

GENERAL PURPOSE STANDING COMMITTEE No. 5

Monday 19 June 2000

Examination of proposed expenditure for the portfolio areas

ENERGY, AND SYDNEY WATER

The Committee met at 2.00 p.m.

MEMBERS

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

The Hon. Jan Burnswoods

The Hon. D. J. Gay

The Hon. J. R. Johnson

The Hon. C. J. S. Lynn

The Hon. M. I. Jones

PRESENT

Sydney Water Corporation

Mr A. Walker, *Manager Director, Sydney Water*

Mr R. Quill, *General Manager, Transwater*

Energy

Mr R. Powis, *Chief Executive Officer, Integral Energy*

CHAIR: I welcome you to the public hearing of General Purpose Standing Committee No. 5. First, I wish to thank departmental officers for attending. At this meeting the Committee will examine the proposed expenditure from the Consolidated Fund for the portfolio areas of Sydney Water and Energy. Before questions commence, some procedural matters need to be dealt with. As you would be aware, part 4 of the resolution referring the budget estimates to the Committee requires the Committee to hear evidence on the budget estimates in public.

Under Standing Order 252 of the Legislative Council, this Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings held today. The Committee's resolution conforms with the guidelines governing the broadcast of proceedings adopted by the Legislative Council on 11 October 1994. The attendant on duty has a copy of those guidelines. I emphasise that only members of the Committee and the witnesses before them may be filmed or recorded. People in the public gallery are not considered to be part of the proceedings and, therefore, should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, as with reporting the proceedings of both houses of Parliament, you must take responsibility for what you publish or what interpretation is placed on anything that is said before the Committee.

While there has been provision in previous years' budget estimates resolutions for members of a Committee and substitute members to refer directly to their own staff at any time, there is no such provision in the current resolution. Members and the staff are advised, therefore, that any messages should be delivered through the attendant on duty or the Committee clerks.

For the benefit of members and Hansard and the effective operation of this Committee, it is very important that departmental officials identify themselves by name, position and department or agency before answering each question. There is wide latitude allowed in the asking of questions on any of the budget estimates and related documents before the Committee. However, where a member is seeking information in relation to a particular aspect of a program or a subprogram, it will help the Committee and Hansard if the program or subprogram is identified.

We will deal first with Sydney Water. Mr Walker, the questions are largely about Scotts Creek and problems associated with it. To better substantiate your determination of safety, you were going to place on public record all the supporting documentation detailing the research and/or review processes behind Professor Kerr's advice on safety at Scotts Creek and the New South Wales Health Department's advice on safety at Scotts Creek. You took that question on notice at the last Committee meeting. Have you prepared that supporting documentation and, if not, please commit to when it will be available to the public and to the Committee?

Mr WALKER: All of the documents concerned were available through the process of the Waterways Advisory Panel review of the tunnel project and were also available to the mediation group with the local community at Scotts Creek. We have not recompiled them as yet as we have not received the written questions on notice.

CHAIR: Will the information you supply detail the research and review processes behind Professor Kerr's advice?

Mr WALKER: There will be some of that information, I believe, but how extensive that background detail is, I could not tell you.

CHAIR: Have you actually read the information yourself or have any of your officers who are present today read it?

Mr QUILL: We have certainly received advice from Professor Kerr and also from the Department of Health. As far as I am aware, there is no additional documentation to come from Professor Kerr unless you specifically require additional information of some particular aspect of his advice that we could ask for. So far as the Health Department is concerned, the advice we have is simply that.

CHAIR: Are you totally satisfied with Professor Kerr's advice?

Mr QUILL: As I said at the last Committee meeting, we are satisfied with his advice, yes.

CHAIR: Mr Walker, since you seem comfortable with the safety of the exhaust vent at Scotts Creek but you have not been able to settle community concerns to the same degree, would you be prepared to

immediately invest some personal time before the tunnel goes live to step the Scotts Creek community through the matter as you see it and seek a common understanding? By the way, this common understanding has not been achieved by your managers in two years of consultation.

Mr WALKER: I have already invested time in receiving a delegation comprising the principal of Glenaeon School and two representatives of the community. At that meeting, I indicated that I was not prepared to revisit all of the issues that had been explored exhaustively in the review processes, but that I was happy to listen to any further information that they might be able to bring forward that might throw some light on the subject. They raised six or seven matters with me. I explored every one of those personally and I wrote personally to the principal of the school explaining that I had satisfied myself that, based on the information that they had brought forward, I had no reason to doubt that the original conclusions were correct.

The Hon. D. J. GAY: Mr Walker, are you prepared to give a personal guarantee that, when the tunnel is in operation, it will pose no health risk to the students of Glenaeon School?

Mr WALKER: I was asked a similar question before. I am clearly in no position to give personal guarantees of no risk on any subject, let alone to the students of Glenaeon School.

CHAIR: Would Sydney Water give that guarantee?

Mr WALKER: I do not think we could possibly give such a guarantee.

CHAIR: Presumably, you have some doubts about the safety of the exhaust vent?

Mr WALKER: No, I do not have doubts about the quality of the advice that we have been given and the fact that the correct choice has been taken. The evidence we have is that the environment will be improved—which is the principal objective of establishing the tunnel—by removing much of the open overflow activity into Scotts Creek. We are talking about diluted raw sewage overflowing into Scotts Creek. We are replacing that with an enclosed installation and with a filtered exhaust stack. All the advice I have is that the health of the community and of the school students should improve dramatically—or substantially—as a result, and that there is little, if any, risk associated with the vent.

CHAIR: Do you have advice that their health will be improved by the vent?

Mr WALKER: A Department of Health letter indicated quite clearly that that was its view.

CHAIR: That people's health would be improved by the vent?

Mr WALKER: It indicated that the risk to people's health would be reduced—that is perhaps a clearer way to put it.

The Hon. M. I. JONES: As the stakes are so high for the residents and the schoolchildren in that region, as you cannot give firm guarantees and as there is an area of risk, what course of action is open to the public if there is a health risk? What action can they reasonably expect to take in the absence of any easy system? What will these people have to do if they are not satisfied with the results and the lack of guarantees?

Mr WALKER: That is a very hypothetical question and I do not know whether I can answer it.

The Hon. M. I. JONES: It is not that hypothetical: we are dealing with huge public expenditure on a public facility by a public instrument—Sydney Water. People will be threatened if this huge expenditure does not work out correctly. It may not work out. You cannot guarantee that it will work correctly; you have just said that you cannot give any guarantees. Therefore, I suggest that the question is not hypothetical.

Mr WALKER: All I can do is point to the fact that there are numerous vents of this kind—filtered vents—around the world. All over Sydney, there are literally hundreds, maybe thousands, of sewer vents—albeit much smaller—that exhaust sewer gases into the atmosphere and there is no evidence of any public health issues being associated with them.

The Hon. D. J. GAY: What is the current budgeted cost of the northside storage tunnel?

Mr WALKER: The total cost is \$451 million including contingencies.

The Hon. D. J. GAY: You are telling us that the final cost will not exceed \$451 million?

Mr WALKER: That is our belief, yes.

The Hon. C. J. S. LYNN: Will any contractors or staff involved in the construction of the tunnel receive a bonus at any stage up to or upon completion of the tunnel?

Mr QUILL: The alliance contract makes provision for risks and rewards. Whether any bonuses accrue to the parties to the alliance will depend on how the contractors perform against five objectives.

The Hon. C. J. S. LYNN: Have any bonuses been paid so far?

Mr QUILL: Not that I am aware of.

The Hon. C. J. S. LYNN: Mr Walker, can you give a firm indication as to when the tunnel will be completed?

Mr WALKER: I would love to be able to do so. We are working towards its completion and operation by the commencement of the Olympic Games. The project is at a critical final stage of tunnelling at the moment. If we complete the tunnelling very soon, it will be available in time for the Games.

The Hon. C. J. S. LYNN: If I recall correctly, that was the purpose of building the tunnel in the first place.

Mr WALKER: The purpose of building the tunnel was to dramatically reduce overflows of sewage into Sydney Harbour during wet weather. It was brought into focus a few years ago by the fact that the Olympic Games were coming up, and that was certainly established as an implementation target. That target was reviewed by the Waterways Advisory Panel and it was restated that we should continue to work towards it. The principal reason for delays in the project to date has been the delays in community consultation and in the approval of the project in its early days. Since it has been under construction, the overall project has gone very well.

CHAIR: What is your understanding of the filtration of the vent?

Mr WALKER: My personal understanding?

CHAIR: Yes.

Mr WALKER: Not very much. I am not an expert in these matters.

CHAIR: Would you like to know what it is?

Mr WALKER: I have read some descriptions of it, but I am not an expert in these matters: I take expert advice.

CHAIR: You are giving assurances to the Committee based on advice, yet you are not sure what the filtration system will be. You are very trusting, are you not?

Mr WALKER: I was asked to give assurances by you, Mr Chairman, but I have not given them. What I have done is accept expert advice. In particular, I have accepted the advice of the New South Wales Department of Health, which is the regulator of Sydney Water in these matters. As I have stated to the Committee before, the New South Wales Department of Health has furnished us with a letter that states that, taking account of all the advice, it is satisfied that there is a very low risk associated with this vent.

CHAIR: What advice was the department given about filtration before writing that letter?

Mr WALKER: I have no idea. The department certainly received some advice from us, but it had access to whatever advice it wanted.

CHAIR: How could the department provide that information and send that letter if it did not know what the filtration was?

Mr WALKER: I have never indicated that the department did not know what the filtration was.

CHAIR: Mr Quill, do you know what filtration system was advised to the Department of Health?

Mr QUILL: Judging from the most recent letter we have received from New South Wales Health, it knew exactly what type of filtration system we proposed to install.

CHAIR: What is that?

Mr QUILL: It is a chemically impregnated granular-activated carbon filter.

CHAIR: Is that hospital quality?

Mr QUILL: It depends: hospital quality is defined in a number of ways. I am not an expert in this field.

CHAIR: Is anybody here an expert?

Mr QUILL: We have drawn on experts from engineering consultants, Holmes Air Sciences, and Terry Schulz and we have also sought advice from other experts overseas.

CHAIR: Is it a single or double filtration system?

Mr QUILL: It is a single filtration system.

CHAIR: Do the residents understand that it is a single filtration system?

Mr QUILL: They should understand that because it has been explained to them in some detail through the mediation process.

CHAIR: Were the residents told it would be hospital quality?

Mr QUILL: I understand that the community probably would not regard that type of filter as being of hospital quality.

CHAIR: What happens in the event of excessive gases being vented? Is there not a possibility of the filtration system being bypassed?

Mr QUILL: As far as toxic gases being vented through the filter system is concerned, we are confident that the filter system will work as designed.

CHAIR: Is there a bypass system for the filter?

Mr QUILL: Yes, there is a bypass system.

CHAIR: How many times a year will that system be bypassed, in your estimation?

Mr QUILL: The chance of that occurring is very slight; something like one in a million.

CHAIR: Once every 300 years or 3,000 years. Has anyone undertaken a scientific study on when it is expected that the filtration system will be bypassed? Is it just guesswork?

Mr QUILL: No, it is not guesswork. It is based on an assessment of how the tunnel will operate and risks associated with the actual operation of the tunnel.

CHAIR: If it happens once in so many hundred years, why would you need a bypass system?

Mr QUILL: It is a safety device in case something untoward happens.

The Hon. C. J. S. LYNN: Mr Walker, I return to the question I asked on the timing of the Olympics. As I recall from the committee that looked at the construction of the tunnel—

The Hon. JAN BURNSWOODS: Which you were not on.

The Hon. C. J. S. LYNN: I was on it, actually. I recall that a major objective of that committee was to have the tunnel completed by the Olympics. Could you confirm whether it will be finished by the Olympics?

Mr WALKER: It is probable that it will be in operation by the Olympics. The tunnelling involves four tunnel-boring machines. Three of the four have completed their work. One is within a couple of hundred metres of completion, but it has been working in the most difficult tunnelling conditions of the whole project; that is, wet ground under Middle Harbour. In the interests of safety and to make sure that there are no operational problems, no structural problems, it has been going extremely slowly by drilling a lot of small holes around the circumference of the future tunnel. Those holes have been grouted to prevent water ingress into the tunnel. As of last Friday that grouting had been completed and they are now into what looks to be stable sandstone. If that proves to be the case, and I am talking about the next few days, I will feel much more comfortable that the project will be completed on time.

The Hon. C. J. S. LYNN: Will it be completed in time for the Olympics, yes or no?

Mr WALKER: You must be used to talking to people who do not deal with the natural environment or construction projects of this type. To give the Committee an idea of the probabilities I explained exactly what the project was about and where it was up to. I reiterate that it is on track to be completed, and I expect that that will be the case, but no-one can give a 100 per cent guarantee in matters like this.

CHAIR: Mr Quill, how many times a year will the filter be changed?

Mr QUILL: That depends on the monitoring and the operation of the tunnel. It is difficult to predict, at this time.

CHAIR: Has any modelling been done of how often it will be changed? Does anyone have any idea?

Mr QUILL: Some modelling may have been done. I do not know. The important thing is not so much that modelling has been done but that the filter is properly maintained and monitored for deterioration, and that the activated carbon is replaced when needed.

CHAIR: Presumably, the manufacturers have indicated how often the filter would have to be changed?

Mr QUILL: Once again it depends on how often the tunnel operates throughout the year.

CHAIR: Are the filter manufacturers aware of the condition of the vent and the amount of gas that will be going through it? Are they satisfied that their filters will be up to the job?

Mr QUILL: I do not know. I know that the designers are aware and purposely selected the activated carbon for the conditions that will prevail when the tunnel operates.

CHAIR: Can you obtain information from the filter manufacturers as to whether they think it will be sufficient for the job?

Mr QUILL: I will take that question on notice.

The Hon. C. J. S. LYNN: Mr Walker, are you entitled to, or did you receive, a bonus in 1999 or 2000?

Mr WALKER: No, I have not yet received any bonus in my capacity as Managing Director of Sydney Water.

The Hon. C. J. S. LYNN: Were any other staff of Sydney Water given a bonus?

Mr WALKER: In 2000 a number of senior contracted managers have received—no, I am sorry, they have not, I apologise. We have a provision for bonuses to be paid to senior managers based on the results of the 1999-2000 year. Those will be assessed on completion of the year when we have the full year's results.

The Hon. C. J. S. LYNN: At this stage no bonuses have been paid to any senior managers?

Mr WALKER: No.

The Hon. D. J. GAY: But you anticipate that you will pay bonuses next year?

Mr WALKER: We have provision for bonuses to be paid and we review performances at the end of the year.

The Hon. C. J. S. LYNN: Have you travelled overseas during the past financial year?

Mr WALKER: Yes, I was overseas for three weeks, from late April to mid May this year.

The Hon. C. J. S. LYNN: Who accompanied you?

Mr WALKER: My wife.

The Hon. C. J. S. LYNN: Anyone else?

Mr WALKER: No.

The Hon. C. J. S. LYNN: Where did you go?

Mr WALKER: We went to the United Kingdom, France and Hong Kong.

The Hon. C. J. S. LYNN: What class did you travel?

Mr WALKER: Business class.

The Hon. C. J. S. LYNN: What was the total cost of each trip?

Mr WALKER: Just one trip. I honestly could not tell you the cost, because the bills are still coming in.

The Hon. C. J. S. LYNN: Would you take that on notice?

Mr WALKER: Certainly. I emphasise that I paid all costs associated with my wife's travel.

The Hon. C. J. S. LYNN: What is the total value of the chief executive officer's remuneration package without the bonus?

Mr WALKER: It is \$320,000 per annum.

The Hon. C. J. S. LYNN: Is the General Manager of the Sydney Water Corporation entitled to, or did he receive, a bonus in 1999 or 2000?

Mr WALKER: I am the Managing Director of the Sydney Water Corporation. I did not receive a bonus in the year. I have already answered that question.

The Hon. C. J. S. LYNN: I am sorry. Did the chief executive officer of Australian Water Technologies receive a bonus?

Mr WALKER: The Managing Director of Australian Water Technologies is subject, as I am, to a remuneration subcommittee of his board. I am subject to a remuneration subcommittee of the Sydney Water board and I am a member of the board of Australian Water Technologies. I am personally unaware of whether he received a bonus.

The Hon. C. J. S. LYNN: What is the value of the Australian Water Technologies chief executive officer's remuneration package without the bonus?

Mr WALKER: I have seen the published figure, but I do not have it with me.

The Hon. C. J. S. LYNN: You can take that question on notice. Could you advise if the chief executive officer of Australian Water Technologies has travelled overseas during the past financial year?

Mr WALKER: I will take that question on notice.

The Hon. C. J. S. LYNN: In taking that question on notice could you also advise who accompanied him on any overseas trip, where they went, how long they were away, what class they travelled and what was the total cost of each trip?

The Hon. D. J. GAY: My question relates to the North Head sewage treatment plant. Mr Walker, when will the inquiry into allegations of serious misconduct by staff at the North Head sewage treatment plant be completed?

Mr WALKER: The inquiry by Sydney Water's group audit and by an independent inquiry agency has concluded. I had a briefing on the matter last week, but the final report has not yet been submitted. I expect it to be submitted this week.

The Hon. D. J. GAY: When do you expect it to be released?

Mr WALKER: It is a matter for consideration by management of the organisation first. I do not know yet exactly what it contains. I would like to have the opportunity to consider it and to take appropriate action.

The Hon. D. J. GAY: The report appears to have taken a long time to produce.

Mr WALKER: It has taken a long time, but it was most important that all matters be examined thoroughly and researched in their entirety. The allegations that were made were broad-ranging, and it was important to get to the heart of the facts. I have satisfied myself throughout the inquiry that it was given due priority.

The Hon. D. J. GAY: Do you understand that people would find it hard to accept that it is possible for a wild party, which allegedly involved cannabis and prostitutes, to be held at a State sewage treatment plant?

Mr WALKER: I can understand that people might find it difficult to believe, yes.

The Hon. D. J. GAY: Just the idea of the location.

Mr WALKER: I would be inclined to agree with you.

The Hon. D. J. GAY: More importantly, the mere fact that it involved a State Government instrumentality is of concern.

Mr WALKER: It is of concern to me.

The Hon. D. J. GAY: Have any staff been disciplined?

Mr WALKER: No, not as yet.

The Hon. M. I. JONES: How many court actions on any matter has Sydney Water or Australian Water Technologies been a party to over the past financial year?

Mr WALKER: I would have to take that complex question on notice.

The Hon. M. I. JONES: Were Sydney Water or Australian Water Technologies sued in 1999-2000?

Mr WALKER: Nothing springs to mind, but again I would have to take that question on notice. I was thinking, for example, about the class action against Sydney Water arising from the water quality incident. I think that class action commenced before the current financial year. I was not considering that in the answer.

The Hon. M. I. JONES: Will you also take this question on notice? If action was taken against Sydney Water or Australian Water Technologies, how many actions were taken against them and on what basis were the actions brought?

Mr WALKER: Certainly, I will take that on notice.

The Hon. M. I. JONES: If you are not sure about the previous question, perhaps this question should be taken on notice as well. What is the total cost of external legal services, including counsel fees, in 1999-2000?

Mr WALKER: I would have to take that on notice.

The Hon. M. I. JONES: Is there any accounting of internal legal costs? If so, what was the total cost of all legal fees incurred in the 1999-2000 period?

Mr WALKER: I will take that on notice.

The Hon. C. J. S. LYNN: Will you advise if any bonuses for Sydney Water and Australian Water Technologies were paid last year for 1998-99, or since the estimates committees last met?

Mr WALKER: I will have to take that question on notice, I am afraid.

The Hon. D. J. GAY: If, since the last budget estimates committees, there had been any bonuses, would you have signed off on them?

Mr WALKER: I am not clear. I do not believe so, but I would like to check and give a considered answer to the Committee.

The Hon. D. J. GAY: Does that mean that bonuses can be paid without you seeing them?

Mr WALKER: Any bonuses to senior managers I should sign off on, and I think I would have if they had occurred. I do not believe I have done so for that period, but I would like to take the question on notice to make sure that I am being entirely accurate.

The Hon. C. J. S. LYNN: If bonuses were paid, would you identify who they were paid to and how much was received?

Mr WALKER: Certainly. If you will forgive me, the reason I would like to do that is that I joined Sydney Water Corporation in November 1998. In the middle of that year some arrangements were in place which I inherited, as it were. I am not entirely clear which of those were still operable, if any.

CHAIR: Mr Quill, this question was asked last time but the response was not adequate. Given that you formally agreed in writing during mediation with the community to seek an engineering or operational alternative to the exhaust vent as currently designed, regardless of any Department of Health advice, what process are you now following to ensure that a solution acceptable to the community and to Sydney Water is designed, budgeted for and implemented?

Mr QUILL: I can only repeat the answer that I previously provided, that we have substantial and consistent advice from the Health Department, the experts who have been advising us in regard to the venting system. We are confident that is valid advice. Therefore, there is no valid reason to design something different.

CHAIR: From that I presume that the agreement you made with them in writing has no validity?

Mr QUILL: Which agreement is that?

CHAIR: The one that I am informed the community received from you in writing, that you would seek an engineering or operational alternative.

Mr QUILL: As to alternative arrangements for venting on the tunnel, as part of the mediation process we looked at a range of alternatives, apart from the numerous alternatives that we had already investigated. I think a dozen or more were comprehensively investigated, many of which were detail costed. Through that process we have just about exhausted any viable alternatives to the current venting arrangements.

CHAIR: Are you satisfied with those arrangements?

Mr QUILL: Yes.

CHAIR: Mr Walker, Sydney Water has determined that the exhaust vent is safe. The local community does not agree with that. If your determination that the vent is safe is wrong, then a small community school will have to carry the total onus of proof, plus the commercial risk of the school's viability, plus the risk of legal action against the school's director. Given your financial resources compared to that of a small school and your determination of total safety of the Scotts Creek vent, it follows that providing the school with some form of negotiated indemnity would be of no real risk to Sydney Water, and would demonstrate to the community your absolute belief and commitment to your determination of safety. Will you give that indemnity?

Mr WALKER: Your opening words were that Sydney Water has determined that the vent was safe. In my previous answers to your questions along these lines I have pointed out that Sydney Water has relied not only on expert advice but also on the assessment of the New South Wales Department of Health and an independent review carried out through the Waterways Advisory Panel. That is hardly a determination purely by Sydney Water.

CHAIR: Do you not determine safety?

Mr WALKER: The report of the Waterways Advisory Panel was considered by the New South Wales Cabinet. The New South Wales Cabinet endorsed a number of its recommendations, including proceeding with the project as approved and the vent at Scotts Creek.

CHAIR: You cannot say that it is safe, can you? You said before that you are not sure that it is safe.

Mr WALKER: I accept the advice that I have been given that it is safe to go ahead and construct the vent as approved.

CHAIR: If you think it is safe to go ahead, will you give an indemnity?

Mr WALKER: I have indicated to you before on this subject, Mr Chairman, an indemnity cannot be given in such a case. How would you define it? Do you indemnify the population against falling ill?

CHAIR: Just the directors of the school against legal action because the school has to be closed down if children fall sick from the pollution from the vent.

Mr WALKER: I do not believe that is going to happen.

CHAIR: In that case, I am sure that you would be happy to give them an indemnity against that sort of thing happening.

Mr WALKER: I do not believe that is necessarily a logical conclusion.

The Hon. C. J. S. LYNN: The McClellan report insisted that an independent testing laboratory be identified without delay. How long after the water crisis of July to September 1998 were tenders invited for the role of independent testing laboratory, and how many tenders were submitted?

Mr WALKER: Sydney Water has had no particular part to play in that. That was left primarily in the hands of the New South Wales Department of Health. The Committee would have to take that up with the Minister or his representative.

The Hon. C. J. S. LYNN: Recommendation 50 of the final report of the Sydney Water inquiry asserts that, "a suitably qualified independent laboratory should be established to provide adequate data for regulatory authorities. The laboratory must be adequately resourced." When will the independent testing laboratory begin operation?

Mr WALKER: As I indicated in answer to the previous question, Sydney Water has had very little to do with that particular project. We were informed in writing of the identity of the independent laboratory not very long ago. I do not believe that we have been informed yet of when it will commence its operations.

The Hon. D. J. GAY: But you should know this. This is the authority that will test the water. It was part of the whole package and part of an undertaking.

Mr WALKER: Ever since the water quality crisis, water quality monitoring by the AWT laboratories for Sydney Water has been continuing as part of our water quality assurance program.

The Hon. C. J. S. LYNN: Can you advise whether the independent testing laboratory will test Sydney's water on a daily basis, every day of the year?

Mr WALKER: No. That is not the intention as I understand it. The intention is that the independent laboratory will perform back-up testing, random checking on some of the results that are done routinely for operational purposes, and some event-specific testing. That is my understanding of the approach that is to be taken. But the detail of that, again, is a matter for the Minister for Health and the Department of Health, who are the regulators of water quality, or the health implications.

The Hon. D. J. GAY: Does Mr Quill know the answer to the Hon. C. J. S. Lynn's questions?

Mr QUILL: No, other than what Mr Walker has already said.

The Hon. C. J. S. LYNN: Will the independent testing laboratory test every site that is tested by Australian Water Technologies on a daily basis?

Mr WALKER: Again I repeat, the regulator of the health of the water is the New South Wales Department of Health. The testing regime satisfies its needs.

The Hon. D. J. GAY: Are you not concerned about that?

The Hon. JAN BURNSWOODS: Opposition members should note that the Minister for Health will be attending an estimates committee hearing at 5.00 p.m. today. I suggest that they ask the appropriate people these questions.

CHAIR: They may wish to do that. In the meantime they can continue their questions.

The Hon. JAN BURNSWOODS: Sitting here listening to wrong questions put to wrong people over and over again, I wonder whether they have run out of real questions and they are just filling in time. Surely we have a right to expect the Opposition to know which portfolio to address questions to.

The Hon. D. J. GAY: When you have finished! I cannot accept that you both say that Sydney Water has no idea—

The Hon. JAN BURNSWOODS: Why don't you turn up at 5 o'clock and ask your questions of the right people?

The Hon. D. J. GAY: Go and squawk somewhere else.

The Hon. JAN BURNSWOODS: It is interesting that you do not squawk; apparently only those who do not agree with you or who point out your failings are squawkers. When you learn to ask the right questions in the right committee perhaps people will have some respect for you, but this is becoming farcical. These people have said over and over that these issues are not within their area. If you have real questions, for God's sake, get on to them.

CHAIR: I will extend the time by the length of the interruption.

The Hon. C. J. S. LYNN: I would have thought that the health of Sydney's water would be within their area.

CHAIR: We will not have debate across the table

The Hon. JAN BURNSWOODS: We could, of course, extend the hearing by one hour for the Government to ask questions. I draw your attention to the fact that we are doing you and the Opposition a favour by not asking questions. If you think that we have no right to make comments of any kind you are very wrong. We have not given away our right to make comments.

CHAIR: We can extend the hearing until 5 o'clock if Mr Walker is available.

The Hon. JAN BURNSWOODS: Do you want us to ask questions for an hour?

CHAIR: The Hon. D. J. Gay will continue.

The Hon. D. J. GAY: I find it hard to accept that you have no idea what will happen with the testing procedures for Sydney Water.

Mr WALKER: I indicated in answers to earlier questions that I was aware of the testing regime that has been in place since the water quality incident, and that it has been sufficient to satisfy Sydney Water's requirements for the quality of the water, but that it is to be supplemented by independent testing on behalf of the New South Wales Department of Health, which is our regulator in these matters. I indicated that I was aware generally of the shape of the program New South Wales Health intends to implement, and I have suggested that any other matters of detail be referred to the Department of Health. I think that is far short of being unaware of the testing regime.

The Hon. D. J. GAY: To the contrary—

The Hon. JAN BURNSWOODS: Here we go again! You do not learn, do you? You do not listen and you do not learn.

CHAIR: Please stop interrupting.

The Hon. D. J. GAY: I would have thought you knew that. You certainly should know it. If you do not know it, it should be within your capacity to provide us with that information

The Hon. JAN BURNSWOODS: How long do we have to listen to this?

CHAIR: You can leave the room now, if you wish.

The Hon. JAN BURNSWOODS: No, I have no intention of leaving the room. We will certainly ask questions if you do not control this. It is your role, Mr Chair, to make the questions relevant.

CHAIR: You are insulting! Stop insulting me and stop insulting Mr Walker.

The Hon. JAN BURNSWOODS: I feel insulted by the amount of time that is being wasted putting these poor witnesses through questions that have nothing whatsoever to do with their area.

The Hon. D. J. GAY: Can the Hon. J. R. Johnson call her off before she makes a fool of herself?

The Hon. JAN BURNSWOODS: As Chair you should be aware of that and you should do something about it.

CHAIR: Please continue your questioning.

Mr WALKER: I will take on notice the need to provide details of the proposed monitoring program. When it is available to me, I will make it available to the Committee.

The Hon. C. J. S. LYNN: Has the laboratory been accredited for testing cryptosporidium and giardia?

Mr WALKER: The AWT laboratory, which is the one we are currently relying on, has received accreditation for its cryptosporidium and giardia testing laboratory. I am unaware of performance levels of the independent laboratory and, again, I would have to refer you to the Minister for Health.

The Hon. M. I. JONES: How many consultants has Sydney Water commissioned in the past year?

Mr WALKER: I would have to take that question on notice.

The Hon. M. I. JONES: Could you also take on notice the following questions: How many consultants, if any, were commissioned during the past year to provide management and public relations advice? How much did each consultancy cost? How many consultants has Australian Water Technologies commissioned in the past year? How many of those consultants were employed to provide management and public relations advice? Furthermore, how much did each of those consultants cost?

Mr WALKER: I am happy to take that on notice.

CHAIR: On a different subject, could you give us any advice as to why Sydney Water's licence regulator is being reduced to an advisory committee? Has the regulator failed in its duties?

Mr WALKER: That is a policy matter, I believe. I do not think I should comment on that.

CHAIR: Did you have any part in that change? Were you consulted?

Mr WALKER: I might have been consulted on matters of detail, but certainly not on the policy decisions.

CHAIR: Are you aware of the work of the licence regulator?

Mr WALKER: Certainly.

CHAIR: So far as you know has it failed in its duties?

Mr WALKER: Not so far as I know.

CHAIR: From your point of view there is no reason for change?

Mr WALKER: I can see some benefits in the proposed change, but I think they are matters of opinion rather than matters of fact.

CHAIR: What is your opinion of the benefits?

Mr WALKER: I think I am required to give answers based on fact rather than opinion. It surely is a policy matter.

CHAIR: You cannot give the Committee any factual reasons for change?

Mr WALKER: I did not say that. I am sure there are facts behind the decision, but it is a matter of government policy.

CHAIR: Are you perfectly happy with the change?

Mr WALKER: It is a matter of government policy. I have opinions. I am quite happy to work with the changed circumstances.

The Hon. C. J. S. LYNN: How many staff redundancies have there been at Sydney Water in the past financial year?

Mr WALKER: In late 1999, commencing in August, all staff in Sydney Water and Australian Water Technologies, that is approximately 4,500, were asked to express interest in voluntary redundancy. In the period leading up to the end of October some 950 employees expressed interest. By the time we complete the program, and the program is scheduled to be fully implemented by the end of July this year, almost 700 people will have taken redundancy under the program.

The Hon. C. J. S. LYNN: How many of those were from Sydney Water?

Mr WALKER: I cannot tell you the split-up between Sydney Water and AWT at the moment, but it was roughly two-thirds Sydney Water and about one-third AWT. I can provide the detail if you wish.

The Hon. C. J. S. LYNN: I would appreciate it if you would take that on notice. How much have these redundancies cost in total?

Mr WALKER: I would have to take that on notice also. I have the approximate figures, but I would like to get it right.

The Hon. C. J. S. LYNN: Can you advise of the split between Sydney Water and Australian Water Technologies?

Mr WALKER: Yes, I certainly can.

The Hon. C. J. S. LYNN: Have any staff travelled overseas during the past financial year?

Mr WALKER: Certainly some staff have travelled overseas during the past financial year, but I have not got the details with me.

The Hon. C. J. S. LYNN: Will you take the question on notice and advise the Committee how many staff of both Sydney Water and Australian Water Technologies travelled overseas during the past financial year, where they went, what class they travelled and the total cost of each trip?

The Hon. J. R. JOHNSON: I take it that is in connection with their work?

The Hon. C. J. S. LYNN: Yes.

The Hon. J. R. JOHNSON: You do not want to know where they went on holidays?

The Hon. C. J. S. LYNN: No. For the benefit of the Hon. J. R. Johnson, I ask that it be restricted to their official work capacity. Have any retreats or conferences been held by senior staff of Sydney Water in the past financial year?

The Hon. JAN BURNSWOODS: I thought it was only the Liberal Party that had retreats.

Mr WALKER: I am not sure whether we classified any as retreats, but we have certainly had some conferences over the past financial year.

The Hon. C. J. S. LYNN: Could you take this question on notice: How many conferences were held, where were they held, and how much did they cost?

Mr WALKER: I think I would like the question to be defined a little better. Obviously, in a large, complex organisation there are all sorts of meetings that one might call conferences. We have lots of rooms in the organisation which are called "conference rooms". I am sure you would not want the detail of every meeting that occurred in a conference room.

The Hon. C. J. S. LYNN: I will define it by asking about any conference or retreat outside your head office.

Mr WALKER: We have a lot of regional and district offices as well. Do you want any conferences that were conducted in those?

The Hon. C. J. S. LYNN: External to the actual office; that is, where you have gone to a location that has been hired to conduct an annual conference or an extended meeting involving, say, more than one day.

The Hon. D. J. GAY: Outside buildings that you own.

The Hon. C. J. S. LYNN: Yes, and where they were held and the cost of each one.

The Hon. JAN BURNSWOODS: What about in a building they leased? Would that count?

The Hon. C. J. S. LYNN: You can ask a question if you wish.

Mr WALKER: I will be happy to take that on notice.

The Hon. C. J. S. LYNN: Will you apply that question also to Australian Water Technologies?

CHAIR: Under the new legislation will Sydney Water be required to inform its customers of any licence breaches?

Mr WALKER: Which legislation are you referring to?

CHAIR: The Independent Pricing and Regulatory Tribunal legislation.

Mr WALKER: I am not sure I can answer that.

CHAIR: I believe you are required to do that.

Mr WALKER: I am not refusing to answer; I am incapable of answering the question.

CHAIR: Will you take the question on notice?

Mr WALKER: Certainly.

CHAIR: Perhaps we should ensure that it is contained in the legislation.

Mr WALKER: Given that the legislation was before the Parliament, I would have thought you could probably answer that as well as I.

CHAIR: Evidently you were not well consulted on the legislation.

Mr WALKER: There has been quite a bit of information available about it, but the answer to the question is not in my mind at the moment.

CHAIR: Ms Gabrielle Kibble wrote to the community asserting that the health risk to Scotts Creek was comparable to that of a standard sewerage vent stack, of which there are many around the city. Would you agree with that comment?

Mr WALKER: I have no basis for disagreeing with it.

CHAIR: Are you not aware that Scotts Creek exhaust volumes are equivalent to some 3,000 such stacks?

Mr WALKER: I think there are different circumstances. The vent stacks around Sydney are generally not filtered. They are also generally exhausting from sewage in the pipes concerned. The tunnel will be filling with diluted sewage and will only operate during excessive rainfall events, and it is there only to expel the trapped air in that particular leg of the tunnel. That is why I said I have no basis for disagreeing, but there are very low risks in both cases, which is why I would say that is a defensible statement.

CHAIR: Are you not aware that this stack will vent approximately 3,000 times the average stack?

Mr WALKER: Well, they are different functions.

The Hon. C. J. S. LYNN: At the end of the redundancy program how many staff will remain at Sydney Water and Australian Water Technologies?

Mr WALKER: Again I will have to take that question on notice, but I should like to explain why. The end of the program is defined as 31 July. That was defined some time ago as part of the program, and all of the exits will take place by that date. As at 1 July there will also be restructuring in Sydney Water. Some functions will shift from AWT to Sydney Water and from Sydney Water to AWT. It is a more complicated question than it might seem on face value.

The Hon. C. J. S. LYNN: Can you advise the Committee of the remuneration package of the Chair of Sydney Water Corporation?

Mr WALKER: I will take the question on notice.

The Hon. C. J. S. LYNN: Will you also take this question on notice: What staff and office facilities does the Chair have available to her?

Mr WALKER: She has an office available to her, and she has the part-time support of an administrative assistant.

The Hon. C. J. S. LYNN: That is all?

Mr WALKER: That is all.

CHAIR: The supporting health research material to which you referred the last time you appeared before the Committee appears to have been withheld from the community during mediation. All that the public has seen regarding Sydney Water's duty of care in regard to the health of Scotts Creek are two letters and one theoretical air dispersal study. Was this information withheld and, if so, why?

Mr WALKER: I do not believe any information was withheld from the community. All of the available information was made available during the mediation process.

CHAIR: Are you saying that the only relevant information is two letters and one theoretical dispersal study? Is that the entire information you have?

Mr WALKER: I am not saying that at all. I understand there were experts who were personally brought forward to address the Committee.

CHAIR: The only written material is two letters and one theoretical air dispersal study, is that right?

Mr WALKER: I suspect that is probably the concluding documentation or assessment of their positions but not all of the material that was available to them.

CHAIR: Do you believe that is adequate research material?

Mr WALKER: I repeat, that was not all the material that was available to them.

CHAIR: But you said any other material was verbal?

Mr WALKER: No. I knew they were provided with first-hand information from the experts.

CHAIR: Verbal.

Mr WALKER: Whatever other information was available to them or presented to them I could not tell you.

CHAIR: Mr Quill, can you assist the Committee?

Mr QUILL: Once again, all information we had available to us we certainly made available to the members of the community through the mediation process. I am not aware of any particular information that has not been provided to the community. I might also add that that information was provided from the Department of Urban Affairs and Planning as well.

CHAIR: Could you take on notice the provision of all documents that you made available to the community?

Mr QUILL: All of the key information essentially is available publicly with the mediation report. The only documentation that remains is working papers of both the community and Sydney Water.

CHAIR: We are talking about supporting health research material, not debates on this and that.

Mr QUILL: As I said before, Mr Chairman, we have made available all the information that we had available. I might add that as far as I am aware the community also made its information available to us.

CHAIR: I am not concerned about that material; I am concerned about that which substantiates your belief that this vent will be safe.

Mr QUILL: As I said, Mr Chairman, we have made all that information available. It is a matter of public record.

CHAIR: Evidently the only information available is two letters and one theoretical—

Mr QUILL: Advice from other consultants has also been provided.

CHAIR: In writing?

Mr QUILL: There is other written documentation.

CHAIR: Which was provided to the community?

Mr QUILL: It was provided to the community.

CHAIR: Other than the two letters and the theoretical air dispersal study?

Mr QUILL: Yes, a lot of other information was provided to the community.

CHAIR: Could you make that information available to the Committee?

Mr QUILL: As I said, information was provided on the technicalities associated with the filtering system itself. Information was also provided by the consultants about the hydraulics of the tunnel. All that information has been provided to the community.

CHAIR: Could you either identify precisely which documents were given to the community or provide duplicates of those documents, whichever is easier for you?

Mr QUILL: By all means, but I would need to take that on notice because there is a long list.

CHAIR: I hope that among those documents there will be adequate research material to prove that the vent in fact will be "safe".

Mr QUILL: As I said, Mr Chairman, we provided to the community all the information that we had available, and we are satisfied with the advice that we have received.

CHAIR: Then why do you think that the community is not satisfied?

Mr QUILL: I think you would need to address that question to the community, Mr Chairman.

CHAIR: The mediation process obviously broke down, and you were involved in that process, were you not?

Mr QUILL: Yes, I was.

CHAIR: Are you satisfied with that process?

Mr QUILL: Both parties entered into that process with the clear intent to find a solution that was agreeable to both parties. Unfortunately, that was not able to be achieved.

CHAIR: So now you have to impose the vent on the community regardless of their concerns?

Mr QUILL: We are satisfied with the design of the filtration system. We are confident about the advice that we have received from experts, the Health Department, backed up by the Waterways Advisory Panel. I might add that there are other members of different communities that do not have the same concerns as the people at Scotts Creek.

CHAIR: Who would they be?

Mr QUILL: People at Quakers Hat, people at Manly and people at Lane Cove.

CHAIR: Who do not have the vent right next to their school.

Mr QUILL: The people of Lane Cove have a vent arguably closer to where they live than the people at Scotts Creek.

CHAIR: And they are happy with it?

Mr QUILL: We are still having discussions with one person in particular at Lane Cove.

The Hon. C. J. S. LYNN: Mr Walker, does Sydney Water sponsor or donate to any organisation with which Mr Ian Kiernan is associated?

Mr WALKER: It has been a sponsor of Clean Up Australia programs for several years. I am not sure exactly how far back. I think that that is the only one with which Mr Kiernan is associated.

CHAIR: Is the sponsorship about \$100,000 a year?

Mr WALKER: I am sure that it is not that much but I would have to take the question on notice.

The Hon. C. J. S. LYNN: There is no other association or organisation that Mr Kiernan is associated with that you sponsor or support?

Mr WALKER: There is a project which he supports. I do not know the extent to which he is involved. It is a wetlands project adjacent to the Hawkesbury campus of the University of Western Sydney, which is a water treatment and recycling program. It is effectively a partnership between the university and Sydney Water. I think that he may have a degree of involvement in that but I do not know the details.

The Hon. D. J. GAY: Does Mr Kiernan have a salaried position?

Mr WALKER: Not as far as I am aware, but I do not know the details.

[Short adjournment]

CHAIR: We will now deal with Integral Energy.

The Hon. D. J. GAY: Mr Powis, the Committee requested some others from Integral Energy to attend today, but they are not present.

Mr POWIS: No.

The Hon. D. J. GAY: Is there a reason for their non-attendance?

Mr POWIS: There is, actually. I was also involved in the process at 2.30 p.m. today. We had convened a subcommittee meeting of the board to review our financial position, a meeting that had been scheduled about a month prior. It was a choice between who would come here and who would keep that committee going. Having the finance and retail people available to answer those questions at the board meeting precluded them from coming here. Hopefully, I can answer most of the questions you ask.

The Hon. D. J. GAY: I refer first to the CSS billing system.

The Hon. JAN BURNSWOODS: What does CSS stand for?

Mr POWIS: Customer service system.

The Hon. D. J. GAY: In fact, I detailed the same answer for you at the last hearing, but you seem to have forgotten.

The Hon. JAN BURNSWOODS: I apologise if I was not listening carefully. It is hard to listen for a couple of hours when you are voluntarily not asking questions.

CHAIR: This is a discourtesy to the witness. Please do not interrupt.

The Hon. JAN BURNSWOODS: Would that be better or worse than your staffer interrupting you, Mr Chair? If we are talking about discourtesy, Mr Chair, yours has been by far the worst today.

CHAIR: Please continue.

The Hon. D. J. GAY: Who originally approved the purchase and installation of the CSS billing system, the data warehouse system and the energy-plus system?

Mr POWIS: The system would have been approved by the board, but in terms of the specific details, I will come back to you on that. It was based on 1997, and, given the significance of the dollars, it would have gone to the board.

The Hon. D. J. GAY: Would you advise the Committee who made that recommendation?

Mr POWIS: Yes.

The Hon. D. J. GAY: I accept that it was before your time.

Mr POWIS: Yes.

The Hon. D. J. GAY: To date what has been the total cost of CSS?

Mr POWIS: It is in excess of \$40 million as of last month, when we were putting it together. It still has ongoing issues in relation to GST costs and also mitigation strategies.

The Hon. D. J. GAY: And data warehouse?

Mr POWIS: That one I will have to come back on.

The Hon. D. J. GAY: And e-plus?

Mr POWIS: Well, e-plus is a subset of the CSS system, and I tend to think it is in the forties, but I will come back specifically on that.

The Hon. D. J. GAY: That is not part of the 400—

Mr POWIS: The \$40 million. I would not want it to be \$400 million.

The Hon. D. J. GAY: What has been the role of the company EDS in implementing and maintaining these systems?

Mr POWIS: EDS is the company with which Integral has an outsource relationship. It provides all information technology and telecommunications support, and as a consequence it provided the system software support and system development.

The Hon. D. J. GAY: Are you aware of any personnel who actually left Integral to work with EDS, or former Integral personnel who worked with EDS?

Mr POWIS: Not personally. It happened before my time. I imagine that part of the arrangement of the outsourcing would be that some of the Integral people at the time moved across to EDS.

The Hon. D. J. GAY: Will you undertake to find out?

Mr POWIS: Yes.

The Hon. D. J. GAY: How much money has been paid to EDS to implement, augment and repair CSS?

Mr POWIS: It would be a subset of the \$40 million; I will have to come back to you on that.

The Hon. D. J. GAY: What do you personally see as the main shortcomings of CSS?

Mr POWIS: I think the fact that we are still not getting bills out to 18,000 customers in a timely way. That is for a variety of reasons. There are exceptions—that is where the reading has shown a discrepancy that is either high or low. There are still some problems in relation to some of the meters, the interface with the meters going into the system, and there are still some problems in relation to new meters, transfer of meters, et cetera. The billing system, looked at in isolation, is just a system but it also has the metering activity, which is installing meters, changing meters and meter reading. It has the process of changes in customers on a day-by-day basis. It also represents billing issues and payments, so it is actually a long process when you think of it.

The Hon. D. J. GAY: Will CSS be GST compliant by the end of this month?

Mr POWIS: As of the meeting this morning, it should be.

The Hon. D. J. GAY: You cannot give us an unequivocal guarantee that it will be?

Mr POWIS: We are still in the process of system testing, and that testing will continue right up until July. At this point in time there are no substantive issues that have come out of the testing process.

The Hon. D. J. GAY: What was the total cost of preparing CSS to be Y2K compliant?

Mr POWIS: I will have to come back to you with details on that.

The Hon. D. J. GAY: Did CSS replace the old CIS system because the old CIS system was not Y2K compliant and could not be made Y2K compliant?

Mr POWIS: That is what I am led to believe.

The Hon. D. J. GAY: When did you, in your new role, first become aware of the problems with CSS and the way it produces the bills for retail customers?

Mr POWIS: I would say on my first day.

The Hon. D. J. GAY: How many customers are currently waiting for bills as opposed to the number that were referred to in the April 2000 report from Arthur Andersen Consulting?

Mr POWIS: As of this morning, there were about 18,100.

The Hon. D. J. GAY: Can you put a monetary figure on the billing that was caught up in CSS at the time of the Arthur Andersen report and the amount of money that is currently caught up with the 18,000?

Mr POWIS: I will have to come back to you with those specific details.

The Hon. D. J. GAY: It is a large amount of money.

Mr POWIS: It was a large amount when I originally came to my position. We can now pay our way with cash, so it is not an issue. However, the organisation did experience problems as a result of not enough cash coming through. There was an overdraft.

The Hon. D. J. GAY: Can you quantify the cost of that extra overdraft?

Mr POWIS: The extra overdraft was approximately \$1 million.

The Hon. D. J. GAY: What remediation work has been done on CSS since Integral received the report from Arthur Andersen?

Mr POWIS: I currently chair a weekly meeting at which we break down a variety of areas, including installing meters. As I said, you should not think of CSS as being only the system; the systems issue is only a fraction of the whole issue. We cover meter reading, meter installations, late billings and exception billings—strange bills. We also cover instances when we are having trouble estimating billing. We do all of that on a weekly basis.

The Hon. D. J. GAY: Will CSS be ready for the introduction of full retail contestability?

Mr POWIS: It should be.

The Hon. D. J. GAY: Are you aware of concerns within Integral that CSS will never be able to handle full retail contestability?

Mr POWIS: Given the angst we have had with CSS, many people are saying that. Given the many problems and the heat on the organisation, that question is obviously raised occasionally. Given the amount of

money that has been spent on the system and given that the decisions were based on Y2K and full retail contestability, management must pursue getting the billing cycle back to normal and getting the system operational.

The Hon. D. J. GAY: Given that Integral had to scrap one system that it introduced that did not work—admittedly, it was before your time—and given that the second one appears to have all the troubles of the first, if not more, can you understand the view that it may be time to cut your losses and scrap CSS because it is a lemon?

Mr POWIS: I do not believe we are at that stage. We put in place a revised process about a month ago to address specific issues in more detail and bed them down faster. At this stage there is nothing to say that we cannot achieve our goals. The reality is that this was one of two systems that could have been selected. This system is widely used in America and it was looked at in terms of full retail contestability and Y2K. We must address the process issues surrounding it, and management will be responsible for ensuring that that happens. Even if we were to decide today to transfer to another system, we would still have to manage the data migration issues. We must get the metering data bedded down before we make that determination. That is what drives me and the organisation at this point. It is equivalent to saying, "If we do not bed it down and it is no good, why not go to something else?" My difficulty with that approach is that we could take all the problems that are inherent in this system to another system and still have problems.

The Hon. D. J. GAY: Is that what happened in the past?

Mr POWIS: Some past elements could have been cleaned up prior to coming across to CSS.

The Hon. D. J. GAY: What extra money has been committed to CSS to ensure that it will be able to handle full retail contestability?

Mr POWIS: I will have to take that question on notice.

The Hon. D. J. GAY: You said earlier that there had been an overdraft situation. How many times has Integral had to go to an overdraft situation because of CSS?

Mr POWIS: That is the only time under CSS. It was closed off about six to eight weeks ago, which is when we got it down. I do not know about the old system. I will have to come back to you about that.

The Hon. D. J. GAY: Did you go to Treasury for approval to do that?

Mr POWIS: The overdraft?

The Hon. D. J. GAY: Yes.

Mr POWIS: Again, it was before my time. I will have to get back to you on that.

The Hon. D. J. GAY: I would like to move on to consultants. How many consultants were contracted to Integral Energy in 1997, 1998, 1999 and 2000, and at what cost?

Mr POWIS: I have to come back to you with the answers.

The Hon. D. J. GAY: Can you provide the Committee with a breakdown of the consultants who have been engaged, and provide a list of the reports and the subjects of those reports?

Mr POWIS: I will take that question on notice.

The Hon. D. J. GAY: I thought you might have expected questions along these lines.

Mr POWIS: I expected questions about one consultant report. You are going back to 1997 and I do not know the history.

The Hon. D. J. GAY: How many recommendations from all those consultants' reports were adopted by the company?

Mr POWIS: If you go back to 1997, the answer will vary depending on the number of consultants. I will have to take that question on notice; it is complex.

The Hon. D. J. GAY: It is not terribly complex. If you look at the consultants' reports, as I have, you will see that report after report comes up with similar, if not the same, recommendations each time. All good consultants are recommending the same solutions, yet it appears that those recommendations have not been acted upon. It is a specific question about the consultants' reports.

Mr POWIS: Okay.

CHAIR: Have you acted on any consultants' reports?

Mr POWIS: As to the Arthur Andersen report, which was mentioned, we report monthly to the board about action taken to address those issues. I can talk about those consultant reports that I have had a direct say in and influence on. My fundamental belief is that you commission a consultant report to address the issues, otherwise you do not commission it. The question refers back to 1997; that is why I hesitate.

CHAIR: Have you checked the reports from the last two or three years?

Mr POWIS: I have had somebody go through the reports from the last three years and compile a list with the aim of closing off all the recommendations of the consultant reports. It is a function of the audit process to address that issue and the board audit committee holds me accountable for doing so.

CHAIR: Did you receive a summary of the reports' recommendations?

Mr POWIS: There is a summary, yes.

CHAIR: Have you read it?

Mr POWIS: Yes, I have been through it page by page.

CHAIR: Do you agree with many of the recommendations?

Mr POWIS: They are fundamentally the right recommendations, but they evolve over time. Two or three years ago there was a view about how to manage a retail business. That view has evolved over time and lessons have been learned throughout that process. Therefore, a recommendation that was made two or three years ago is now probably out of date compared with current recommendations.

The Hon. D. J. GAY: I understand from your previous answer that you expected questions about the Arthur Andersen report. In that case, how many recommendations from that report have been adopted?

Mr POWIS: I went through that yesterday, and the vast majority have been adopted.

The Hon. D. J. GAY: The Minister for Energy, or the shareholding Ministers, are they made aware of consultant reports as they come in and the final report supplied to your company?

Mr POWIS: I have supplied a copy of the one you have just mentioned to Treasury, but not to the Ministers.

CHAIR: Should you not do so?

Mr POWIS: When I first moved into Integral I needed an assessment of the issues that I faced. They were the issues of management that I considered I had to take on. To ensure I did not focus on one particular area they covered a wide range of issues for the organisation and picked up the billing issues. It was an attempt to get a complete picture of the issues.

The Hon. D. J. GAY: I have read the Arthur Andersen report, which contains questions that the Ministers have to answer. The Minister for Energy is in charge of the billing, telephone and other important areas that the report addressed. Those matters concern the shareholding Ministers and I will certainly ask questions about them in the House. Given the community concerns, and given the matters raised in the report, why would you not see fit to forward it to those Ministers?

Mr POWIS: I got the report to identify the issues. Those issues will be part of the SCI process, which we are in the process of finalising with our Minister next month. They reside with the operation business and not with the issues that I would have thought the Minister would want to see.

The Hon. D. J. GAY: Has Boston Consulting ever been contracted to Integral?

Mr POWIS: I will take that question on notice.

CHAIR: Did you receive a list of reports?

Mr POWIS: Yes, and I think I saw Boston. But if I did not see it, I would have a problem.

The Hon. D. J. GAY: Boston Consulting was on the list.

Mr POWIS: I think it was last year, but I am not sure.

The Hon. D. J. GAY: Do you know what purpose Boston Consulting—

Mr POWIS: If it is in the context I remember, it was the retail area.

The Hon. D. J. GAY: Is it your understanding that it was selected on at least one occasion to provide figures in that area, which, frankly, could have been provided in-house through the company's forecasting division?

Mr POWIS: I did not know that.

The Hon. D. J. GAY: Are you aware that the figures supplied by Boston in this case could have led the company to enter into long-term electricity sale contracts at prices well below what could have been achieved in the normal competitive market?

Mr POWIS: There are a lot of discussions in relation to a trading position. I have received a lot of advice from the market and from consultants. Not all of that coincided. It is easy to sit on the side and make a comment, as opposed to being in the market and making a trade or a hedge. Unless I have a specific example of whether there is a problem, it is very hard to address.

The Hon. D. J. GAY: Were you given advice on why Boston Consulting's advice was taken above that of Integral Energy's own forecasting division?

Mr POWIS: Not on that specific issue.

The Hon. D. J. GAY: But it has been raised as a matter of concern in Integral?

Mr POWIS: I understand it has.

The Hon. D. J. GAY: Is it a matter that you are looking at?

Mr POWIS: I am looking at the trading position; it is a constant issue.

The Hon. D. J. GAY: Yes, I know, but the current position is based on the past.

Mr POWIS: Yes, I know.

The Hon. D. J. GAY: I turn now to staff redundancies. What has been the total staff turnover from retail energy in the past four months?

Mr POWIS: I think it is of the order of 18 to 20 per cent.

The Hon. D. J. GAY: Which is large.

Mr POWIS: It is very large.

The Hon. D. J. GAY: What have been the main reasons for the departure of staff?

Mr POWIS: It is a complex issue, not a simple issue. Firstly, salaries in the retail area are less than those of our competitors. Secondly, given the press and the issues we faced about the position of Integral, some people believe it is better to work for other companies. There was also an issue in relation to how bonuses should be treated within the company. There are also personal issues which go beyond that. It is not one single issue but a convergence of issues, which, unfortunately, have taken a lot of key staff out of the organisation.

The Hon. D. J. GAY: Have the majority of staff leaving the retail energy area been from senior ranks?

Mr POWIS: Yes, as I understand it.

The Hon. D. J. GAY: What measures have been put in place to address this staff drain from the retail energy area?

Mr POWIS: At that stage it was a case of trying to understand the issues and what was causing the problems. I had several meetings with retail people to determine that. The next reorganisation, which involves the general manager of retail, will start the process of addressing the issue.

The Hon. D. J. GAY: Did you receive a consultant's report soon after you began at Integral which was commissioned following concerns from staff in the retail trade area of the company?

Mr POWIS: Yes.

The Hon. D. J. GAY: What did you do with that report?

Mr POWIS: I would like to clarify this because it was commented on in the House. I received a report about two months after being appointed. It was a report on staff morale in the retail area of the organisation which had been commissioned by the previous acting chief executive officer and worked on within the retail area. That report was given to me about two months ago. In essence it attempted to blame everyone for every mistake. It blamed senior management for letting down the staff; it blamed people on either side for letting them down; and it blamed the system. It was an all-encompassing report which pointed the finger at just about everyone.

The Hon. D. J. GAY: So there was no validity to the report?

Mr POWIS: It has degrees of validity, but it was an angry report. Having lost 20 per cent of the staff, obviously the remainder of staff questioned what was happening and why. The staff who are leaving obviously have issues they want to put on the table. Given that perception in the marketplace—people in the retail business are very marketable—they wanted to get the organisation back into a position in which they believed it would suit their career prospects.

You mentioned it in the House and I would like to put it in context. What I said to the retail people was, "Can't we have the consultants tell us what to do?" That is point one. Second, I found that the report blamed many people. I said, "If we go back and look in the past, who was here should, therefore, be accountable for the issues of the past." Then I said to the retail group, "Now that we have heard a great deal of discussion about the issues, let's start to prioritise the issues from our own perspective, because I am getting different messages, ranging from remuneration to structure to forecasting to relationships, between sales and trading and other parts of the business."

At the meeting you talked about I commented that I wanted the retail people to start to learn the retail issues, for management to own the issues and for us to start to work on an action plan. At that meeting two people within the retail group were nominated to come back within a week's time with a report that highlighted those issues in priority order, and they subsequently came back.

The Hon. D. J. GAY: Would you outline to the Committee the plant management shake-out at Integral, as foreshadowed by you in the *Illawarra Mercury* newspaper in the past few weeks?

Mr POWIS: There are several prongs to the approach. I will stay with retail and then move on to the other parts of the organisation. The billing system was in a customer operations group, which was unhelpful in

that it was sitting to one side and most of the information was being used by retail. To put it in context, the retail people go out and, in essence, sell the contracts. They address the people issues and, as a consequence, a bill is created. It made sense that that group be together once again so that the billing and the retail come together. It also meant that the debtor collection, the payment issues and the use of the billing system for forecasting could be better integrated into retail. Hopefully the retail business will be a more integrated business, delivering the bills and monitoring in a timely way. That is the retail side.

As to the other changes, the call centre is an issue within the organisation. As you would know, the length of time to answer incoming calls is quite long. We have had to commence a process to improve the technology and increase the number of desks so that we get more calls through the call centre. That was included with commercial services, which is probably more attuned to dealing with those issues. The other part of the change was to rationalise the interface between contracting—this is on the network side, the asset owner asset maintainer model—and to get an asset manager in charge of the assets, so that the resources can be programmed in a more timely way, as opposed to a competitive way. It is the use of benchmarking as opposed to a commercial arrangement. There was also a tightening up of the financial management of the organisation to a more central environment. There is a stronger financial and human resources focus to bring control back to the centre.

CHAIR: Prior to your arrival there was a serious management problem. Are you going to keep the same managers that were there before?

Mr POWIS: We are currently interviewing and reviewing that process. I think there will definitely be changes.

CHAIR: Can you give any indication to the Committee of the cost of that bad management to the people of New South Wales?

Mr POWIS: This comes back to the point of the retail side. I am not sure whether you can say management, the staff or the environment—

CHAIR: Surely it has to start at the top.

Mr POWIS: It should start with the chief executive officer, yes.

CHAIR: What is the ballpark figure of the cost to the community through bad management in the last, say, four years?

Mr POWIS: Again, if I can put it in context, the electricity industry has gone through a great deal of change. The banking industry went through a great deal of change in the 1980s and lost a lot of money through the deregulation activity, and many issues were involved. I doubt if anyone ever quantified the dollars during that period.

CHAIR: Have you tried to do it with your organisation?

Mr POWIS: No. I have said that we have several issues at this point in time. We have the billing system; we are getting ready for full retail contestability. I have enough issues for the future, without going back and dredging up from the past. As long as I learn from the past and move on, my belief is that we are ahead. If we were to try to go back and dredge it all up, it would consume the organisation too much.

CHAIR: When you are arrived were you shocked at the state of the organisation?

Mr POWIS: I saw a challenge—I will put it that way.

CHAIR: Are you up to that challenge?

Mr POWIS: It has preoccupied my time about 110 per cent.

CHAIR: Will there be a significant turnaround in this financial year?

Mr POWIS: I think there will be a turnaround.

CHAIR: Can you quantify it? For example, will there be \$300 million more than last year? How can you quantify the additional revenue to your organisation through cleaning up the mess?

Mr POWIS: As I said, with deregulation, it is good to say in hindsight that things could have been done differently and there could have been a completely different environment. I have never gone about quantification.

The Hon. D. J. GAY: I put a figure in Parliament of what I thought the cost was, and the Minister, who followed me, did not dispute the figure I put before the House.

Mr POWIS: I will not dispute it.

The Hon. M. I. JONES: If I could return to the billing problems, and clearly there are billing problems. When consumers complain about being overcharged, are they compelled to pay the bill pending investigation or can a bill be suspended until the completion of any investigation?

Mr POWIS: Normally if a person rings and says that he has a problem with a bill, we put it into an area called the open complaints area. It resides there until such time as we can definitively close off the issue. Again I would have to take it on notice, but of the order of about 700 or 800 are sitting there, which, as opposed to pursuing, we are trying to close off.

The Hon. M. I. JONES: Let me ask you the question again. During this process does the consumer have to pay the bill or can the payment of the bill be suspended until after the investigation is completed?

Mr POWIS: It should be suspended. I would have to take the question on notice about what is actually happening, but I would imagine, given the issues, we would have to suspend it.

The Hon. M. I. JONES: If it is not, do you think it should be?

Mr POWIS: I think that it should be if we have a question mark over the bill.

CHAIR: The Minister has announced that the Independent Pricing and Regulatory Tribunal [IPART] will be given the new role of regulator over organisations such as Integral Energy. He said:

This will make State utilities more accountable to the public for their performance.

How will this change the accountability of your organisation? Are you aware of these changes?

Mr POWIS: I note that the changes are moving to IPART. I think it will make the organisation more accountable, because IPART is the jurisdiction that regulates our revenue stream for the network side of the business. If you take it along logically, one of the things that is still missing out of the whole market is the connection between service and revenue. That is still to be clarified. I tend to think it is in the positive.

CHAIR: Do you think that your customers will be better informed?

Mr POWIS: I think that IPART has a role of being transparent, and it has been consistently transparent. I suppose it has been the bane of the life of distribution companies. I think it will perform its role.

The Hon. M. I. JONES: When did you become aware of problems at the Huntington call centre as identified in the report submitted by Arthur Andersen in April this year?

Mr POWIS: In about the first one to two months I found that there was a problem in the call centre. I visited the call centre.

The Hon. M. I. JONES: When you say the first two months, what do you mean?

Mr POWIS: I started in January.

The Hon. M. I. JONES: So it would be January-February?

Mr POWIS: Yes. I visited the call centre and I have spent many a day there—not a whole day but hours. I could see the delays to the phones, et cetera. At that time a senior manager was appointed to the call centre to address the technology and staffing issues.

The Hon. M. I. JONES: The report also identified the fact that there were no existing emergency proceedings as a major fault at the call centre. Have any emergency procedures been put in place?

Mr POWIS: Yes, there have. Two weeks ago there was a draft fire drill and the call centre was evacuated and transferred to other parts of the organisation.

The Hon. M. I. JONES: The report, which is only a couple of months old, also suggested that technology at the centre was outdated and incapable of handling an increase in customer numbers under full contestability. Has this issue been addressed?

Mr POWIS: That is what I was going through. I said that in about February or March I appointed a senior manager down there whose job was to do two things. One was to address the technology and the other was to address staff issues, which were under incredible stress as billing issues were put on the table.

The Hon. M. I. JONES: It is only a short period of time since the report came down.

Mr POWIS: But we have appointed someone. The report will go to the board this month to increase the technology, which will enable both Coniston and Huntingwood to get equal parity, to increase our numbers. That is really the reason for the statement in Wollongong. We went through a lot of options as to whether we would centralise it at Huntingwood or Coniston, but in the interests of controlling our system it is best that we have two.

The Hon. M. I. JONES: If you put in a request for an upgrade of technology what dollar value would be on that technology?

Mr POWIS: At this stage the papers are still being prepared, so I will take that on notice.

The Hon. M. I. JONES: Notwithstanding this request for extra technology, has a telephone system been upgraded, or is that part of the technology?

Mr POWIS: But the issue was that only so many calls could physically come through our communications system. We have had to address that physical limitation. It is like a tube. We are now trying to address increasing the tube because that is half the problem.

The Hon. M. I. JONES: How many people are employed at Huntingwood call centre at the moment?

Mr POWIS: I will take the question on notice, but it is of the order of 100 people. But there are not always 100 there at the same time because there are shifts and some people are not on full time, et cetera.

The Hon. M. I. JONES: The Huntington call centre is an integral part of the operation?

Mr POWIS: Yes.

The Hon. M. I. JONES: There is no possible consideration of outsourcing that?

Mr POWIS: We considered outsourcing, but given the issues I have at present and the nature of the billing system, which is unique to Integral, we need people whom we control in the delivery of that billing system. It is not a billing system that is used anywhere else. Therefore I cannot go to somebody and say, "We have this billing system, can we use you?" It is unique to Integral. The call centre not only addresses billing issues; it also addresses emergency issues. If we have a major disturbance to the system we use the call centre to address that. It is not simply a billing area. Anyone is welcome to go to the call centre. For instance, if people want to change their addresses, disconnect, connect, change their payment arrangements from debit to credit and all sorts of things. It is not simply complaining about the billing system, it has a whole heap of mechanical things sitting in the background. Until such time as the system is bedded down I would be reluctant to move it anywhere.

The Hon. D. J. GAY: We have heard from the Minister in other hearings about his relationship with Integral. I am interested in your views. How often do you or the board of Integral meet with either the Minister for Energy or the shareholding Ministers?

Mr POWIS: The current board?

The Hon. D. J. GAY: Yes.

Mr POWIS: I cannot speak totally for the chairman because he does not need to talk to me when he meets the Minister. That is his prerogative. But the new board has not met or sat down with the Minister on either occasion.

The Hon. D. J. GAY: Did the new board come into place after your appointment?

Mr POWIS: Yes, in March.

The Hon. D. J. GAY: Was the appointment of the new board the subject of discussion between you and the Minister?

Mr POWIS: No.

The Hon. D. J. GAY: Have you met with the Minister?

Mr POWIS: Yes.

The Hon. D. J. GAY: Do you meet often with the Ministers?

Mr POWIS: I certainly met with the Minister over the billing issue and in the next two weeks I am about to meet the Treasurer for the signing of the statement of corporate intent.

The Hon. D. J. GAY: During this period of financial concern that I detailed in Parliament, and with which you have not disagreed, the shareholding Ministers who are responsible for that finance have not sought a meeting with you?

Mr POWIS: As I said, Minister Yeadon has and I have sat down with him.

The Hon. D. J. GAY: That was not my question.

Mr POWIS: In reference to the Treasurer I saw him at the beginning and I have not seen him since, but I would say I have been in daily contact with Treasury officials.

The Hon. D. J. GAY: Is that sufficient?

Mr POWIS: My understanding of the issues of substance at Integral is that the real issues we have to address are getting the management structure right and getting greater control over the financial issues. All those issues and the issues we face all reside at Huntingwood. Every time I take time out of being at Huntingwood I am taking time away from addressing issues that affect what I call the management base. My preference and the preference of the people at Treasury is to spend as much time as possible addressing those issues and, as a consequence, the reorganisation, the review of the complete financials and billing issues have dominated my time. As I said, I prefer to spend a little time away from Huntingwood, given the issues I have. I liked the questions previously on interstate and overseas travel. I will not get that opportunity for an incredibly long time to come.

The Hon. D. J. GAY: Is it true that the chief financial officer will not renew his contract later this year?

Mr POWIS: He terminates on 7 July.

The Hon. D. J. GAY: Do you know why that is?

Mr POWIS: His job is being advertised.

The Hon. D. J. GAY: Could you indicate or seek to find out how many meetings you, as Chief Executive Officer, and the former Chief Executive Officer and the board have had with the shareholding Ministers and the Minister for Energy?

Mr POWIS: Yes.

The Hon. JAN BURNSWOODS: I have been very interested in what I have heard about the first greenhouse forest project in western Sydney. Could you tell us what Integral Energy is doing in that regard?

Mr POWIS: We are the first. The energy companies are to be made more accountable for carbon dioxide emissions. That was, I must admit, only a small involvement, but the first significant involvement of the company in that area. We work very strongly with SEDA and with the National Parks and Wildlife Service. This initiative will be part of the future of how electricity companies work. Full retail contestability will change a lot of dynamics in infrastructure building, working with gas and working with alternative energy sources. It is part of a whole process that will go on in the background, if you will allow me to expand, especially as the market evolves looking at alternative ways of managing risk and of managing the externalities, which will be part and parcel of our business. That is one element, but it is only one element of the mosaic.

The Hon. JAN BURNSWOODS: Could you tell us about another interest of mine, the solar in schools project?

Mr POWIS: Today we had an executive meeting to discuss that. We intended to look at a business case. Currently we have two people employed to look at the technical issues of installing solar panels in schools. We also work with SEDA in relation to solar panel activity. Again, it is another part of the mosaic of the evolution of electricity. The old days of electricity, of simply building infrastructure and accepting that infrastructure will keep being built, are gone. Awareness, of which the solar panel is an example, is only part of that process. This whole market will change many of the dynamics. Profiling will definitely change. There are many issues sitting in the background.

The Committee proceeded to deliberate.
