which has so-called 99-year leases. These are perpetual leases. They will last forever—long past our lifetimes and the lifetimes of those who follow us. "Perpetual" means forever. PricewaterhouseCoopers carried out an assessment to determine what equity was left for the Crown. It said that it ranged from between 2 per cent and 4 per cent. It recommended that the price should, therefore, be approximately 3 per cent of the market price.

CHAIR: Going at that price will it not still be a significant windfall?

The Hon. TONY KELLY: No. You have to bear in mind that some of this land was granted as a perpetual lease, perhaps 100 years or so ago, and that it has been traded 10 times since at market or freehold value, or so close to market value that it did not matter. Young families might have gone to the bank and mortgaged 65 per cent of that near market value. They are the ones who have equity; it is no longer the Crown. That is why that figure was assessed. The land has been traded at near market value and, in a lot of cases, at market value. The figure of 3 per cent is pretty close to the full figure. But, on average, PricewaterhouseCoopers said that only 3 per cent equity was left. So it would be pretty rare for a lessee to have the original leases. Most of them have been traded over a period of many years.

CHAIR: How much will it cost to assess the conservation values of leasehold lands and place covenants on them before they are converted to freehold?

Mr WATKINS: It will vary from lease to lease. The intention to purchase must come from the individual. This is an offer for individuals to exercise should they wish to do so. So we should not assume that every individual who currently has a perpetual lease will exercise his or her right to convert. If that right to convert is exercised, a series of steps will be taken to ensure that those values to which the Minister has referred will be protected. Clearly, the level of investigation required will vary, depending on the intensity of the environmental or other values that are on those lands. So it is neither practical nor possible to place a universal figure on each lease. Each lease will be treated on its merits.

The Hon. TONY KELLY: All of those leaseholders will soon get a letter telling them how to apply and imposing upon them with conditions. If they do not apply they will be up for market rent in two years.

CHAIR: Has the Department of Lands asked for any additional money, or is it intending to ask for additional money to fund this project?

The Hon. TONY KELLY: We are going through a process with some other leases as well on which we have to make an assessment. That will take resources and time. We are looking at getting applications within that two-year period. We believe that it could take up to five years to process a lot of these applications. We will be asking the 11,500 leaseholders to make an application within that two-year period. If they do not, they will automatically go onto the higher rents.

CHAIR: You referred earlier to the PricewaterhouseCoopers report. Is that publicly available?

The Hon. TONY KELLY: No, it is a Cabinet document.

The Hon. RICK COLLESS: Minister, are all of the 11,500 leases that you talked about classified as perpetual leases?

The Hon. TONY KELLY: Yes. The director-general might be able to assist me with some of the names, but there could be suburban holdings, or whatever. They are perpetual leases. Some of them are called perpetual pastoral leases and some of them are called suburban holdings, but they are perpetual, and not renewable, leases. We have a total of about 84,000 leases.

The Hon. RICK COLLESS: Are you including the western lands?

The Hon. TONY KELLY: I should have said that it does not include the western lands.

The Hon. RICK COLLESS: So this does not apply to western lands? We are talking only about eastern and central division land?

The Hon. TONY KELLY: That is right. They were dealt with in the last couple of years.

The Hon. RICK COLLESS: So there are a total of 84,000 leases in the eastern and central divisions?

The Hon. TONY KELLY: That is right.

The Hon. RICK COLLESS: What are enclosure permits?

The Hon. TONY KELLY: They are different again. Generally, enclosure permits are Crown roads. Let me give the member an example of how they came about. When this State was first settled and the lands department divided up the land, it allocated portion numbers right around the State. It attempted to allocate road access to each of those portion numbers. Obviously then—and certainly now—one owner might have owned a number of portions. These days, because of town planning laws, an owner cannot subdivide that land or sell off a portion of it. There is a minimum landholding that owners have to have. It depends on the local government area but, quite often, it is 100 acres. So one owner might have a number of them.

Over the years some of these roads were never used. Quite a number of them are on paper only. Some go up over cliff faces and some might have 30-metre gullies running through them. It is conceivable that in days gone by people might have been able to ride horses across them or walk over them, but those roads are totally unusable now. A lot of the roads run through the middle of farmers' paddocks and quite often they run along the length of the boundary of a farm.

Farmers also pay a lease fee for those lands. Generally, they were paying \$50 a year for those that were used for grazing purposes, and \$70 a year for those that were able to be cultivated. There are 45,000 of those in the State. Again, it is the view of PricewaterhouseCoopers that it costs us about \$350 a year for those that we lease out. That is part of the averaging process. We are trying to streamline that process. We have advised that we will be looking at increasing the rent for those lands. I do not know the exact number, but at least half of them would be of no use to the Crown or anybody else other than the landholder.

In fact, often no-one knows exactly where they are—they could be in the middle of a farm. So the best thing to do is to get them off our books and to get some money for them. We are going through that process now.

The Hon. RICK COLLESS: Is the minimum rent for them also \$350?

The Hon. TONY KELLY: We are looking at that because, as you would be aware—

The Hon. RICK COLLESS: Some of the road permits might be only one or two acres in size.

The Hon. TONY KELLY: Actually they are a lot less than that. Some of them might be only a third of an acre, for example, at the end of rubbish country. They might have gullies all through them and the rest of it. Some of them might not be worth much more than that to purchase.

The Hon. RICK COLLESS: Most of the gullies have been fixed up.

The Hon. TONY KELLY: Through soil conservation. We are doing an assessment and looking at that at the moment. We have not finalised exactly what we are doing. We are looking at some methods of achieving, first, a fair rent; and, second, a way of making it reasonable to convert them. At the moment it could cost \$4, 500 in legal fees to convert one of those blocks of land that may be worth \$200. That is why they have not been converted in the past. A block of land has similar legal fees whether it is worth \$200,000—forgetting the government stamp duty—or \$200. The legal costs are roughly the same.

The Hon. RICK COLLESS: PricewaterhouseCoopers estimated that the cost of administering those 45,000 road—

The Hon. TONY KELLY: No, it is an average of all the leases.

The Hon. RICK COLLESS: It will be \$350 each. The cost of administering the 45,000 road permits we were talking about is some \$13,500,000. How can that be right? If you multiply 45,000 by \$300—

The Hon. TONY KELLY: That is an average of all the leases we have. That is what they said.

Mr WATKINS: We have a plethora of different types of leases—different intensities, for example. So you are looking at an average price of \$350. Clearly, if we have a complex lease of a commercial nature in a highly urbanised area on the coastal strip there is a lot more activity involved in administering that lease—both to protect the environmental values as well as secure the appropriate rent and return on the asset—than there is in administering an enclosure permit. So it is not appropriate simply to multiply the number of enclosure permits by the number of—

The Hon. RICK COLLESS: In that case, could we also say that it would not be appropriate to charge a landholder who is leasing a third of an acre at the same rate as somebody with a complex lease like you mentioned?

The Hon. TONY KELLY: That is why we are trying to work out an equitable method of enabling them to purchase them—and some future leases as well. We are still a few weeks away from being able to settle exactly what we will end up doing with those. It may not turn out exactly as you have suggested.

The Hon. RICK COLLESS: Did PricewaterhouseCoopers work for you as part of a formal audit process or was it simply a number-crunching exercise?

Mr WATKINS: When the Minister became the Minister for Lands and we discussed the range of activities across the Lands portfolio it was clear to the Government and to the department when we took on this function that the Lands Department of old and the Lands function is one of the most historic in the State. It requires constant development to try to make the legislation and its activities contemporary to meet the needs of current and future generations. The PricewaterhouseCoopers work is but one small part of, and one input into, a whole strategic approach to the management of the Crown estate to ensure the principles of Crown land management in the objects of the Act. I should add that in 1988-89 when the 1901 Act was changed to the new Act it was one of a limited number of Acts in this State that had objectives. In those objectives and the principles of Crown land management not only are environmental values enunciated clearly but so are the other principles of optimising multiple use, asset management and the like. So in advising the Minister and the Government we are trying to use whatever means we have available to us—knowledge and others—to try to ensure that the legislation is being interpreted in such a way as to meet the needs of the community. After all, that is what the Crown estate has been about ever since European settlement.

The Hon. RICK COLLESS: Have you given any consideration to outsourcing the administration of these leases?

The Hon. TONY KELLY: We certainly have not given consideration to that, but one of the first things we want to do is try to clean up the register. As we have just explained with the enclosure permits—and, I suppose to some degree, the 11,500 perpetual leases—the majority are of no use to the Crown. Regardless of whether you outsource or in-source the administration, it is probably pointless. That is really what we are embarking on first.

The Hon. RICK COLLESS: If the department were to receive more income from the new rent regime than it costs to administer it, what would you do with the additional money?

The Hon. TONY KELLY: That is a whole-of-government, Treasury matter.

The Hon. RICK COLLESS: It goes to consolidated revenue, in other words.

The Hon. TONY KELLY: That is worked out with the budget each year. We certainly have to give a return to the Government. We hope that, as was announced by the Treasurer I think in the

May budget, we are looking to have Crown land become a public trading enterprise. That would deliver a dividend to the Government to help build hospitals and provide police and teachers.

CHAIR: In terms of the conversion of these lands, can you explain whether there is any acknowledgement of wilderness and threatened species habitat conservation in this process?

The Hon. TONY KELLY: That is the purpose of the consultation process with the Minister for the Environment, as outlined in the legislation that went through Parliament. The Minister for the Environment can highlight any of those issues and have some input in the process. As I said, we have the ability to refuse a sale if we believe the land cannot be protected in any other way. But we have a view that these days land—regardless of whether it is national park, Crown land or my freehold land—should be protected. So, regardless of the land tenure or who owns it, those threatened species and other environmental factors should be considered in the same way. That is the view we are taking.

CHAIR: What rights do indigenous interests have in these conversions?

Mr WATKINS: They are not affected so the issue of native title and Aboriginal land claims remains unaffected.

The Hon. TONY KELLY: By any of this legislation.

CHAIR: As there are no further questions on the Lands portfolio, we will move to Emergency Services. I thank the officers.

The Hon. CHARLIE LYNN: My question is directed to Commissioner Koperberg. Has the Rural Fire Service purchased or leased a \$7 million King Air twin-turbo prop aircraft? If so, has it been or is it being fitted out to enable you to travel around New South Wales to maximise your media opportunities?

The Hon. TONY KELLY: First, let me introduce the officers who are appearing before the Committee. At the table are Commissioner Phil Koperberg, from the Rural Fire Service [RFS]; Commissioner Greg Mullins, from the NSW Fire Brigade; Brigadier Phil McNamara, from the State Emergency Service; and Major-General Hori Howard, Chairman of the State Emergency Service Management Committee.

If I may respond to the question—the Commissioner may be able to add some details later—a plane has been leased by the NRMA and provided to the Rural Fire Service for a number of purposes. But the plane is available to be hired out when it is not being used for these purposes to try to get some extra income for the Rural Fire Service. The plane is fitted with a new system called Firescan, which I understand can do two things. First, the plane is able to overfly areas and map and quantify the fuel load so that does not have to be done manually through ground trips. So it can do in a matter of hours what it would take 10 man days to do. But, very importantly, during bushfires it is able to photograph the exact situation with a fire—the way it is moving—and relay that information back immediately by CDMA telephone links to be mapped. It can penetrate through the cloud mass.

At the moment firefighters on the ground can obviously see a certain amount of where the fire is. People in a helicopter above the fire can also see a certain amount of the fire but the view is inhibited by smoke. That is the purpose of this plane. The NRMA is obviously using the plane as well for its own purposes. But that is the primary use of the plane. As I said, it is available for hire by various departments or anybody else. The Commissioner might like to add some information.

Mr KOPERBERG: I would be happy to. Through you, Mr Chairman, leaving aside the offensive nature of the last part of your question, first of all, the King Air did not cost \$7 million. It was considerably less than that.

The Hon. CHARLIE LYNN: What is the cost?

Mr KOPERBERG: I think you can pick up a King Air for about \$4 million if you buy it new.

The Hon. CHARLIE LYNN: Is that what you have?

Mr KOPERBERG: No. I was about to say that the second aspect is that it is not a new King Air; it was previously used by a South Australian university. Thirdly, the entire lease cost is being picked up as a result of a sponsorship by the NRMA to the value of \$4.5 million over three years. The aircraft is fitted with technology that exists in only one other place in Australia and in only half a dozen places throughout the world. It is referred to as a multi-spectral scanner that scans the entire frequency range of light, enabling us, as the Minister has said, to detect fire edge, fire movement, fire spread and fire speed under cloud. This is the first time that we have been able to do this. The aircraft is used for reconnaissance, detection and so forth, as well as for the scanning aspect. It is also capable of being converted to carry a number of passengers. We are also trying to get extra revenue by making the aircraft available for charter. It is used by RFS staff very seldom—on very rare occasions—when there are no commercial alternatives available.

The Hon. AMANDA FAZIO: To follow up, does the equipment on this plane enable you to see through all the smoke and flames to see what is underneath?

The Hon. TONY KELLY: Yes, you can see through clouds and smoke.

Mr KOPERBERG: It is the first time that we have been able to fly over smoke and relay to the firefighters on the ground precisely where the fire is, which direction it is heading in and how fast, and, moreover, with what intensity it is burning.

The Hon. TONY KELLY: And give them a map of it.

Mr KOPERBERG: Within minutes.

The Hon. CHARLIE LYNN: When it is being used by your staff did you insist that it be refitted with leather seats, a bar and a fridge on board?

Mr KOPERBERG: Certainly not.

The Hon. TONY KELLY: It certainly does not have a bar and a fridge.

Mr KOPERBERG: It does not have a bar and it does not have a fridge and occasionally it does not have a toilet. Leaving that aside, to gain maximum use of the aircraft, seats were fitted. Incidentally, the nature of the seats was not specified by the RFS: they were specified by the owners and operators of the aircraft.

The Hon. TONY KELLY: It is not just an empty plane without this equipment. A number of positions that would normally be taken up by seats have this electronic equipment permanently in their place.

The Hon. CHARLIE LYNN: I refer to the Opal Cove conference at Coffs Harbour on 10 August. I understand that both you and the Minister attended the conference?

Mr KOPERBERG: I certainly did. Yes, the Minister officiated at the opening of the management conference for all of our district managers.

The Hon. CHARLIE LYNN: How many managers attended? What was the cost of the conference?

Mr KOPERBERG: I will take that on notice.

The Hon. TONY KELLY: Any diverse organisation like this must have a conference where they can get up-to-date information. A number of people were displaying their most recent technology. I travelled by plane to open the conference—I squeezed it in amongst other things I was doing—and I did not stay anywhere near as long as I should have.

The Hon. CHARLIE LYNN: Did any companies that participated in that conference contribute to the conference? If so, would you provide details of their contributions?

Mr KOPERBERG: I will provide the details on notice. Certainly, like most activities of the RFS, we attempted to attract sponsorship. There were a large number of exhibitors and primary sponsors who helped to defray the cost of that conference. In fact, apart from the cost of getting the managers to the conference, and their time in the activities there, it was almost cost neutral. I will be happy to provide the Committee with the details.

The Hon. CHARLIE LYNN: Were any of those companies coerced into providing beer and wine for the conference?

Mr KOPERBERG: We do not work like that. There were a number of functions. We do not coerce anyone but, leaving that aside, a number of specific events were sponsored. It may come as a surprise to you to know that delegates at the conference had to eat during the course of four days. We even had sponsors provide refreshments and sustenance. Those events were sponsored by a number of providers.

CHAIR: I hope that we get to some extremely important issues.

The Hon. TONY KELLY: It is a bit similar to The Nationals conference that was recently held in the country. They had some major sponsors as well, which helped to defray the costs of their conference.

The Hon. CHARLIE LYNN: What action did you take when a rather inebriated Rural Fire Service regional manager at the conference vomited on the bonnet of a private car before vomiting through the car window?

Mr KOPERBERG: It is a fact that one staff member acted in an unacceptable manner, as from time to time people do. That officer was reprimanded, demoted and disciplined. He has since apologised both personally and in writing to the owner of the motor vehicle. It was an unfortunate incident. It does not reflect the general behaviour of those participating at the conference.

The Hon. RICK COLLESS: Did the Rural Fire Service pick up the cost of cleaning that vehicle?

Mr KOPERBERG: The Rural Fire Service offered the owner recompense for any costs associated with the cleaning. The owner declined.

The Hon. RICK COLLESS: The new tankers that have been commissioned in 2003-04—

The Hon. TONY KELLY: Do you mean the Torrington one?

The Hon. RICK COLLESS: I hope so, Minister, yes. But in the photograph you showed me recently it did not have any back wheels on it, so I hope they actually get the one that has got the back wheels on as well.

[Interruption]

I understand there have been a few concerns with the water tank mountings of the Isuzu tankers. How many Isuzu have had a flaw? I understand that some 100 have been recalled to have modifications made to them. How many of the tankers have cracked?

Mr KOPERBERG: It is not uncommon for a product such as this. It happens in almost everything—cars, aeroplanes—that when a fault is detected over a period of time, especially given the very hard work that these vehicles are called upon to do. In this particular case, as a result of our regular inspectorial regime, we have been finding cracks in the mountings. These are not dangerous to the point that they would threaten the life of the passengers in the vehicle or even cause them serious injury, but faults have had to be rectified. In the first instance, the tankers were fitted with mounts recommended by the cab chassis manufacturer, so we complied. As these things go, faults developed

and we are retrofitting the fixtures now to our fleet, the exact number I am not sure. Again I am happy to take that question on notice and provide the Committee with the details.

The Hon. RICK COLLESS: Was the problem only on Isuzu trucks?

Mr KOPERBERG: Yes, as far as I am aware, that particular problem. There have been some other problems in smaller categories of vehicles so far as axle loadings were concerned.

The Hon. RICK COLLESS: Were they category 7 trucks?

Mr KOPERBERG: No, you are talking about two different issues. These mounting issues were on category 1 and category 2 trucks. Some of the axle loadings were on the smaller category 7, category 9 vehicles.

The Hon. RICK COLLESS: Of those category 1 and 2 trucks, in the tankers that you have purchased over the past couple of years, what proportion was Isuzu and other makes?

Mr KOPERBERG: Principally in category 1 and category 2, probably 95 per cent of them are Isuzus.

The Hon. RICK COLLESS: Were there problems in the others?

Mr KOPERBERG: No, the problems occurred mainly in the most recent range of manufactured models. There are Isuzus out there that have been in the field for 12 to 15 years, for argument's sake, and the fault that has now been found is not common to every batch of manufactured vehicles. It is confined to a certain build in much the same way as Holden and Ford recall vast numbers of vehicles when a fault is detected.

The Hon. RICK COLLESS: How does the cost compare for the various makes? What are some other makes of those category 1 and category 2 tankers?

Mr KOPERBERG: There are very few of them. Isuzu has had the contract, as a result of the normal tendering process, for some years now. There are a number of other manufacturers available, not the least being a number of other Japanese cab chassis. All our cab chassis are either Mitsubishi, Toyota or Isuzu and similar models, but there are only two cab chassis capable of carrying the weight and loading and so forth required for a category 1 or category 2 tanker. And thus far Isuzu has been the preferred and selected supplier.

Ms SYLVIA HALE: Why have you approved the commissioner's proposal for a rostering system at Lismore Fire Station where only two firefighters, one station officer and one firefighter, are rostered at any one time in order to cover a 24-hour roster, despite the minimum manning being four firefighters—that is, one station officer and three firefighters?

The Hon. TONY KELLY: There have been continuing calls for additional permanent station staff at Lismore, despite the fact that Lismore is number nine on a priority list to get permanent firefighters. As you would be aware, there are two different types of firefighters—I am not talking about the Rural Fire Service now but about town New South Wales Fire Brigades. Actually now there are three types of firefighters. The two types to which I referred are the 3,500 full-time employees and a further 3,500 retained firefighters. Most country fire stations are manned by retained firefighters who have got another job and come out on call.

The Government has been consistently assessing the fire protection needs and resources of communities across the State. As I said, Lismore is about ninth on the priority list. However, the commissioner has attempted to try to solve the problem in Lismore, particularly for the local member. Staffing for Lismore Fire Station has been the subject of ongoing consultation with the local member, Thomas George, council and the New South Wales Fire Brigade Employees Union [FBEU]. An additional three firefighters have already been employed at Lismore so that full-time firefighters are on-site from 8.00 a.m. to 6.00 p.m. seven days a week. Twelve retained firefighters are on call overnight. They have still got the normal retained firefighter level but it has only got those additional three firefighters.

For example, if, as some people want, a full-time 24-hour fully manned firefighter station an additional 13 full-time firefighters would be required—at a cost of more than \$900,000 a year. Bear in mind that there are eight other towns and cities that have a higher priority, so it would not be a wise decision. Lismore council has indicated it would support this placement and contribute to the additional cost, in line with the current funding arrangements. The most recent review conducted by the brigades indicated that the number of calls does not justify an immediate change to the current level of staffing. They will continually review it. I am aware that material has been circulated in the Lismore community that contains incorrect and misleading information about local fire response times and staffing levels at other stations around the State. This is a great concern.

This Government and the Fire Brigades have listened to the community's views on this matter and, in conjunction with the local member, have come up with a solution. The commissioner and the regional commander visited Lismore in July and put forward a proposal that would provide 24-hour cover by full-time firefighters—subject to the union's acceptance. This would see an immediate response crew of three firefighters based at the station around the clock, backed up by the retained crew. Two extra jobs would, therefore, be created in Lismore. Lismore has about 26 structure fires a year—one a fortnight—most of which are minor, and could easily be contained and dealt with by the initial crew. The retained crew would provide swift back-up.

Contrary to the misinformation being circulated locally, analysis indicates the average response to calls by Lismore's retained firefighters compares favourably throughout the State. Although I understand the commissioner's proposal was welcomed by the local member, a local councillor who had expressed concern and the union delegate, it has since been rejected by the FBEU. Analysis shows an increase to full-time 24-hour staffing is not yet warranted in Lismore. Commissioner Mullins has put forward a workable proposal that was accepted by some of the councillors and the local member to provide around-the-clock cover, and I would urge those individuals creating trouble to adopt a more constructive approach to serving their local community.

Ms SYLVIA HALE: Did both Lismore council and the Fire Brigades union support this new proposal?

The Hon. TONY KELLY: No.

Ms SYLVIA HALE: Do they oppose the new proposal?

The Hon. TONY KELLY: I said the local member, Thomas George, and Councillor Jenny Dowell, I think it was, and the union delegate accepted it, but the FBEU in Sydney has a different view for some different reason.

Ms SYLVIA HALE: How many other fire stations in New South Wales have had their resources spread over a 24-hour roster, resulting in only one station master and one firefighter rostered on at any given time?

The Hon. TONY KELLY: I will get the commissioner to answer that but this was an attempt to try to get them some additional permanent staff where they would normally just be rejected.

Mr MULLINS: I am extremely concerned about the misinformation that has been spread in the Lismore community to the extent that people in Lismore and the media were of the view that they did not have a 24-hour fire brigade, which was nonsense. Like about 240 other communities throughout New South Wales, they are covered 24 hours a day by retained firefighters who are local residents who live within three kilometres of the fire station. They have pocket pages. On average, in Lismore there is 10.6 minutes between the time the call is received and when they arrive at the scene of the fire—which, to us, is acceptable.

Information was spread locally about alleged response time. They were given to council, to the local member and to the local newspaper. When we investigated those, all but two were basically false. For example, it was alleged that one night the brigade had taken 18 minutes to respond to a home unit fire. When we looked into it, indeed there had been a call to a home unit on fire; the address given did not exist; it took the brigade 18 minutes to look at every street in the community that

sounded like that street; and we found out that it was a malicious false alarm. That was put forward by the people pushing 24-hour staffing to say, "Look how long these rotten retained firefighters take!" This has taken a big toll on the morale of these wonderful people, who leave their homes and places of work at a moment's notice to fight fires in the community. What was put forward was a compromise situation where there would be a permanent crew on a hazardous materials unit.

You asked how many communities around the State are serviced by a crew of a station officer and one firefighter. Every hazardous materials unit in the State that is staffed by permanent staff has that configuration. This was to protect the agreed safe and effective crewing of a crew of four. What would happen would be that there would be a fire engine with a retained crew of a minimum of four, sometimes six, with others following. But the initial response would be by the hazardous materials unit. Analysis of the risk and hazard in the Lismore community rates at outside Sydney, Newcastle, Wollongong, Central Coast and the Blue Mountains. It rates consistently either 16 or 17 on any measure, on a comparative basis, to communities like Tweed Heads, Wagga Wagga, Orange, Armidale, Queanbeyan and Nowra. A number of those communities already have 24-hour staffing, such as Tweed Heads, Port Macquarie, Dubbo, Wagga Wagga and Albury.

Lismore has, if you like, jumped the queue, above four other communities that have a higher level of hazard, more call-outs and a greater need for that level of fire protection. However, those communities are quite happy with the service they are receiving. I will be quite upfront: The campaign is being pushed by firefighters who work in Sydney and Newcastle and live around Lismore. Frankly, I think the level of misinformation that is being put forward is scandalous.

Ms SYLVIA HALE: Commissioner, presumably you will have no problem with these questions, since I believe the proposal to have the two firefighters originated with yourself. Is it true that having only one station officer and one firefighter rostered onto Lismore fire station would breach the Fire Brigade's occupational health and safety and WorkCover regulations, which require a minimum of four firefighters to operate a fire truck at the scene of a fire?

Mr MULLINS: No, that is not the case at all. Firstly, it is a New South Wales Fire Brigades standard. But, if you go to Melbourne, you will have a crew of three on a truck, not four.

Ms SYLVIA HALE: Yes, but we are in New South Wales.

Mr MULLINS: There is no WorkCover regulation whatsoever that covers this. It depends what State as to the crewing configuration. New South Wales has a very good, safe and effective standard, which other States aspire to. The proposal was to have a fast response unit that would service not only Lismore but the region for hazardous materials incidents. So the specialist full-time firefighters would be on that unit. They would be available to respond immediately to any call in the Lismore area, backed up by the retained firefighters. Our average response times when the permanent crew are on is about 7 minutes, and about 10 minutes for the retained. So they would be waiting 3 minutes for backup. Digging further down, they have about 340 calls per year, and on average only about 26 are structure fires. Many of those structure fires relates to things like a pot of chips on a stove—you would have seen the TV advertisement some years ago—which could be very simply handled by that fast response crew. On the few occasions that they have had major fires, the crew would set up what we would call defensive positions, find water hydrants, set up, and it would be 3 minutes that they would be waiting for backup from Goonellabah and Lismore station.

Ms SYLVIA HALE: Is it true that if Lismore fire station were to adopt your proposals a firefighter who is trained to save lives would not be able to rescue people until backup arrived, because entering the house would breach the brigade's occupational health and safety guidelines?

Mr MULLINS: That is more of the misinformation that is being put forward.

Ms SYLVIA HALE: If you would just say yes or no in that case.

Mr MULLINS: No.

Ms SYLVIA HALE: Is it true that if a firefighter in a two-person crew were to enter a burning house and be injured or killed, they or their family would not be eligible to claim workers compensation?

Mr MULLINS: That is total nonsense.

Ms SYLVIA HALE: Is the priority of the fire brigade to save lives first and then property, or property first and then lives, given that if only two firefighters were rostered on at Lismore fire station two would be able to save either the house or the people, but not both?

Mr MULLINS: This is based on the premise that was put forward that they do not have a 24-hour fire service and all they are going to get is a crew of two. The union—

Ms SYLVIA HALE: But that was your original proposal, was it not?

Mr MULLINS: The letter that I sent to the union on 2 July contained a proposal that the staff at Lismore actually suggested, with a crew of 3, which could have been accommodated. So the union did not even bother reading the letter that we sent. We know that because the local media asked the union president, "But the commissioner's proposal is for a crew of 3" and he did not realise that. He had not read the letter.

CHAIR: If I could interpose to ask a few questions. Minister, what planning and preparations have been, or are to be, undertaken for emergency services management and responses consequent to the proposed new nuclear reactor in Sydney?

The Hon. TONY KELLY: I might pass that over to Hori Howard.

Mr HOWARD: Mr Chairman, we conducted a review of the planning against the possibility of a radiation leak at Lucas Heights, at the request of the Sutherland Local Emergency Management Committee. That review is complete, and a new State level emergency plan has been prepared, with a different strategy, adopting a higher level of safety. And a district level plan is almost finished. The State level plan is operating if something did occur, and the risk is very low. But, if something did occur, the planning is already in place—an improved plan, in our view—to take care of the safety of the community.

CHAIR: What is the anticipated cost, over time, to the New South Wales Government of these management and response implications? You might want to take that on notice, Mr Howard.

The Hon. TONY KELLY: We will take it on notice.

Mr HOWARD: Thank you, Mr Chairman. I appreciate that.

The Hon. TONY KELLY: You said "over time". Over what time? I was not sure whether you meant one year, 20 years or 50 years!

CHAIR: Whatever is reasonable in terms of a projection. I would leave it to your department. If I say one year, that may not be enough to gain an overall perspective. I am leaving it open when I ask what is the cost to the New South Wales Government, on what may be seen as a Federal issue in terms of the facility itself. Given the recent related decision by NSW Health to recommend public evacuation as a necessary emergency response measure to a radioactive release from Lucas Heights reactor, rather than the previous recommended emergency response of public sheltering, what New South Wales Emergency Services Agency planning and preparations have been undertaken, or are to be undertaken, to provide for the new emergency response measure of public evacuation?

Mr HOWARD: The Emergency Management District Committee has completed a draft plan for the evacuation, if required, and that will be submitted to the State Emergency Management Committee for its December meeting. The plan could be operated now. We have given it clearance out of session. The arrangements are relatively simple. They are not very much different from those which we execute during a bushfire or another emergency. There are within that identified locations that are

suitable to be used as evacuation centres, to which we ask people to go. Most people do prefer to use their own transport, but we do provide supplementary transport for those who need it. I stress that it is not all that different from what we do now for any other emergency.

CHAIR: Has the New South Wales Government informed the local community of the new emergency response measures for public evacuation?

Mr HOWARD: We are in the process of so doing through a committee, which includes community representatives, which has been set up within the Sutherland shire.

CHAIR: What public consultation and public education measures are intended to accompany the new public evacuation response plan?

Mr HOWARD: We are developing a plan that will include public meetings, and briefings to areas such as schools, aged care facilities, nursing homes and so forth. We will also be producing some literature, which will be distributed. So, essentially, public meetings are really the first thing we need to do, and then provide the special briefings for those with special needs, backed up by some literature to go out to the people in the area which could be subject to evacuation.

CHAIR: Thank you, Major Howard.

The Hon. CHARLIE LYNN: Major-General.

CHAIR: My apologies.

The Hon. CHARLIE LYNN: I was a major.

The Hon. TONY KELLY: You just wanted to get that on record, didn't you?

The Hon. CHARLIE LYNN: It is very important.

CHAIR: It is interesting to hear the interpretation of what is an attempt at respect in this community. I am sure it goes over the heads of some. Major-General Howard, following recommendation 17 calling for risk assessments to be undertaken by New South Wales agencies, including Emergency Services, for any transport proposals including consideration "of the risk of potential terrorist activities", what array of risk assessments are required to comply with this recommendation?

Mr HOWARD: At this stage, those risk assessments have not been put before the State Emergency Management Committee. They have been handled by police.

CHAIR: Is there an anticipated cost and time period involved in these plans eventually, or will they stay with the police for assessment?

Mr HOWARD: In terms of the actual risk assessments, as far as I am aware they will stay with the police.

CHAIR: So would police have the lead role?

Mr HOWARD: In this case, yes, Mr Chairman.

CHAIR: Following recommendation 18 calling for New South Wales agencies to "detail and cost the emergency services requirements to best manage any transport proposals", what work is proposed or would be required to be undertaken to detail and cost these New South Wales emergency services requirements?

Mr HOWARD: Mr Chairman, we have been given no details of movement of any materials other what is done at the moment—that is, through the State, I assume you are speaking about.

CHAIR: Yes.

Mr HOWARD: We have absolutely no knowledge, and we have received no requests to do anything about that at this stage.

CHAIR: Would you expect your agency to be the lead agency for such activity?

Mr HOWARD: In that case again, Mr Chairman, it is more likely to be police.

CHAIR: Thank you very much, Major-General Howard.

Mr HOWARD: Thank you, Mr Chairman.

CHAIR: Major Lynn?

The Hon. CHARLIE LYNN: General Howard, was that emergency response plan—

CHAIR: Major-General, please.

The Hon. CHARLIE LYNN: Major-General Howard, was that emergency response plan at Lucas Heights initiated after members of the greens scaled a Lucas Heights reactor?

Mr HOWARD: No.

CHAIR: Before Mr Lynn goes on, I should inform him that it was not a member of the Greens. It was actually Greenpeace. But I would not expect the member to understand the difference.

The Hon. CHARLIE LYNN: Is there a rank structure in the Greens?

CHAIR: It is a flat organisation.

Mr HOWARD: We commenced the review of the whole situation with respect to the Lucas Heights facility very shortly after the last election. I believe that is considerably before that particular demonstration.

The Hon. CHARLIE LYNN: You would probably have had to refine the procedures after that, I would imagine.

CHAIR: Don't verbal the witness, please, Mr Lynn.

Mr HOWARD: Again, it is a Commonwealth responsibility, Mr Chairman. The area itself is the responsibility of the Commonwealth, not us.

The Hon. RICK COLLESS: Previously you were talking about the electorate of Lismore. Was the honourable member for Lismore invited to present the new tanker to the Casino brigade?

The Hon. TONY KELLY: You are talking about the bush fire tanker?

The Hon. RICK COLLESS: No, I understand that it was a New South Wales Fire Brigades tanker.

The Hon. TONY KELLY: It is generally the Government that presents any tankers, regardless of whether they are bush fire or the commissioner's concern.

The Hon. RICK COLLESS: Was the honourable member for Lismore invited to attend the function?

The Hon. TONY KELLY: I am not sure. I certainly was not there.

The Hon. RICK COLLESS: Neither was the honourable member for Lismore. It seems to me to be an extreme omission to have a tanker delivered to a local member's home town and not invite him.

The Hon. TONY KELLY: I just found out why I had not been invited, because it has not happened yet. The official handover has not happened. They might have a fire engine, which occasionally happens.

The Hon. RICK COLLESS: It was reported on local television news.

The Hon. TONY KELLY: It might have been reported that it has turned up, but my understanding is that the official handover has not happened yet and that is when people like myself or local members actually get their pictures in the paper.

The Hon. RICK COLLESS: We will watch that one with interest.

The Hon. CHARLIE LYNN: When was the last time that the Rural Fire Service vis-a-vis the New South Wales Fire Brigades boundaries reviewed its responsibility? We have areas like Glenwood, for example, which were Rural Fire Service before, but are now heavily populated residential areas. When will they be reviewed again and what protocols will be in place to ensure that the Fire Service resources attend fires as soon as possible?

The Hon. TONY KELLY: They are done consistently. It is the Fire Services Joint Standing Committee, and I think it is on a recommendation from the local officers who make a recommendation to the committee. But they do not do it on a statewide basis. They review those boundaries all the time. Each time they have a meeting they continue to review the boundaries. I do not know whether it is every month, but perhaps every couple of months I sign off on changes in boundaries going both ways—they are probably going one way normally. As you would be aware, in these communities where they were formerly Rural Fire Service areas, particularly on the coast where there are significant increases in population, in some cases 4,000 or 5,000 extra people can turn up in a couple of years. They are continually reviewing those boundaries. It is a continual process on the recommendation of the local district committees.

The Hon. CHARLIE LYNN: Could you take this on notice and tell us what the situation is at Glenwood?

The Hon. TONY KELLY: We will have to take that on notice.

The Hon. RICK COLLESS: Can you tell the Committee who your suppliers or distributors of the Isuzu tankers are?

The Hon. TONY KELLY: I am sorry, I missed the first part.

The Hon. RICK COLLESS: The distributors, who supplies you with the Isuzu tankers?

The Hon. TONY KELLY: I will take that on notice, unless the commissioner knows that offhand. It is under contract.

Mr KOPERBERG: I do know.

The Hon. RICK COLLESS: Would it be a company called Gilbert and Roach?

Mr KOPERBERG: Gilbert and Roach.

The Hon. TONY KELLY: Yes.

Mr KOPERBERG: Yes, indeed.

The Hon. TONY KELLY: They are one of the major suppliers in the State. A lot of the country councils, for example, if they get an Isuzu it actually comes through Gilbert and Roach.

The Hon. RICK COLLESS: Do you have any idea, and I will not hold you to the exact dollar figure, of the quantum of the value of Gilbert and Roach's contract?

Mr KOPERBERG: I cannot tell you precisely, but it would be some millions of dollars I expect. If I may be permitted to supply the details?

CHAIR: Certainly.

Mr KOPERBERG: It is easily obtained. I would be happy to supply it to the Committee.

The Hon. RICK COLLESS: Can you tell me if Gilbert and Roach sponsored your conference in Opal Cove?

Mr KOPERBERG: Half of it, yes, they did.

The Hon. RICK COLLESS: What would the value of the sponsorship be?

Mr KOPERBERG: From memory, I think they sponsored the welcoming reception, a small half-hour reception. All the other sponsors were present as well. Let us say, a guess, \$3,000, somewhere in that order.

The Hon. RICK COLLESS: Perhaps you could supply the Committee with the exact figure of the sponsorship, if you would not mind?

Mr KOPERBERG: I would be happy to.

The Hon. RICK COLLESS: I refer now to the Homebush Rural Fire Service headquarters. Does the commissioner's bathroom in that new building have a granite top?

The Hon. TONY KELLY: I had better let the commissioner answer that.

Mr KOPERBERG: It is gold!

The Hon. TONY KELLY: I have not been in his bathroom.

Mr KOPERBERG: I am not going to put up with a granite top. No, I think it is that sort of thing. Can I say that this new headquarters is the latest emergency services building in Australia and, therefore, it is obviously going to be the recipient of the best architectural ideas in building materials, cost effectiveness, environmental advantages, and so forth and so on. My bathroom, which, incidentally, I think is referred to as the CEO's en suite, complies with the public sector standards completely. In fact, we do not choose the materials. This is all done by people like the Department of Works and Services and so forth. We do not have a say in it. Up until next Sunday when we move into the building I will have been the only New South Wales CEO without an en suite, not that that particularly worried me. I am quite happy to go anywhere. When nature calls you know how it is. I cannot tell you exactly what the material is, but it is not something that I have chosen or anyone else has chosen.

The Hon. RICK COLLESS: I think you have answered the question. Thank you.

The Hon. AMANDA FAZIO: You should be embarrassed asking that question.

The Hon. RICK COLLESS: Why?

The Hon. IAN WEST: Who gave you that?

The Hon. AMANDA FAZIO: The boy genius down the back. Now he will go red.

The Hon. RICK COLLESS: Can you tell us how much is in the rural fire service volunteers association account?

Mr KOPERBERG: They try not to tell me that too often, as you can imagine. The RFS is an incorporated body established—

The Hon. RICK COLLESS: This is the volunteer association we are talking about?

Mr KOPERBERG: Yes. It is not connected in any shape or form with the RFS. It purports to represent the 67,000 volunteers, engages in a range of fundraising activities to, inter alia, establish benevolent funds for the families of fire fighters who might fall on hard times and so forth and so on. They are energetic. They are resourceful. They raffle lots of things. The last time they gave me an indication I think the bank balance was probably somewhere in the order of \$700,000 to \$800,000. This money is not used to do what the RFS or the State is supposed to. It is designed to promote the welfare of volunteers, those little extras that they feel are necessary.

The Hon. RICK COLLESS: Has there ever been any occasion when full-time RFS staff have accessed those funds to go to conferences and that sort of thing?

Mr KOPERBERG: They may well have been subsidised. Full-time staff are also members. They can be members of the RFSA, although ostensibly it supports the views and represents the views of volunteers. But they used to be an organisation called the Fire Control Officers Association, which was comprised of full-time staff, district managers to be precise, and their support staff. A few years ago, to their credit, that organisation disbanded to ensure that there was a wider opportunity for volunteers also to have input into management decisions. Volunteers are now represented at every decision-making level within the RFS. But they did so in such a way as to not disenfranchise those staff—field staff, district staff—who were previously members of the old Fire Control Officers Association and thus allowed the membership. The association sponsors members going to particular conferences, as does the RFS. In their major international conference held in Sydney only a couple of years ago both the RFSA—the association—and the RFS sponsored large numbers of volunteers to ensure that they, too, had access to this sort of forum. I would be very surprised if the RFSA sponsored staff unless it was found that the department, for whatever reason, through an expression of interest or whatever, chose not to send staff to a particular conference and they may well have applied. But if the Committee would like me to, I will refer the matter to the president of the RFSA, the Rural Fire Service Association, to see if the honourable member might glean some more information.

The Hon. AMANDA FAZIO: There is a longstanding protocol of members of Parliament informing the relevant Minister of shadow ministerial visits. Can you explain why this is so important?

The Hon. TONY KELLY: It certainly is important. It certainly is not something that was implemented by this Government, it was implemented by Premier John Fahey. It is a protocol that he designed and it has been adopted by every government since, that shadow Ministers or politicians of any description who want to visit a particular site should do so by advising the Minister's office. I am not aware of any Minister's office that has refused it. What they might try to do is have it occur at a time when it is more appropriate. For example, particularly emergency service areas, a lot of facilities are not manned and it may mean that emergency service workers in the country, not volunteers but full-time workers, have to leave their normal job and go at the end of that when, if it was put off for a day, it could have been done within their normal duties. It is that sort of thing. That is the reason for it. It was a good policy. It is important.

The Hon. AMANDA FAZIO: Are you aware of that being complied with in your portfolio area?

The Hon. TONY KELLY: No. The reason I know about it is that recently I was in my own home town in the same street when the shadow Minister visited without letting me know. A member of the New South Wales Fire Brigades had to travel down from Dubbo to Wellington especially to open up the facility to show him around.

CHAIR: We are out of time for that section. In the final 45 minutes we will move to Local Government.

Ms SYLVIA HALE: As you know, last year Warringah council was sacked and Dick Persson was appointed administrator. I say this by way of a few prefatory remarks. Warringah council is now in the midst of a controversial proposal to sell the Warringah Civic Centre for redevelopment of the site as a hospital. Would you agree that the proposal is controversial not only because it involves the sale of the council's single biggest asset but also because the associated plan to relocate Mona Vale Hospital is deeply unpopular with the people of the peninsula?

The Hon. TONY KELLY: Firstly, I should, perhaps, make some ground rules and that is that—I think I might have even said this in answer yesterday to a question in Parliament—local government councils are autonomous bodies, democratically elected. In this case the administrator has taken a position of a democratic elected councillor and those sorts of decisions are ones that they make totally independent of the Government or me. I certainly cannot comment on whether or not the hospital is in the right place or likely to be.

Ms SYLVIA HALE: But, certainly, you would agree that the administrator is not democratically elected?

The Hon. TONY KELLY: No. What I will agree with is that he takes exactly the same position under the Local Government Act as a democratically elected council. The only difference is that it is an orderly council meeting because there are no arguments.

Ms SYLVIA HALE: Will Mr Persson therefore be permitted to single-handedly make the controversial decision on whether or not to sell the civic centre site?

The Hon. TONY KELLY: Look, if it is a decision a council could make, then he can make it, by law.

Ms SYLVIA HALE: So you will not give an undertaking that—

The Hon. TONY KELLY: I will not—

Ms SYLVIA HALE:—this decision would not be made—

The Hon. TONY KELLY: If I—

Ms SYLVIA HALE: —until a democratically elected council is in place?

The Hon. TONY KELLY: If I interfered with each and every decision of a council and all the 152 councils in this State, there would need to be 50 of me.

Ms SYLVIA HALE: Minister, as you no doubt know, the matter is further complicated by the fact that Mr Persson is not only the chairman of the Sydney area health service but also is a former adviser to the Minister for Health, Morris Iemma.

The Hon. TONY KELLY: That is irrelevant to my portfolio. I am not the Minister for Health.

Ms SYLVIA HALE: No, but you are the Minister for Local Government.

The Hon. TONY KELLY: And I do not interfere in their decisions.

Ms SYLVIA HALE: Would you agree that Mr Persson's position with his former employment would give rise to not only a perceived but conceivably an actual conflict of interest? In view of that, do you believe that Mr Persson is the person who should be making the decision?

The Hon. TONY KELLY: Mr Persson is the person?

Ms SYLVIA HALE: Sorry.

The Hon. TONY KELLY: Look, what I would agree is that Mr Dick Persson is obviously one of the best persons for the job—that is, the best p-e-r-s-o-n for the job—that he has, as administrator. I am aware that that particular council was the worst complained about council in the State at the time it was dismissed—or I think the technical term is when that the positions were declared vacant.

Mr PAYNE: That is correct.

The Hon. TONY KELLY: Since that time I do not think I have had a complaint about the council.

Ms SYLVIA HALE: I suggest you are probably about to be deluged with them.

The Hon. TONY KELLY: It has gone from the highest complained about council to one of the lowest in the State. Just to correct you there, Mr Persson was the director-general [DG] of public works, not on the personal staff.

Ms SYLVIA HALE: Fine. Presumably a justification for installing Mr Persson in the first place was an attempt by you to stem the unhappiness and dissatisfaction with the council in the community. Do you not consider that if Mr Persson were to make this decision, it would augment the loss of faith in the decision-making process in Warringah Council?

The Hon. TONY KELLY: That was part of the problem with Warringah: they could not make decisions. They were a dysfunctional council. That is why they were sacked. This council has actually made a decision. Anyway, I think you should wait and see whether it actually eventuates.

Ms SYLVIA HALE: But you would agree that the decision to sell off the civic centre, which is the council's largest asset, would be a very big decision for any council to make, let alone an individual, especially an individual who is not democratically elected.

The Hon. TONY KELLY: Councils make those decisions all the time.

Ms SYLVIA HALE: Yes, but—

The Hon. TONY KELLY: I was in Batemans Bay today where the council has got a great shopping centre in the middle of the town that they facilitated because they had bought an old site and redeveloped it. Councils make that level of decision all the time.

Ms SYLVIA HALE: But it is a bit rich for an administrator to make one, is it not?

The Hon. TONY KELLY: I repeat: An administrator, under the Local Government Act, has exactly the same power. The council is a corporate body. I know that they actually are individuals, but this is a mistake that a lot of the councillors make. They are a corporate body and that is where they get their power. When they walk out that door, they are nothing. When they walk in the door and the council meeting sits, then they are a council. When Mr Persson walks in that door and the council is called to order, then it is exactly the same whether there is one person there or 50 people in the room.

Ms SYLVIA HALE: Minister, I quite agree that legally what you are saying is correct, but from the point of view of democracy and community involvement and accountability, it is an outrageous position.

The Hon. AMANDA FAZIO: That was not a question.

The Hon. TONY KELLY: I do not know how many times I can say this. Firstly, you are wrong in your perception about being democratically elected and he should not be able to make all the decisions that a normal council can. He can: They are the facts of the matter. Secondly, we do not get involved in making all the decisions for a council. They make decisions on their own basis, and unless it does not comply with the Act—unless, for example, a council is doing something illegal, which a hell of a lot of them are around the State and that is why a number of them have been sacked because

of some of the decisions that some of the councils have made—or they are dysfunctional, as that particular one was, or in the case of Liverpool, they outstrip the level of their ability.

The Hon. RICK COLLESS: Many times.

The Hon. TONY KELLY: I will not disagree with that. In some other councils, the councils just do not comply with the legislation; or with some other councils, they send them bankrupt. But we dismiss a council for a whole host of reasons and we appoint in the place of the council an administrator who has exactly the same power. Let me tell you that every time we dismiss a council—I went down Macquarie Street here shortly after we dismissed Warringah Council, and some bloke wound down his window going past and said, "What about my council?"

The Hon. RICK COLLESS: Where did he come from? Wellington?

The Hon. TONY KELLY: He was the Hon. Brian Vaughan.

Ms SYLVIA HALE: Minister, in the interests of good government being seen to be done rather than being done, will you at least oblige the administrator to consult with the local community in a meaningful way? One of the major sources of contention is the fact that he has engaged in no consultation at all with the community.

The Hon. TONY KELLY: I cannot answer any more than I have already answered, I am sorry. I have no intention—as I said, they have wide-ranging powers under the Act.

Ms SYLVIA HALE: I know that. There is no suggestion that he cannot do it. The question is whether he should do it.

The Hon. TONY KELLY: Well, it is not appropriate for me to start telling all the councils to do that all around the State, or I will then have to change 70 per cent of the letters I write back to people, telling them that I should not be directing councils about a whole range of matters because they are independent.

Ms SYLVIA HALE: Minister, this is a person who has been hand-picked by you to run a council in the interest, presumably, of the residents in the community of that area, yet he is proposing, as I understand it, to do something that the residents perceive to be directly contrary to their interests and the interests of the broader community on the northern beaches peninsula. Given that the Warringah Council was sacked and Mr Persson was installed, do you not think it is a reasonable perception on the part of the community that this was a calculated move by the State Government to remove council opposition to the sale of the civic centre site and to facilitate the closure of Mona Vale Hospital—

The Hon. TONY KELLY: That is ridiculous.

Ms SYLVIA HALE:—and the transfer of hospital facilities to the new site?

The Hon. TONY KELLY: That is an absolutely ridiculous proposition to put forward.

Ms SYLVIA HALE: What other interpretation do you put upon it?

The Hon. AMANDA FAZIO: The UFOs did it.

The Hon. TONY KELLY: After this flood of—I think it was 860—complaints we got in one year from the residents of the Warringah Council, certainly it was the highest in the State—

Ms SYLVIA HALE: No-one doubts that at all.

The Hon. TONY KELLY: After everything that you have seen about the reasons for that council being suspended—

Ms SYLVIA HALE: No-one doubts that at all.

The Hon. TONY KELLY:—or dismissed, or their positions being declared vacant, and you suggest that I did it because somebody wanted to sell the site off to the State Government. Let me tell you, the State Government has powers of resumption that can be utilised anyway, so it had nothing to do with that. It is publicly available. We have a section—let me go through the process because it is—

Ms SYLVIA HALE: No, I do not think we need to go through that.

The Hon. TONY KELLY: No, you do need to go through it. You do not understand, obviously, how the council was dismissed. There is section 430 of the Local Government Act.

Ms SYLVIA HALE: I could not agree more that you might have every good reason to dismiss a council.

The Hon. TONY KELLY: But you just suggested I dismissed it because—

Ms SYLVIA HALE: But I am suggesting that what you have done is that the person you have replaced the council with is not someone who is acting in the interests of the community.

The Hon. TONY KELLY: No. What you said—it is suggested that I dismissed the council so that I could—

Ms SYLVIA HALE: I said, "Do you not think it would be a reasonable perception?"

CHAIR: If I could ask a question—we are dividing up the time here and we are running out of time. Minister, the budget papers for 2004-05 have forecast that gross income to Treasury from the waste levy will increase from \$102 million in 2004-05 to \$108 million in 2007-08. From the 2004-05 year the Government is committed to hypothecate \$29 million, or 28.4 per cent. This means that a net amount of \$73 million will go to Treasury. Minister, how will this funding be allocated each year for the next four years? Specifically, how much will be hypothecated each year? Will the balance be allocated to environmental expenditure? If not, what will it be spent on?

The Hon. TONY KELLY: I thought you had me there for a minute. I thought, "Now, I didn't see that in my budget papers." The reason for that is that it is not in my budget. It is in the Minister for the Environment's budget. Sorry.

The Hon. AMANDA FAZIO: But it was a good question.

The Hon. TONY KELLY: It was a very good question.

Ms SYLVIA HALE: You can serve that up again tomorrow, I am sure.

The Hon. TONY KELLY: Ask it in the House.

CHAIR: If we are looking at local councils providing approximately 50 per cent of the total net revenue, it is still from local councils. You are saying that has nothing to do with you at all?

The Hon. TONY KELLY: It is not in my budget. It is not referred to anywhere in my budget, so I do not know what that figure is.

The Hon. RICK COLLESS: Minister, Mr Robert Bulford was appointed as the administrator of the Walgett Shire Council?

Mr PAYNE: He was the commissioner.

The Hon. TONY KELLY: The commissioner.

The Hon. RICK COLLESS: I am sorry, yes. Is it correct that he stated:

After having given the matter long and careful and, at times, agonising thought, I found myself unable to recommend that the present council be removed from office.

Did he put that in one of his reports?

The Hon. TONY KELLY: I do not have the report. He stated something like that. If I can put it in layman's terms, he had two bob each way in his report, and what the department then did was give me a report and the recommendation, which was that the council be dismissed.

The Hon. RICK COLLESS: I find that extraordinary.

The Hon. TONY KELLY: No. I think people do not understand some of the problems in these councils. I have just addressed today the local government managers conference in the State and told them about my concerns about some of the lack of training in local government. I used the Walgett council as an example. That council—there was a whole host of things that they did not do right. One of the things they did, for example, was to pay, if my memory serves me correctly—I will digress for a while. I think it also said in that report that the general manager should be sacked, and that what he really should do is save the new council or the administrator the trouble, and resign. So he had a good turn of phrase. But that particular council, for example, at a barbecue with three of the councillors present, decided to review the general manager's performance. The normal thing is not to do it at a barbecue, but if you have 12 councillors you do it at a council meeting. So they reviewed this general manager's performance at a barbecue—one weekend I think it might have been.

The Hon. AMANDA FAZIO: Were they consuming alcohol at the time?

The Hon. TONY KELLY: They only said it was a barbecue. There was obviously meat there. But they decided to pay the general manager an extra \$15,000 a year bonus. What happened? It was never referred to the council meeting. A number of you have had something to do with local government so you would understand just how ridiculous this is. It was never referred to the council meeting, never ticked off, never a council minute mentioned. Instead, the guy got the money and has now had to pay it back. That council did a whole host of things that were a significant problem. As I said, the commissioner made a number of recommendations, if I can just find that.

The Hon. RICK COLLESS: Minister, just before you go on to that, can you clarify whether that was the council that was in existence prior to the March elections, or was that post the March elections? Which council did you sack?

The Hon. TONY KELLY: Again, can I go back to the question we had from the previous questioner. A council is a corporate body. It is not the individuals. Now, the Federal Government proceeded against HIH.

The Hon. RICK COLLESS: But the three councillors at the barbecue, when did that occur?

The Hon. TONY KELLY: Let me finish. Some of those councillors were still on the council I sacked. At least two of them were.

The Hon. RICK COLLESS: But that incident occurred under the old council.

The Hon. TONY KELLY: That does not matter. That is irrelevant. You have to understand—and perhaps the person who laughed in the background should understand it as well—that the Local Government Act, like the Corporations Act, sets out the local government council as a corporate body. Just as HIH was pursued after the directors resigned—just as they were pursued as a company—so too is a council. That is why, for example, the suggestion was when Liverpool was sacked: why not leave them until after the election because a lot of them might not get re-elected? That is irrelevant. You declare the positions vacant because the corporate body is deemed no longer to act correctly. The commissioner found that the councillors had acted recklessly and inappropriately in relation to the project and seriously failed in respect of meeting their obligations to ratepayers in the community under the council's charter.

As I said, there are serious endemic problems in that area. A lot of the problem was similar to what happened in Warringah. A lot of the division was a division between two towns, and you would be fully aware that was Lightning Ridge and Walgett. What happened after the election? Exactly the

same thing, the status quo, six people from each town. So the blues would go on for another four years in any case. Coincidentally the mayor at the time of the dismissal was quite happy to be dismissed, because he believed the council needed cleaning out. He was certainly not the mayor at the time the payment was made. I could go on all night about some things that councils have done.

The Hon. RICK COLLESS: Can you clarify when the incident with the three councillors at the barbecue occurred?

The Hon. TONY KELLY: It is in the report.

The Hon. RICK COLLESS: When was it?

The Hon. TONY KELLY: Prior to the election.

The Hon. RICK COLLESS: How long before?

The Hon. TONY KELLY: I do not know, it is in the report. It does not matter, but the point is that it was illegal.

The Hon. RICK COLLESS: Was it twelve months?

The Hon. TONY KELLY: It was illegal, and he was forced to pay back the money. The councillors, one of whom was the mayor who was still on the council at the time it was sacked as were one of the other two. They did not understand even that amount of the Local Government Act, that they should pass a motion at the council if they are going to authorise that sort of expenditure.

The Hon. RICK COLLESS: I understand that.

The Hon. TONY KELLY: You understand it, but they did not.

The Hon. RICK COLLESS: Has the new council taken any steps to rectify the situation? Did they have an opportunity?

The Hon. TONY KELLY: I will go back to the Local Government Act, which I started talking about in the previous questions. Parliament passed that Act, and we have to abide by it. Section 430 allows an inquiry into a council, and that is usually conducted by the department, but not necessarily. In the case of that council, at least a year before that council was dismissed, if my memory serves me correctly, the department conducted a section 430 inquiry and made a number of recommendations. One was for them to appoint a mentor, someone who understood the Local Government Act and could guide them through their problems. However, nearly a year later they had not done it.

So when the department provided them with the report, which it does under section 430 and gave them 40 days to respond before they made it public, the council passed a number of motions about it, one of which recommended that we proceed to a section 740 inquiry, which generally leads to dismissal of the council. So, that is the process we go through. That council, like a number of other, actually moved a motion to recommend that it go to a section 740 inquiry, which as I said, generally means that the council is dismissed.

The Hon. RICK COLLESS: Can we move on to—

The Hon. TONY KELLY: Let me go a little bit further on that. The proposal that you are putting, about being different councillors, is exactly what would have happened at Liverpool as well. I was consistent in that approach and I dismissed Liverpool council for exactly the same reason. I did not allow them to go to an election and change the councillors and so that it was okay because half of them were different. That is not the way it works. I was consistent.

The Hon. RICK COLLESS: I was more interested in whether the Walgett council was aware of the mistake and were they taking steps to rectify it?

The Hon. TONY KELLY: As I said this morning at the local government managers conference, nearly every councillor in the State, 1,600 of them, would have realised that, I should think. But, certainly, not one local government manager in that room this morning would have allowed that to happen to themselves. If someone was going to pay me \$15,000 I would be damn sure I would make sure it was legal and that I could cash the cheque.

The Hon. RICK COLLESS: Talking about administrators, can we talk about the variance of what they are paid. I understand that the Walgett administrator is paid \$185,000, the Bathurst administrator is paid \$82,000 and the Upper Hunter administrator is paid \$32,000. What is the reason?

The Hon. TONY KELLY: I answered that as a question without notice in the House. It was certainly not \$185,000.

Mr PAYNE: Hugh Percy, the administrator at Walgett is paid a daily rate, from memory it is \$650, but that may annualise out to \$185,000 but he is not there 365 days a year. I image he would put in less than one or two days, because it does not need a lot of supervision. He is an administrator replacing a dismissed council. The administrator at Upper Hunter and all the other councils who were subject to the reform program were paid on a formula, which was something like twice the former mayor's remuneration. The figure of \$32,000 or \$34,000 is probably about right for Upper Hunter.

The Hon. TONY KELLY: Some of those we are reviewing, particularly Upper Hunter, the big amounts.

Mr PAYNE: Upper Hunter is being reviewed now to move from category five to category four, because it is a much bigger unit. Double the size.

The Hon. TONY KELLY: We actually agreed that we are probably underpaying the Upper Hunter and the Hume.

The Hon. RICK COLLESS: Minister you were going to proceed with the precinct committees, is that correct?

The Hon. TONY KELLY: That was the recommendation to the council, that it should look at it. It was done through a report from the Boundaries Commission. That is something they do overseas, it is sometimes the way of getting additional community input into areas. It is up to the councils whether they adopt it or not.

The Hon. RICK COLLESS: There is no legal basis for them being appointed, is there?

The Hon. TONY KELLY: They are not forced. To some degree, I suppose, you have what are called 530 committees.

Mr PAYNE: Yes, that is what they would be implemented under.

The Hon. TONY KELLY: Yes, section 530. But I am confused as to whether it was pre the 1993 Act.

Mr PAYNE: Precinct committees can have legal rights.

The Hon. TONY KELLY: Yes, that gives them a benefit, the same as a corporate body protection.

The Hon. RICK COLLESS: You were talking about Liverpool council earlier and its sacking. Was it fully investigated over the deficit that was created during Mr Latham's term as mayor?

The Hon. TONY KELLY: No. Obviously I do not have the report in front of me. The commissioner made it quite clear, and responded to that publicly. It was after 1995 that the finances of that council went significantly wrong. I do not have the response with me. There was a letter. I can get his response to that claim and forward it to the Committee tomorrow. It went into detail and fully explained it.

The Hon. RICK COLLESS: Whose regional review, as appointed by you, suggested to small councils that they would be better off in relation to Federal assistance grants? Which councils will be better off?

The Hon. TONY KELLY: No, I think the comment was not that they would be better off, but that they would be no better off. There is a bit of debate about this. The NSW Grants Commission, an independent body, has proposed that if you amalgamate there is a minimum amount to be given through the Federal assistance grants. If they amalgamate they have proposed that certainly in a two-year period the amount of grants they would have got, had they stayed in separate councils, would be maintained. There is a bit of debate about that. There is ongoing discussion between local government Ministers at the Local Government Ministers Council. It met in June at which it was proposed that the four years minimum be maintained. I proposed that it be changed to five years, and they agreed with me. Ultimately, that will filter back through the system. I think the facilitators would have said that the grants would not reduce in that period.

The Hon. RICK COLLESS: Will any councils lose money under the formula?

The Hon. TONY KELLY: They were saying that they should not lose money under the formula. There were a couple of suggestions. One administrator came to see me today and suggested that around the Peel area there might have been a reduction, but I specifically asked him today and he said no. He could not reasonably say that there had been a reduction. Basically he said it was roughly the same. I have asked that they be double-checked, because it was something we said that with that guarantee from the Grants Commission they would not reduce the two-year period. Hopefully my suggestion will be adopted so it is not reduced over a five-year period. We put in a lot of other things as well, for example, HIH grants from the Commonwealth and State governments to guarantee that they stay the same. Otherwise some councils would be stupid to amalgamate if they were going to lose grants and get higher bills.

The Hon. CHARLIE LYNN: Minister, I understand your regional reviewers and you have estimated savings of millions of dollars in local government areas. Can you provide details of the projected estimated cost savings?

The Hon. TONY KELLY: If they are public I can do that quite easily. Basically it is about \$12 million in total for the 20 fewer councils in New South Wales, as of yesterday, than there were when I became Minister. The most significant reform in the history of local government in the State. Sir William McKell had an 8 per cent reduction in his time. Bob Askin in his time had Harry Jago as Minister; who is more famous for forgetting to nominate when he was Minister for Health. He forgot to put in his nomination for re-election. He was the Minister for Local Government at the time of the Barnett report in 1973, and those of you who have been around for a while would remember. That report recommended 223 councils be reduced to 97. Obviously they did not go ahead with that. So they made a number of suggestions, a lot of which are what communities are now recommending, particularly some of the voluntary amalgamations.

Yesterday Glen Innes and Severn were amalgamated, and that was recommended back in 1973. All the amalgamations that we have gone forward with will produce, according to the Boundaries Commission, about \$12 million in total, give or take a few hundred thousand. I stopped counting at about \$11.3 million, I do not know the exact figure. Each time we release a report publicly they were announced, and they are on the Boundaries Commission web site. I can get that figure for you.

Ms SYLVIA HALE: Will it be a detailed breakdown?

The Hon. TONY KELLY: Yes, for each council, as proposed. In the report they quantified how they arrived at it.

The Hon. CHARLIE LYNN: Minister, did you approve the estimated \$420,000 in cost to ratepayers at Uralla, Armidale-Dumaresq, Walcha and Guyra shires, to investigate a strategic alliance between those three councils?

The Hon. TONY KELLY: No, I did not agree with that, but subsequently they have told me at a meeting that that was the maximum. They did not expect it would be that sort of figure. I know that they would not expect to spend that figure, but they had come consultant do it and there was a host of variables.

The Hon. CHARLIE LYNN: I understand that action was required by the Government in order for councils to avoid forced amalgamations. If that is the case, should the Department of Local Government fund their exercise for them?

The Hon. TONY KELLY: No, we did not dictate. Unlike Victoria, where Jeff Kennett drew lines on a map and said, "Okay, these are the new councils, you have no choice." At the local government conference on 2 June last year I told the councils that I would be writing to them, which I subsequently did, asking them to come up with ways that they would produce goods and services and deliver services to their ratepayers more efficiently in future.

I gave them the date of 31 August. A whole host of councils did things differently. Some councils stuck their heads in the sand and we had to nudge a few of them along, in particular those donut councils, the last of which disappeared yesterday. A number of councils that were amalgamated did so voluntarily. We took this opportunity to change some boundaries and to make some minor changes. Other councils had a different model, that is, they had a strategic alliance. The best one in the State that I have seen so far is the one that operates in my local area. Three councils, which all have individual budgets of \$20 million, are in the higher level of councils, or they were.

Nearly 100 councils are smaller than those three councils in this State. They decided to get together and to do a whole host of things. For example, they saved \$60,000 just in their tenders for Roads and Traffic Authority works. If a town planner from one of the councils goes on holidays, a town planner from another council fills his or her position. It is as though they have all one staff. Those councils, with their strategic alliance, have achieved economies of scale without having to amalgamate. I did not tell those councils what to do. In fact, I have never told any council what to do other than to rethink the way in which it delivered services and to come up with a better system.

I have to qualify one thing. I think I have said consistently from day one that those far western councils probably cannot amalgamate. We cannot amalgamate Brewarrina and Cobar councils. We would end up with one shire and ratepayers and others would have to drive for five hours to get to their local council chamber. The only thing that I can think of that they should look at—they might be able to think of something better—is a strategic alliance. I said that to councils in the western division, but I certainly have not told any of the other councils what they should do. However, I did suggest to some of those donut councils that they should have amalgamated.

Evans council was the first council that I told. I told that council before I even mentioned it at the Local Government Association. When the Treasurer and I gave that council \$9 million to cover its HIH debt on 30 June last year I suggested that it should go and talk to Bathurst council about amalgamation because it did not have the money to pay the bill.

CHAIR: Minister, is that all that you want to say in relation to amalgamations?

The Hon. TONY KELLY: Let me answer that question in this way. The current Local Government Act, which has been in force since 1906, does not preclude any amalgamation or boundary change. Any group of 250 people, or 10 per cent of an area, whichever is the greater, can put in their proposal to the Boundaries Commission. It is an ongoing process. I cannot control whether or not they do that. So I certainly cannot say that there will never be any more boundary changes or amalgamations. A number of councils in this State must look at the way in which they operate to establish whether or not they can achieve economies of scale.

Those councils that have amalgamated will be receiving \$12 million every year from now for additional services for their ratepayers, which is a significant amount of money. When the Local Government Act was first introduced in 1856, 50 people—probably the number of people who are in this room—could put up their hands and say, "We want to be a local councillor." That is how big a council had to be. Three years ago a council that had a total of 129 ratepayers went belly up. It had

enough money either to seal a road or to buy the bitumen; it could not do both. So something had to happen.

In answer to the honourable member's question, our priority areas have been attended to more quickly than we thought because of the co-operation of the majority of councils. As I said earlier, there are now 20 fewer councils. A similar number have had boundary adjustments and a similar number are in strategic alliances. Seventy councils in this State are working together. So by far the majority are reviewing their operations. There are probably still three councils in the State, each with a population of fewer than 2,000 people, and they are not in the western division.

The Hon. AMANDA FAZIO: Which ones are they?

The Hon. TONY KELLY: I cannot remember the three of them. Urana, Jerilderie and I cannot remember the third. One council has 1,400 people. They are located next to one another in Wagga Wagga.

The Hon. AMANDA FAZIO: Lockhart?

The Hon. TONY KELLY: I do not think it is Lockhart. Lockhart is a bit bigger.

The Hon. CHARLIE LYNN: I understand that you, as Minister, intervened in the proposed rate increases for Yarralumla and Gunning shire residents who were incorporated into Yass shire. Will you do the same for residents of Michelago who previously were in Yarrowlumla shire but who are now in Cooma and who face rate increases of up to 300 per cent?

The Hon. TONY KELLY: If it involves an evaluation change, that is a different situation. From memory, in Yass and somewhere else the council just decided that it would use the same rates with different relativities. It meant that Yass council would have had a 19 per cent increase. That was never the intention. The honourable member said that I intervened, but I think the department had a chat to that council.

The Hon. CHARLIE LYNN: Did you do the same thing at Michelago?

The Hon. TONY KELLY: It was certainly investigated. I would like to obtain some details about it.

The Hon. RICK COLLESS: There have been differences in staff salaries between two of the amalgamated councils. In one of the amalgamated council areas the staff salaries bill went up by \$100,000. That was obviously an increased cost that was borne by the community.

The Hon. TONY KELLY: Every council is a bit different. It is a lot simpler when two councils amalgamate, such as the two councils that amalgamated yesterday. There is then no argument about assets, as there was in Sydney. There were some arguments in one council when John Jobling was Minister, but he solved that problem with negotiation.

The Hon. AMANDA FAZIO: It was Murrurundi.

The Hon. TONY KELLY: I will refer to Murrurundi later as that is another good story. That is something that has to be negotiated. Even though each council is under the same award they all have slightly different conditions.

The Hon. RICK COLLESS: Some are paid more. In order to give a combined council equity the council was paying the award rates. Staff members were brought up to the same level as staff members on other councils.

The Hon. TONY KELLY: It is not necessary for that to be done. However, it can be done over a period.

The Hon. RICK COLLESS: That is what the administrator did.

Ms SYLVIA HALE: Minister, I understand that you expressed reservations as to whether the amalgamation of Severn and Glen Innes would solve the financial difficulties confronting those individual councils. Do you propose to offer them assistance initially if they still continue to experience financial difficulties?

The Hon. TONY KELLY: For a start, that is not what I said; that is what the Boundaries Commission said.

Ms SYLVIA HALE: I thought you made that comment.

The Hon. TONY KELLY: I think the Boundaries Commission said that those councils were not big enough. It is not so much that they were not necessarily a good size. I think they have a population of about 10,000 population and they have a reasonable budget. I think it might be \$9 million or \$10 million, so they have a reasonable budget. The problem is that they have some carryover debt that they have had for some time and that they have to work through. All I can say is that they are in a much better position to do that now than they would have been if they had not amalgamated.

Ms SYLVIA HALE: So you will not be offering them any special assistance?

The Hon. TONY KELLY: The whole purpose of council amalgamation is to ensure that councils are more efficient. Obviously that will not happen within the first 30 seconds of their amalgamation, but it will happen over time.

Ms SYLVIA HALE: Will there be any reviews of all councils in the area if they continue to struggle?

The Hon. TONY KELLY: The department is reviewing them annually. The department used to have 30 councils on its financial watch list. As of the end of June last year it had 14. Three of them are now involved in amalgamations. I think they might be Murrurundi, Rylstone and another council. So that leaves 11 councils. They will be constantly reviewed every year. If a council is a poor manager we will not be bailing it out. Referring to the issue of Murrurundi that is not council that came to our notice because of a section 430 inquiry. There is a new administrator there. I will not name him, but he had some concerns about the previous financial results of that council and the reports that were being made to it.

It was consistently said that council's current financial position was very sound. It was suggested that it had cash holdings of about \$3.3 million and that it was financially strong. What it failed to point out was that all but \$1,000 of the cash investments had been set aside. At one stage even the shadow Minister told the lower House that Murrurundi council was a small well-run council that made a profit. We have now found that not to be the case. In that same year it actually had a deficit of \$301,000. So it was not a well-run council. The problem with these small councils is that a lot of them did not know they were going down the gurgler. They just did not have the ability, the size, or the expertise.

It gets back to the point that I made at the commencement of this hearing. I have a real concern about the local government training that some of these councils have. I will be working with the department in relation to that issue. This morning I said to the Local Government and Shires Associations and to the General Managers Association that this Government will try to ensure that there is better local government training in the future.

As I said this morning, Gerald Beresford Ponsonby Peacocke, a member of the National Party and my local member at the time, introduced an excellent Act in 1993. However, that Act enabled general managers to be appointed without local government qualifications. That was not his intention but that is what happened. I wish to make one correction. Earlier, in relation to a question that was asked by the Hon. Rick Colless, I said that they had not handed over the Casino engine. I was not invited but my Parliamentary Secretary was. He handed it over. So it has been handed over.

The Hon. RICK COLLESS: I have to say that that is what was noted.

CHAIR: I thank the Minister and his departmental officers for attending this hearing. The Committee might wish to hold further hearings on a date to be determined by the Committee. Would you and your officers be available to appear at those hearings?

The Hon. TONY KELLY: We will try to but I cannot guarantee it.

The Committee proceeded to deliberate.