

GENERAL PURPOSE STANDING COMMITTEE No. 2

Friday 9 June 2000

Examination of proposed expenditure for the portfolio areas

MINERAL RESOURCES, AND FISHERIES

The Committee met at 9.30 a.m.

MEMBERS

The Hon. Dr B. P. V. Pezzutti (Chair)

The Hon. Dr A. Chesterfield-Evans

The Hon. A. G. Corbett

The Hon. R. D. Dyer

The Hon. Jennifer Gardiner

The Hon. H. S. Tsang

PRESENT

The Hon. E. M. Obeid, *Minister for Mineral Resources, and Minister for Fisheries*

Department of Mineral Resources

Mr A. Coutts, *Director-General*

Ms M. Campbell, *Director, Strategic Planning and Policy*

Mr T. Galligan, *Director, Resource Planning and Development*

Coal Compensation Board

Mr H. Bowman, *Chief Executive Officer*

New South Wales Fisheries

Mr S. Dunn, *Director-General*

Mr P. O'Connor, *Director of Conservation*

CHAIR: I welcome you to this public hearing of General Purpose Standing Committee No. 2. First, I thank the Minister and the departmental officers for attending today. At this meeting of the Committee we will examine the proposed expenditure from the Consolidated Fund for the portfolio areas of Minerals and Energy and Fisheries. Before questions commence some procedural matters need to be dealt with.

As you are 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 copies of these 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 their staff are therefore advised that any messages should be delivered through the attendant on duty or the Committee clerks. For the benefit of members and Hansard, and for the effective operation of this Committee, it is very important that departmental officers identify themselves by name, position and department or agency before answering each question. There is wide latitude allowed in asking 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 Minister and the Committee if the program or subprogram is identified.

The Committee has agreed to the following format for the hearings here today. It will start this morning with Minerals and Energy portfolio and then move on to the Fisheries portfolio. The principle that this Committee operates on is a little different from other committees in that when I nominate a member to start questioning, if there are any other questions that other members of the Committee want to deal with on that issue, they are able to jump in and ask their question, and then move on to the initial questioner again. I will attempt to be fair in allowing members' questions.

We will have a break at about 10.25 a.m. Two hours have been set aside for the public hearing today. At the conclusion of the hearing if members have not exhausted their questions to which they require answers the Committee may decide to hold additional hearings before it is required to report on 23rd June, 2000.

The Committee has resolved to have the deadline for supplementary questions to be handed to the Minister at 5 o'clock on Wednesday next week, which gives opportunities for members to see copies of *Hansard*. The *Hansard* should be available on Tuesday afternoon and corrections or suggestions for corrections should be in within 48 hours if possible.

In previous years there has been a tendency for some Ministers to control the answering of questions. It is not intended to ask questions directly of a public servant except when a public servant is summonsed under the Parliamentary Evidence Act. Should this occur and the question directed to a public servant is answered by the Minister, the Minister should be aware that we have the power to subpoena public servants. Further, answers to questions should be relevant and it is up to any member of the Committee, or myself, to intervene if the Minister is becoming too long-winded and not getting to the specific issue questioned. That is as a result of last year when the whole process was derailed by some Ministers in simply answering questions long and irrelevantly.

The Hon. A. G. CORBETT: Minister, in the Western Sydney Budget Statement on page 12 there is a section on energy exploration and it refers to the investigations for commercial production of methane gas in the Sydney Basin coal seams by the Sydney Gas Operations Pty Limited. Has the department undertaken or commissioned any independent economic assessment of the advantages and disadvantages of increasing the supply of natural gas to the Sydney market resulting from the Sydney Gas exploration?

The Hon. E. M. OBEID: I will give you a brief outline on the exploration that has taken place there. Sydney Gas purchased the rights to explore for gas in the Sydney Basin from Amoco. Initially the company focused on drilling coal seam methane test wells south-west of Camden and has drilled 17 wells to date. The

area where the company has undertaken its exploration mainly compromises small rural properties and some drilling activity has caused concern to adjacent property holders. I received a deputation on 4 May 2000 of local residents and the Hon. R. T. M. Bull just to discuss concerns about Sydney Gas. Subsequently officers of my Department of Mineral Resources have had on-site meetings with Sydney Gas to clarify safety, environmental and rehabilitation issues. My director-general has also written to the executive director of Sydney Gas outlining the areas that require improvement.

I have recently received complaints that two wells have been drilled within 200 metres of principal residents. I am advised that as at 30 May 2000 Sydney Gas was undertaking negotiations with the land owners to obtain their necessary consent. The company has been informed that if they do not receive the consent of the land-holders in the near future they will be required to plug and abandon the two wells. Sydney Gas claims it has legal advice that two wells in question are not in breach of the Petroleum (Onshore) Act. Sydney Gas has indicated that it will send its legal advice to my Department of Mineral Resources by the end of this week. Once received, my department will assess the advice and determine the next course of action.

In response to community concerns, new procedures have been put in place to allow more community involvement in all future exploration activities undertaken by Sydney Gas. The company believes it is close to demonstrating the commercial viability of its project and may soon be applying for an assessment lease to allow it to undertake test production and limited gas sales. If Sydney Gas wishes to undertake short-term testing by producing gas from existing wells under an assessment lease, the necessary review of environmental factors will be placed on public display through the local councils and affected land owners will be advised. This will allow community input into consideration of the production trial.

Full-scale commercial production will require development consent including the preparation of an environmental impact statement before a petroleum production lease can be granted. The Government through my department and the Environment Protection Authority continues to monitor the company's operations. At the Government's instigation Sydney Gas established a community advisory panel earlier this year following an open day in November 1999. The panel is chaired by a local independent businessman, with representatives from Wollondilly and Camden councils and local residents. The panel has met on five occasions, as recently as 1 June, and will continue to meet monthly. As to the second part of your question, whether we have done an economic assessment, maybe Alan Coutts, the director of the department might assist me there.

Mr COUTTS: The department has had an assessment of the reserves at Camden in that we understand what the resource is there that the company is exploring. The question of whether that resource is economic or not is one for the company to determine and that is the purpose of them undertaking a fairly extensive exploration program. The basis of that exploration program will help them assess whether they have economic resources there that can then go into a further stage.

The Hon. E. M. OBEID: Just to complete the question for you, the benefits of local gas production to New South Wales will be very significant. New South Wales is the only State to have a large natural gas market but a distribution system based entirely on supplies from another State, that is South Australia. The discovery of large reserves of gas in this State would provide a boost to competition in gas supply resulting in lower prices for consumers and, of course, it will create opportunities for the development of new industries and a lot of employment in that area.

The Hon. A. G. CORBETT: On that point, Minister, Sydney Gas has apparently claimed some 7,000 to 8,000 jobs and 20 per cent to 30 per cent reduction in the cost of gas for Sydney consumers. Does your department support that claim?

The Hon. E. M. OBEID: As to those figures I am not quite sure whether we would be prepared to back some assumption that a company makes. I believe that is not proper for us to do so. I believe that in having our own gas supply, the fact that it is in Camden, if it was available, there would be economies of scale, which would create economic activity. As to what percentage it would reduce, naturally if there is competition the price would be reduced but I do not think my department or I would be prepared to say what percentage that would be.

The Hon. A. G. CORBETT: Minister, I refer you to the statement under the energy exploration passage which says that direct and indirect economy opportunities and lower gas prices are just some of the benefits that could be expected. I expect the department has some sort of evidence to back up that statement.

The Hon. E. M. OBEID: Always when there is competition. At the moment we have one supplier. If there are two suppliers you would expect that there would be competition and you would expect competing

prices, that is a philosophy in business I believe we can all understand. But I doubt whether I or anyone else would put a figure on it. No doubt the market will test it.

CHAIR: Minister, if this becomes a matter of extraordinary State significance would you move to change the legislation to allow for variations to the arrangements you mentioned before about approvals?

The Hon. E. M. OBEID: If this became a significant deposit and it meant economic dollars and jobs to the State, no doubt we would want the company to come to all the arrangements with the land owners and those affected. That is a priority and we would support the establishment of an industry that supplied gas. It is something that we are obliged to do.

CHAIR: If push came to shove, would you override the arrangement that requires agreement by the land-holders?

The Hon. E. M. OBEID: Well, I do not want to pre-empt what would or would not happen.

The Hon. A. G. CORBETT: Minister, at present the local community is not aware of any work that is going to be done until drilling equipment is actually brought on site. Will you require the company to release copies of all plans for proposed gas wells in that area so that at least they know what is coming up?

The Hon. E. M. OBEID: I would imagine the company would have indicated where all the wells would be.

The Hon. A. G. CORBETT: That is not my information.

The Hon. E. M. OBEID: Yes, but perhaps Alan could assist as to whether they release it to the public.

Mr COUTTS: Perhaps I could hand over to Tony Galligan. Tony actually has been involved with the Sydney Gas project and perhaps he might be able to give members a better understanding of some of the community issues that we have been trying to manage there.

Mr GALLIGAN: The whole exploration and assessment process follows a series of steps. For each exploration activity under the Petroleum Act a review of environmental factors is required to be submitted. That review of environmental factors is studied by the department and its environmental experts and then an approval is given by the Minister for that particular activity. To date those reviews of environmental factors have not been necessarily put out in the public arena in that they are relatively simple reviews to drill specific holes.

The next stage involves the possibility of getting an assessment lease to test whether the wells will actually produce gas. This is the stage we are reaching now, but before moving to the grant of an assessment lease the company will be required to prepare a review of environmental factors which will be put on public display with the councils which will be open to public comment. The department and ultimately the Minister will take into account those comments from the public before any approvals are granted. In the assessment lease stage we are talking about connecting up some of the wells that have been more successful in the potential to produce gas for a period of up to 12 months to trial the production. Until we have had that trial it is very difficult to say just what size the reserve may be.

We know there is a lot of gas in the seams, but the key issue with coal bed methane is whether you can get the material out of the seams and whether you can do it economically. That is the whole purpose of the second phase. If the second phase is successful then the third phase moves in to the actual production lease, but before going to production lease a full-scale environmental impact statement would be required which may be handled, if it is for a small-scale development, by the local council. If it has the potential to be a project of great significance it would be handled by the Department of Urban Affairs and Planning [DUAP] and the Minister for that portfolio.

The Hon. A. G. CORBETT: When will the community groups actually see the entire plan for all the wells that are going to be drilled?

Mr GALLIGAN: As I just indicated, the actual land owners will be given access to the individual review of environmental factors for each specific well. However, now we are really moving past that stage, as I said, towards the assessment lease where we will do a review of environmental factors of connecting up a number of those wells. That is the one that will be put on public display for three weeks or something like that with the councils.

The Hon. A. G. CORBETT: What I am trying to get a clear answer to is: Will the community be able at some stage to look at a map and say, yes, there is a well there and there is a well there and there is a well there?

Mr GALLIGAN: I cannot guarantee, but I thought that information was already available through the community liaison committee that is established down there.

The Hon. A. G. CORBETT: The community is saying to me that it does not know where the wells are going to be drilled until the drilling actually starts.

Mr GALLIGAN: No, that is not quite correct in that before a well can be drilled two things have to happen. You have to get the land owner's consent, in other words you have to reach a compensation agreement with the land owner, and there is a process prescribed under the Act for that.

The Hon. A. G. CORBETT: Is that about \$100?

Mr GALLIGAN: No, some of the arbitrator's decisions have involved, for a particular property, well in excess of \$100,000, on my understanding, so we are not talking about \$100. I understand also that the company down there has reached agreements in potential royalties or share of production if the wells are successful. So I would not believe that the figure of \$100 is correct.

The Hon. A. G. CORBETT: Are there community safety guidelines or guidelines that should be put in place when drilling takes place and, if so, what guidelines are these and are these published?

Mr GALLIGAN: There certainly is a safety plan for the exploration activities that are carried out down there and that safety plan is oversighted by one of our mine safety inspectors who has some specialist training in the petroleum side of things. So there is quite a detailed set of rules from the safety point of view that includes the actual drilling of the well and, if necessary later on, any fencing or safety issues that might relate to post drilling.

The Hon. A. G. CORBETT: Would it be reasonable to expect that any drill site is fenced?

Mr GALLIGAN: That would depend on what was happening at the drill site.

The Hon. A. G. CORBETT: If there was a danger, for example, to children who might want to go and have a look and fall in a hole or something like that?

Mr GALLIGAN: I think that the reality there is that the ones that are producing some gas I understand have something like a 12 feet above-ground pipe. So it would be very difficult for children to get anywhere near that and they are also being fenced with quite a high fence.

The Hon. A. G. CORBETT: Where are these safety guidelines published? Are they published? Are they available to the community?

Mr COUTTS: I am sure community members, if they request, could view the safety guidelines that our department requires.

The Hon. A. G. CORBETT: How would they go about doing that?

Mr COUTTS: They would go through the community liaison committee, which would be the best. If that is not satisfactory, certainly the department would make them available.

The Hon. A. G. CORBETT: Has the Department of Roads a policy or guideline on accepted buffer zones between where the drilling goes on and, for example, schools and public roads? Section 72 in the Petroleum Onshore Act (1991) states that prospecting or mining operations should not occur within 200 metres of the principal residence of the owner or occupier of any such land, or on which there is any substantial building, bridge, dam, reservoir et cetera. If mining or prospecting was going on within 200 metres of a school, would that come under that clause? Is a school a substantial building?

Mr GALLIGAN: It refers to principal residence or other valuable structures. What we are talking about here is the exploration activity and the reason principal residence is included is for some issues that might

relate to noise. A school would not qualify as a principal residence, but in terms of just exactly where that fits under the Act I believe we would have to take legal advice on that.

The Hon. A. G. CORBETT: But would that not be called a substantial building? Is a school not a substantial building?

Mr GALLIGAN: Well a school certainly is a substantial building, but the Act envisages more private ownership.

The Hon. A. G. CORBETT: That is in section 74(b) but section 72(c) states "... on which there is any substantial building, bridge, dam, reservoir, well or other valuable equipment". Under section 72(c) would a school be a substantial building?

Mr COUTTS: If I could perhaps answer that, Mr Corbett. I believe our view would be that if the potential well was on property owned by the school then we would probably interpret the school as a substantial building that fell within that 200 metre zone.

CHAIR: I suggest you take that question on notice as it is apparent it requires a legal answer.

Mr COUTTS: If the Committee wishes us to get legal advice we will have to do that.

CHAIR: No, the Committee needs your department to provide departmental advice rather than provide it on the run.

The Hon. H. S. TSANG: If a school can be identified, then the department should provide an answer. However, if a school or technical college is hypothetical—

The Hon. A. G. CORBETT: No, it is not hypothetical.

The Hon. H. S. TSANG: Can you identify the school?

The Hon. A. G. CORBETT: It is Cawdor primary school.

CHAIR: Order. It is identified in the legislation, as the honourable member pointed out. He is asking for an interpretation; whether a school is a substantial building. I believe those are matters the department could take on notice. Are you happy with that?

Mr COUTTS: I am happy to do that.

CHAIR: That matter is taken on notice. How many recommendations of the Commission of Inquiry into the Gretley accident have now been implemented?

The Hon. E. M. OBEID: We undertook to adopt all 43 recommendations.

CHAIR: Yes, I know that, but how many as of today are currently implemented?

The Hon. E. M. OBEID: Most of the recommendations have been completed while some are ongoing. Eight recommendations dealing with the prevention of inrush have been completed with the introduction of the new regulations on 1 September 1999 and by the production of new guidance material. Industry seminars were held during 1999 regarding survey and drafting standards. Examinations for mine surveyors incorporate questions regarding the use of historical data in research while further action is being considered by the mining industry training advisory body regarding survey competencies. Survey and drafting instructions have been re-made by the department.

Six recommendations dealing with the review of section 138 processes regarding applications for second workings or pillar recovery have been addressed. These improve the department's processes and applications by companies for approval to remove pillars. Five of the recommendations related to their prosecution policy have been substantially implemented. The policy has been in place since 1 January 1999, while ongoing training of departmental officers is being undertaken.

Amendments to the Coal Mines Regulation Act were required by 14 of the recommendations regarding the establishment and operations of the independent investigation unit and associated procedures within the department. These were made last year. Two recommendations dealt with abandoned shafts.

CHAIR: Were they gazetted?

The Hon. E. M. OBEID: They were made last year so I cannot confirm that. They will probably be gazetted, but I cannot confirm that. I can get that for you.

The Hon. E. M. OBEID: Two recommendations dealt with abandoned shafts, and colliery abandonment plans for sealing entrances were introduced in the new regulations made last September while more comprehensive guidelines for closing shafts have been drafted for consultation. One of the recommendations required consideration of prosecution by the Crown Solicitor. Action has been initiated by WorkCover as a result. Considerable work is involved with cataloguing all files and archival material relating to abandoned mines, which was one recommendation. This is substantially completed and is being taken further than the recommendations required. It will be completed during the coming financial year. Conditions for barrier pillars between mines are imposed in mining lease conditions where appropriate. This follows one recommendation. Departmental annual reports, which was another recommendation, follow an approved process. A computerised management information system for relevant departmental staff has been introduced to help reporting.

CHAIR: Minister, what has been the cost to the Department of Mineral Resources of implementing the recommendations of Judge Staunton's inquiry? What has been the cost to the department, not the cost to the industry?

The Hon. E. M. OBEID: Well, I will take that on notice because I do not have exact costings, but we will attempt to get an answer to that.

CHAIR: How many safety inspections were undertaken by your department in the last 12 months?

The Hon. E. M. OBEID: I will refer that question to Alan Coutts.

Mr COUTTS: Total physical inspections for underground and open cut coalmines in 1999-2000, was 589 coalmines; open cut non-coalmines 160; underground 80; non-coalmines continuous service operation, 242; and intermittent operation, 119.

CHAIR: How many people have been accredited as mine safety officers?

Mr COUTTS: We have engaged a number of mine safety officers as a result of the recommendations of the report. We have three mine safety officers in our Orange office; three in our Hunter offices; four in our Armidale office servicing the Armidale and Lightning Ridge region; and six in the Wollongong-Lithgow district. So that gives us a total of 16 mine safety officers.

CHAIR: How many mines across New South Wales now have their own mine safety officers?

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

CHAIR: What happened to the Mines Rescue Board given that it does not appear in your budget?

Mr COUTTS: The Mines Rescue Board is not a part of the Department of Mineral Resources. It always has been a separate statutory body. Both the Mines Rescue Board and the Mines Subsidence Board do not appear in the budget this year because they are not funded by consolidated funding.

CHAIR: No money goes to them from the consolidated fund?

Mr COUTTS: That is my understanding.

CHAIR: Has there been a replacement for the Mines Rescue Board or is it now up to mining companies to provide the coverage and level of safety expertise on a mine-by-mine basis? In other words, are companies now providing the coverage and level of safety expertise?

Mr COUTTS: The Mines Rescue Board is still in operation and is still carrying out the same functions as it did last year.

CHAIR: Well, how do we find reports of the assets and expenditure of the Mines Safety Board? Does it produce an annual report?

Mr COUTTS: The Mines Rescue Board does produce an annual report.

CHAIR: Is that report tabled in the House by the Minister?

Mr COUTTS: Yes.

CHAIR: What is your view on the draft legislation that is expected to be introduced into Parliament seeking to ban the use of cyanide in minerals processing?

The Hon. E. M. OBEID: Recent events in eastern Europe and Papua New Guinea have focused attention on the use of cyanide in the mining process. A fact not widely known is that most gold ores require chemical treatment to separate the gold from the ore. More than 90 per cent of the world's gold is obtained using cyanide treatment. I am advised that other chemicals that previously have been used, such as chlorine, are more toxic than cyanide. Research is continuing into alternative extractive methods that do not require the use of cyanide. Nevertheless, the Government recognises the care that must be taken when using cyanide in the mining process. Stringent regulatory requirements are in place wherever cyanide is transported, stored or used in mining processes. These safeguards are designed to prevent the release of cyanide into local environments such as occurred at the gold mine in Romania. The Timbarra gold mine near Tenterfield, for example, was designed—

CHAIR: Minister, is there legislation to ban the use of cyanide in mineral processing in New South Wales?

The Hon. E. M. OBEID: As far as I am concerned, as a matter of policy, cyanide is used by 90 per cent of the industry. Until we find some other alternative, that is the way the industry will remain, but I am very mindful of the stringent environmental issues. It is very important to emphasise that we have very, very stringent conditions upon our gold mining operations. Timbarra was one of those and that will remain the case.

CHAIR: Is the department aware of any alternatives or viable alternatives to the use of cyanide?

The Hon. E. M. OBEID: As I indicated, research is taking place. I am certainly not aware, maybe Alan could assist, if there is anything that is reasonably available other than cyanide.

Mr COUTTS: The department is not aware of any viable alternative to cyanide in extracting gold from ore. In fact, one of the department's senior environmental technical officers, who is regarded as a world expert on cyanide, was recently invited by Environment Australia to be a member of the Australian delegation that went to Paris to participate in a seminar on the issue around cyanide in mining. So I think that demonstrates the expertise within the department.

CHAIR: What advocacy role has the Department of Mineral Resources played in negotiating with interest groups over the Government's draft paper on water resources and water management?

Mr COUTTS: I do not know that the department has had any advocacy role to play. The department has been engaged in a whole-of-government way with other government agencies in providing comment in discussions about what is in that proposed legislation and the discussion paper.

CHAIR: If you had no role in the advocacy part on behalf of miners and mineral exploration, would you not appreciate that the mining industry has a vested interest in this issue and therefore has been represented and consulted in the white paper?

Mr COUTTS: Once again, as would be the case when most legislative or major policy proposals are put forward, the minerals industry, including the Minerals Council, would be one of a number of stakeholders who would be consulted in that process.

The Hon. A. CHESTERFIELD-EVANS: Minister, there were some extensive proposals at Lake Cathie, south of Port Macquarie, including an ore body which impinged on the national park. Can you tell us what leases have been let at that point and what plans there are to mine that body?

The Hon. E. M. OBEID: I am not aware of the matter about which you are asking. I will take that on notice and get you an answer.

The Hon. A. CHESTERFIELD-EVANS: With regard to mineral sands, how much has been spent in mineral exploration in south-western New South Wales?

The Hon. E. M. OBEID: Are you talking about the Murray-Darling basin? It has tremendous prospects. I only met RZM representatives last night and it appears that the mineral deposit is sufficient to be viable, but I will just give you some further detailed information. The Murray-Darling basin is located in south-western New South Wales and the adjacent States of Victoria and South Australia. More than 100 mineral sand deposits have been discovered in the Murray-Darling basin over the past 10 years. Over 70 of these deposits are within New South Wales. Total coarse grain mineral sand resources within the basin may exceed 50 million tonnes, with a market value of more than \$12 billion. Resources of at least 11 million tonnes of mineral sand have been identified to date within five deposits in the New South Wales portion of the basin.

The basin's biggest explorer, RZM, has identified 5.7 million tonnes of contained mineral sand within its exploration titles. The bulk of these resources occur in the Birthday Gift, Cylinder and Jack's Tank deposits. RZM has recently entered into a fifty-fifty joint venture with Sons of Gwalia, a major Western Australian gold and industrial mineral producer. Mining lease applications have been lodged over two deposits, Jack's Tank and Birthday Gift. Draft environmental impact statements for Birthday Gift and Cylinder are well advanced.

The RZM's joint venture will soon conduct a feasibility study of mining and processing of the mineral and sand resources in the Murray-Darling basin. Subject to a positive outcome, construction of a large scale processing plant should commence within four years. This plant would produce 300,000 to 400,000 tonnes per annum of mineral sand concentrates sourced from three or four new mines in New South Wales.

In 1998 the Premier's Department implemented a regional co-ordination initiative to foster development of the mineral sands industry in the Murray-Darling basin. All relevant government agencies have been involved in this development initiative along with the mineral sand exploration industry and local government authorities. New South Wales is also working with Victoria, South Australia and the Commonwealth on a study of the infrastructure needs of the mineral sands industry in the Murray-Darling basin. New South Wales is contributing \$20,000 to this study, with \$10,000 contributed by my department. The study is close to finality with a final consultants report expected.

The other major resources identified in New South Wales to date are Bemax Resources, Ginko Deposit near Pooncane and Iluka Resources Magic Deposit about 100 kilometres south of Broken Hill. The Ginko deposit contains estimated resources of almost six million tonnes of mineral sand. Resources within the Iluka Resources Magic Deposit are also likely to be substantial, although no details of the size of the deposit are yet available. Development of the mineral sand resources of the south-west of New South Wales promises to provide major economic benefits to the State and to that region in particular. The Government will continue to act to facilitate this development consistent with its commitments to regional development.

Further to what I have said, I was quite pleased with the meeting I had with RZM yesterday. We are, of course, encouraging them to have the processing plant in Broken Hill cart to the Newcastle port and a bonus, if this State can achieve it, is to have a pigment plant at Newcastle. That will mean many hundreds of jobs both in Broken Hill and in Newcastle, but of course there is competition from South Australia and Victoria. However, it is a tremendous possibility for the State. It is viable; it is just a question of going through the processes. We certainly will be making sure we keep all the jobs and employment possibilities here in the State.

The Hon. Dr A. CHESTERFIELD-EVANS: So you have spent \$10,000?

The Hon. E. M. OBEID: From the department.

The Hon. Dr A. CHESTERFIELD-EVANS: Is that all?

The Hon. E. M. OBEID: That is all I have said and the rest is a question of identifying the resource, which will be done by the company.

The Hon. Dr A. CHESTERFIELD-EVANS: How and where has that money been spent?

Mr GALLIGAN: There are two issues. The majority of the basin is held under exploration licence by companies. So when you ask what has been spent on exploration you need to add up the individual company expenditures. It is not a departmental exploration area; it is held by private companies. That is one issue.

The second issue regarding this infrastructure study is that this is the second in a series carried out in conjunction with the Commonwealth Government and industry. There was one two years ago on the central

west area and that identified very clearly some of the water issues and other infrastructure needs. The current one is once again Commonwealth, Victoria, South Australia and New South Wales governments together with industry. An external consultant has been hired and the \$20,000 is this State's contribution towards its share of that study.

The Hon. Dr A. CHESTERFIELD-EVANS: Are there any plans for mineral sand mining along the coast?

The Hon. E. M. OBEID: We are already looking at Stockton Bight. An operation is there and a process is in line for approval for the second part of that operation.

The Hon. Dr A. CHESTERFIELD-EVANS: There is silting of a lot of coastal rivers. Has the possibility of looking at mineral sands extraction to clear those rivers been investigated at any stage?

The Hon. E. M. OBEID: I am not sure whether the department has thought about that. Perhaps Tony could answer that.

The Hon. Dr A. CHESTERFIELD-EVANS: I am trying to get two problems solved at once.

Mr GALLIGAN: The silting of rivers really is not related to mineral sands. I think you will find that the heavy mineral sands in the silts would be very low. So, it is not as though it is an issue; they are more associated with beaches than with river silts. The silts are brought down from inland.

The Hon. Dr A. CHESTERFIELD-EVANS: I thought if the Murray River had silts and then beaches have silts, there might be some hope for the silts in the rivers.

Mr GALLIGAN: They are different sorts of silts.

CHAIR: Does your department have control of winning sand and quarrying in rivers?

The Hon. E. M. OBEID: Not quarrying.

CHAIR: Because it is a form of quarrying, I do not believe you have any power over that, do you?

The Hon. E. M. OBEID: We do not. Not quarrying. We do not approve quarrying.

The Hon. Dr A. CHESTERFIELD-EVANS: Maybe I should be talking to the Department of Public Works or something.

Mr COUTTS: Department of Land and Water Conservation.

The Hon. E. M. OBEID: Richard Amery.

Mr COUTTS: Part of the Department of Land and Water Conservation.

The Hon. Dr A. CHESTERFIELD-EVANS: How much money was spent by the department on the proposed silicon smelter at Lithgow, the quartz mine in Cowra and the charcoal plant in Gunnedah in the last financial year? How much is allocated in this year's budget?

The Hon. E. M. OBEID: I will ask Tony to answer that question.

Mr GALLIGAN: Once again it is private industry that is doing that proposed development. The department's involvement in that whole process was a number of years ago to establish in conjunction with the Department of State and Regional Development, and other parts of government, the whole concept of the minerals processing park at Lithgow, which really involved our not outlaying money as such but putting in place the potential for some land to be used there, its closeness to infrastructure including power. Also, the department carried out some studies on some of the less traditional minerals, in other words the value-adding processes. It is as a result of that that we are now seeing this whole concept of the silicon smelter evolving.

The department does not spend any money directly on it, other than having some expertise in value adding. That person offers advice to proponents of things like the silicon smelter. Also, of course, we are

involved in the development consent processes which are run by the Department of Urban Affairs and Planning, but the input from the department in regard to mining is certainly there. In respect of the charcoal plant, we do not have any input.

The Hon. Dr A. CHESTERFIELD-EVANS: That is not your idea. In a sense that would really be one proposal by someone that wanted to smelt the silicon?

Mr GALLIGAN: The charcoal part of it. Carbon is an essential part of the process in smelting the silicon. The company is still looking at the various alternatives that exist for that.

The Hon. Dr A. CHESTERFIELD-EVANS: I am not suggesting that public money should go into subsidising the plant, but one would think that you would be keeping a watching brief on it in the public interest; is that the department's role?

Mr GALLIGAN: Once it gets to this stage there are a number of departments involved. The Department of Urban Affairs and Planning gives the development consent, and the Department of State and Regional Development has a role in promoting these sorts of developments. Our department is addressing all these technical issues and trying to ensure that the supply of materials is available.

The Hon. JENNIFER GARDINER: My question relates to the Northparkes tragedy. What is the prognosis for the latest assessment on production at the mine in the light of that accident?

The Hon. E. M. OBEID: Just as background, Northparkes mine operates an underground copper gold mine north-west of Parkes in New South Wales. Northparkes mine uses a mining method known as block caving to extract low grade ore bodies. On Wednesday 24 November 1999—

The Hon. JENNIFER GARDINER: Minister, with respect—

The Hon. E. M. OBEID: I am just giving some background.

The Hon. JENNIFER GARDINER: It is already on the record, so could you just tell us what is the latest assessment?

The Hon. E. M. OBEID: Well, as far as I am aware, it is operating; normal conditions and business goes on. What else do you want to know?

The Hon. JENNIFER GARDINER: What is the latest assessment of the production of the mine? Has it been affected?

The Hon. E. M. OBEID: Not to my knowledge. I believe that is a matter for the company, how it runs its affairs and what it wants to take out. We are not responsible directly in what method and how much is produced out of the mine. As far as we are concerned when they have a clean bill of health. The company goes back and operates and it is business as usual. What the company wants to extract is up to it.

The Hon. JENNIFER GARDINER: With respect to the Peak Mine at Cobar, what mineral production has been achieved since that shut down and how long is the mine expected to operate?

The Hon. E. M. OBEID: We will have to take that on notice.

The Hon. JENNIFER GARDINER: Again a sandmining question: Where will the water come from for the Birthday Gift and associated mineral sands deposits?

The Hon. E. M. OBEID: I do not want to pre-empt what the company's requirements will be or where it will come from, but it is one of the issues that it has to address. I am sure, if we want those mineral sands deposit extracted to create economic development of jobs, we will have to help them. So let us wait and see.

The Hon. JENNIFER GARDINER: When will the new mine at Fifield start operation?

Mr GALLIGAN: That mine is currently going through its development consent process. There has been a planning focus held and an EIS is being prepared to be put on public display. In terms of when, once

again that will depend on the company. It is a huge capital investment, something in the order of \$700 million, and it will depend on the ability to, first of all, get the approvals in place. We expect that that should not be too big a problem. The second part then, of course, is to raise the capital to commit to that, but from the company's indications to us, it would like to advance that project quite rapidly within the next couple of years.

The Hon. JENNIFER GARDINER: Could you tell us what the department knows of the gas deposits in the area surrounding the Culgoa National Park in the Brewarrina-Bourke area?

Mr GALLIGAN: If we knew more we would be probably producing, but at this point in time it is very early days with all of that area out there. There are a number of areas held under exploration licence, but to date there is not a whole lot of drilling activity there. The department is doing some stratigraphic work there to try to determine more closely the sequence of rocks and the potential for gas exploration. We do not have any resource or reserve figures on gas in that area at this point of time.

The Hon. A. G. CORBETT: I return to an earlier issue I raised. Is there a section in the Act that details what is permitted under an exploration licence? What separates exploration activities from production activities? Where is the line drawn? Sydney Gas operations are under an exploration licence but the community has concerns that it is really setting up a production site. Where do you draw this line?

Mr GALLIGAN: There are three stages in moving towards final production of gas. The first exploration stage allows the company to actually carry out activities like drilling exploration holes, setting up to test for those individual holes, carrying out activities such as seismic surveys and any aerial surveys that may be necessary. The second phase involves the more prolonged testing of the gas, and keep in mind that this whole issue of coal bed methane is a very new industry and a very new activity for New South Wales. Some of it is frontier area. The second phase, and that is the phase the company is moving into now, is where you actually connect these wells to some pipeline or some point where you gather the gas. You run the wells for a prolonged period of time, unlike conventional petroleum where, if you hit gas, you basically estimate how much gas is there and you can shut the well until you connect it to a pipeline and then away you go. With coal bed methane the whole issue is trying to demonstrate that you can actually recover the gas from the seam.

Even though the gas is there, in some areas it is impossible to get the gas out of the seam. That is why you need the intermediate phase. We are proposing that that intermediate phase be carried out under the second title within the Act, that is, the assessment lease title. The assessment lease title is equivalent on the minerals side to bulk testing of a commodity. That is why we would normally have it as a limited production, perhaps no more than a couple of petajoules per year, and it would have a time restriction on it, probably 12 months. During that period, as the word "assessment" says, you really are assessing the potential of the area to produce. They are the two main phases. If that assessment is successful then, as I mentioned previously, you move towards the production lease, which requires the development consent and the full scale—

The Hon. A. G. CORBETT: If you have a number of test drilling sites, how close would these normally be in order to find out from where you can and cannot get gas?

Mr GALLIGAN: In the coal bed methane area the spacing between holes is normally in the order of 500 metres. Some of the fields I have visited in America are basically one well per 600 acres which, when we transfer that across here, is roughly 500 metres apart. Depending on the activity or the potential of the coal in that area to produce, you may have to put more or less wells and you may have to have closer spacing. Once again it is all very much experimental in the Sydney Gas area. Ideally you need something like 25 wells to fully test a potential production area because with 25 wells you can develop the right pressures within the seams; you can get the water pressure down to the right levels.

The Hon. H. S. TSANG: I thank the Opposition for congratulating the Government on extending the Discovery 2000 exploration New South Wales.

The Hon. E. M. OBEID: I thank the Opposition for that, too. It is the only thankyou it will get from me.

The Hon. H. S. TSANG: I have noticed an allocation of \$30 million in funding over seven years. Could you explain the difference between Discovery 2000, its work, and now Exploration New South Wales? Why is this allocation less than the Discovery 2000?

The Hon. E. M. OBEID: Exploration New South Wales is an extension of Discovery; it is building on the information we already have obtained from Discovery 2000—we are adding on to it, going to another face.

It is probably one of the most important policies that we have. It certainly helps us to map all the seams that we are looking at and are able to assess through the geophysical surveys. It is tremendous for country New South Wales.

CHAIR: Is this the sort of money that pays for the research you are doing at Brewarrina?

The Hon. E. M. OBEID: Yes. The allocation will cover the following regions: Wentworth, Balranald \$6 million; Narrandera \$3.8 million; Broken Hill \$3.5 million; far north-west \$3.5 million; Armidale, Tenterfield \$2.5 million; Wagga Wagga \$1.9 million; Cobar, Bourke \$1.7 million; Lightning Ridge \$1.5 million; Bathurst, Orange \$0.7 million and Braidwood \$0.6 million.

CHAIR: What about the North Coast?

The Hon. E. M. OBEID: Have you got anything up there? I think we are looking for gas and petrol up there. I thank the Opposition, and especially the Hon. D. J. Gay, for recognising good government and good policies.

[Short adjournment]

The Hon. JENNIFER GARDINER: Could the Minister, advise the reasons Dr John Glaister is no longer with the department?

The Hon. E. M. OBEID: He is no longer with us and it was all handled within the requirements of the Act.

The Hon. JENNIFER GARDINER: Why is he gone?

The Hon. E. M. OBEID: I do not believe that is a matter for the budget. I do not believe it is a matter for this Committee to tell me how I should run my department and who should be the head of that department. I am quite satisfied that he was treated in accordance with the Act and its requirements. He was paid and we are on to a new start.

The Hon. JENNIFER GARDINER: How much was his pay-out?

The Hon. E. M. OBEID: \$104,930.

The Hon. JENNIFER GARDINER: Did you personally advise Dr Glaister that his services were no longer required?

The Hon. E. M. OBEID: Unfortunately I was not available at the time.

CHAIR: So you did a Mr Martin, did you?

The Hon. E. M. OBEID: I beg your pardon.

The Hon. H. S. TSANG: I remember the Minister was in hospital.

The Hon. E. M. OBEID: I did not do a Mr Martin. I look people in the face when I want to tell them something.

The Hon. H. S. TSANG: Minister, I understand you were in hospital.

The Hon. E. M. OBEID: The point is that it is irrelevant who told him. It was within the requirements of the Act of how heads of departments are treated and how their contracts are withdrawn and that is the end of the matter.

The Hon. H. S. TSANG: I understand Minister at that time you were actually in hospital when the decision was made.

The Hon. E. M. OBEID: I was a bit laid up. Yes.

The Hon. JENNIFER GARDINER: Minister, how many applicants were there for Dr Glaister's position as director?

The Hon. E. M. OBEID: I am not aware, but there were quite a few applications. It was not up to me to assess those applications. The recommendation was made by the appropriate committee.

The Hon. JENNIFER GARDINER: Is it not a fact that that committee which assessed the applications resisted Mr Dunn's appointment?

The Hon. E. M. OBEID: Absolute rubbish! Whoever has given you that rubbish is sillier than you for asking such a silly question.

The Hon. JENNIFER GARDINER: Did you insist that Mr Dunn be appointed?

The Hon. E. M. OBEID: No, it is not up to me to decide. It is up to the committee to decide. It makes the recommendations, and it was a unanimous decision.

CHAIR: Minister, may I get this clear. As the Minister you get to say you do not work with a particular director-general. Are you now saying to us that you do not have a hand in choosing the next director-general?

The Hon. E. M. OBEID: No, no, I am not saying that at all. What I am saying is that it is more appropriate to have a hands-off situation when you have a committee to make assessments. The committee makes the recommendations and it was a unanimous decision on the recommendations. Those people that do the interviews go through the assessment—

CHAIR: Then you have a choice of—

The Hon. E. M. OBEID: Let me finish. You asked the question. Applications are made, they are fully assessed and when you get a committee unanimously suggesting one person is superior to the rest, you would have to have very good grounds not to take him.

CHAIR: But what I am saying is that you have a choice. When you became Minister you decided you could not work with Dr Glaister and so you moved for his removal, quite properly and using the Act and all that sort of stuff, but when it comes to the new director-general you were indicating that you had a hands-off approach to who the new director-general was. I suggest to you that the two examples are sort of mutually exclusive.

The Hon. E. M. OBEID: No, no, I am not suggesting it was hands-off approach. I make the final decision.

CHAIR: Thank you.

The Hon. E. M. OBEID: If the recommendation is unanimous about the person that applied and they have been thoroughly investigated and assessed, you would have to have very good reasons to reject that unanimous recommendation. I am quite satisfied with the appointment. I am very happy with the department, the way it is being managed and the future of the department and that is the end of it.

The Hon. JENNIFER GARDINER: If I could welcome Mr Dunn to the Committee. Mr Dunn, could you provide—

The Hon. E. M. OBEID: Would you ask me the question?

CHAIR: The member can direct a question to a public servant, you may intervene if you wish.

The Hon. JENNIFER GARDINER: Mr Dunn, could you provide the Committee with a brief outline, just a pen sketch if you like, of your qualifications to be the Director of New South Wales Fisheries and also a quick reference to any positions you have held with respect to fisheries or other jurisdictions?

The Hon. E. M. OBEID: Mr Chairman, I am not going to have the Hon. Jennifer Gardiner or any member of this estimates committee asking my director to prove his qualifications. It is not up to you to decide.

When you are in government you can have that privilege of deciding who will be your director-general, but while I am in government I will decide. I refuse to allow the director to answer such a question. It is a stupid question. Get on with the job on the estimates.

CHAIR: Minister, I have read out to you early in the piece the—

The Hon. E. M. OBEID: I am not having him answer the question of his qualifications. If you want to do something about it, do something about it. I think it is insulting.

CHAIR: Minister, I remind you that we have the power to issue subpoenas.

The Hon. E. M. OBEID: Well you subpoena whatever you want. You can have his curriculum vitae [CV]. You can subpoena his CV.

CHAIR: Thank you.

The Hon. E. M. OBEID: I would like you to do it.

The Hon. JENNIFER GARDINER: I will ask the Minister to advise the Committee on the key performance indicators in Mr Dunn's performance contract?

The Hon. E. M. OBEID: I am not prepared to divulge the performance contract of the director-general.

The Hon. JENNIFER GARDINER: It was good enough for the new controller-general of the New South Wales State Rail Authority, who was quite forthcoming with his details two nights ago.

The Hon. E. M. OBEID: Well, I suggest if you want to ask these questions you issue a subpoena.

The Hon. JENNIFER GARDINER: Okay.

The Hon. E. M. OBEID: Mr Chairman, will you issue the subpoena?

The Hon. JENNIFER GARDINER: I will give notice to the Committee that we wish to see the performance contract and the details of the salary package. The specific question, which I am sure you would have heard at other Committee meetings, is: Does the performance contract, the salary package, for Mr Dunn include provision for bonuses?

The Hon. E. M. OBEID: Every head of a department has a provision for a bonus right through government.

The Hon. JENNIFER GARDINER: Have any bonuses been paid to Mr Dunn?

The Hon. E. M. OBEID: He has not been there long enough.

The Hon. JENNIFER GARDINER: Are there any under contemplation?

The Hon. E. M. OBEID: Any?

The Hon. JENNIFER GARDINER: Under contemplation?

The Hon. E. M. OBEID: I have just told you about the package. Every head of department has a bonus condition included and he only gets paid that after he has been there a year and his performance is assessed. He has not been there a year.

The Hon. JENNIFER GARDINER: Minister, are you aware that there are frequent mentions in the fishing fraternity right across the board of alleged overstaffing of New South Wales Fisheries when compared to other jurisdictions?

The Hon. E. M. OBEID: I am not here to answer allegations made up from spurious people who have vested interests.

The Hon. JENNIFER GARDINER: I refer you to page 14-7 of Budget Paper No. 3, Volume 2, reference is made to "complete restructure of Department to an outcome focused service delivery agency with clearly defined and accountable program teams". Does that strategic direction, in the way it is worded in the budget papers, not intimate that the department is not currently an outcome focused service delivery agency with clearly defined and accountable program teams?

The Hon. E. M. OBEID: No, it does not. As far as I am concerned we are heading for promoting aquaculture. There is a new direction in the department to work with the industry and as far as I am concerned the provision is on service. It is nothing new. If you want to encourage the private sector to come in and invest and they are relying on our expertise, on our research capabilities, on our diagnostic capabilities, on our managerial expertise to be ready to serve that sector, so as far as I am concerned it has been a great achievement for the department to be able to get on with helping industry establish fishing industries along the coast and to create jobs and economic activity, so they should be service orientated.

The Hon. JENNIFER GARDINER: How has the restructure mentioned in the budget been designed? How is it being implemented? When will it be finished?

The Hon. E. M. OBEID: I do not want to give a time on how long it will take. The most important thing is that they do have a restructure which is basically service orientated. Our job is to regulate, to have compliance and, in particular, to do the necessary conservation and research to help industry. Whatever time that takes, the ultimate is the department's achievement and how it does its job. So, I do not want to give a time on how long it will take.

The Hon. JENNIFER GARDINER: You must have a time in terms of a particular budget item. Is it going to take one year or three years?

The Hon. E. M. OBEID: As far as I am concerned, it is in the budget this year and if we have not finished it by this year we will be assessing it again next year. It is a matter of ongoing change to make sure we meet the demands of our stakeholders.

The Hon. JENNIFER GARDINER: How is the restructure being designed?

The Hon. E. M. OBEID: Well, you have indicated there; it is in the budget papers how the restructure is being designed. As I said, the extra activity of the department is to be service orientated and, in particular, towards the aquaculture industry.

CHAIR: The Hon. Jennifer Gardiner asked a reasonable question. If it is in the budget papers it must have a start and a finish time or at least a publicly accountable method of doing the restructure. It is a reasonable question.

The Hon. E. M. OBEID: Well, fine, if a reasonable question is asked I am happy to answer a reasonable question. I am not going to sit here with these lines of stupid questions being asked that are irrelevant to the budget. If you want to know how the restructure plan is I am happy to answer that.

The Hon. JENNIFER GARDINER: How can a complete restructure of the department be irrelevant to the budget?

The Hon. E. M. OBEID: Let the director answer the question.

Mr DUNN: What we have tried to do is move away from a structure which is just based on function to a structure which is based on outcomes. It was something about which the Minister was very keen and he made it quite clear to me how he wished me to progress the organisation of the department to make sure that we became more of a service and customer-focused agency. Previously the department has been criticised because we have been organising ourselves around functions: the functions of compliance, research, fisheries management—

CHAIR: The question was what form will it take and when will it be completed?

The Hon. E. M. OBEID: I have already answered when it will be completed, so I do not think you should ask him a second question.

The Hon. JENNIFER GARDINER: You said you didn't know.

The Hon. E. M. OBEID: No, it is not a question of "didn't know".

The Hon. H. S. TSANG: Well, I am interested in the restructure.

The Hon. E. M. OBEID: As I said, we are about delivering a service. That has to be refined in accordance with the requirements of industry.

CHAIR: Minister, the question was specific.

The Hon. E. M. OBEID: Mr Chairman, I do not think you should double-up and ask —

CHAIR: I have a responsibility, as advised by the clerk, to ensure that the answers are relevant.

The Hon. E. M. OBEID: I have given the answer and I do not think you should ask him the same question.

The Hon. H. S. TSANG: I have not finished listening to the answer about the restructure.

CHAIR: I have ruled that the question that was asked required a specific answer and the answer has been given to the ability of the Minister to answer at the time. I would ask the Hon. Jennifer Gardiner to ask her next question.

The Hon. H. S. TSANG: I have not finished hearing the answer on the restructure.

CHAIR: I have ruled on that.

The Hon. H. S. TSANG: The question was asked about the restructure and I am interested to hear the rest of the answer.

CHAIR: If you wish to persist with that, you have to move a motion of dissent and we will have to clear the room.

The Hon. H. S. TSANG: I move for dissent because there was a question asked on the restructure and I am interested in the restructuring.

[Short adjournment]

The Hon. JENNIFER GARDINER: In relation to the restructuring question, can you indicate why, in light of a complete restructure of the department estimated for this year's budget, staff levels indicated in the estimates remain the same regardless of the fact that the whole department is being restructured?

Mr DUNN: The restructure is based around our performance and what we do, not around trying to eliminate staff members.

The Hon. A. G. CORBETT: I am interested in the goals of the restructuring. Mr Dunn initially started to explain but, prior to Mr Dunn perhaps giving a brief explanation of the goals, how many staff does the department actually have now? Is this an increase or a decrease over the staff who were in the department last year?

The Hon. E. M. OBEID: As to staff numbers, I will defer the question to Steve Dunn. I believe it is 400 staff this year.

The Hon. JENNIFER GARDINER: It is 385.

The Hon. A. G. CORBETT: Is it 400 or 385?

Mr DUNN: At this moment we have around 400 staff.

The Hon. A. G. CORBETT: Is that an increase on staff from last financial year?

Mr DUNN: We have increased our staff members for a number of reasons but primarily due to enhancements for various activities. We have had enhancements for a clean-up of oyster lease in Port Stephens, for our threatened species program and for our marine parks program, which has led to an increase of staff members.

The Hon. A. G. CORBETT: Can you tell me what figures we are looking at in this increase?

Mr DUNN: I think the number in the budget is 385 and that may increase to around 400.

The Hon. A. G. CORBETT: How much of an increase over last year is that?

Mr DUNN: That 385 is relatively a constant figure.

The Hon. JENNIFER GARDINER: Mr Dunn or the Minister, can you advise what were New South Wales Fisheries legal costs in the recent Land and Environment Court case which concluded in January?

The Hon. E. M. OBEID: No.

Mr DUNN: No, I cannot provide that. I can take that on notice, though.

The Hon. JENNIFER GARDINER: Mr Dunn, have you ever given advice to a New South Wales Fisheries Minister for the New South Wales Fisheries department about the issues which gave rise to the court case and the effective invalidation of commercial fishing licences? If so, what was that advice?

Mr DUNN: I am sure that I have given advice. I cannot really state what that advice would have been.

The Hon. E. M. OBEID: Who would the advice be given to?

The Hon. JENNIFER GARDINER: To consecutive Ministers or to the—

The Hon. E. M. OBEID: Well, I can answer that. He has not given me any advice.

The Hon. JENNIFER GARDINER: And to Mr Martin?

Mr DUNN: I may have given advice, but I do not immediately recall what that may have been.

The Hon. JENNIFER GARDINER: I put that question on notice and ask that you perhaps check your memory on that matter and provide us with an indication of the advice that you might have given or did give to the previous Minister? Mr Dunn, have you or any other officer drafted a regulation to overcome problems caused by the court judgment?

Mr DUNN: No, I have not drafted a regulation to overcome the problems of the court judgment.

The Hon. JENNIFER GARDINER: Has one been drafted by the department yet?

Mr DUNN: No regulation has been drafted.

The Hon. JENNIFER GARDINER: When do you expect to, regulatory-wise or statutory-wise, meet the deadline that is fast running out with respect to the amnesty —

Mr DUNN: New South Wales Fisheries is working with the Department of Urban Affairs and Planning on a response which will be considered by Cabinet.

The Hon. E. M. OBEID: By 21 July.

The Hon. A. CHESTERFIELD-EVANS: Can you tell us how much Fisheries intends to borrow to buy back commercial fishing licences?

The Hon. E. M. OBEID: Well, unfortunately, you are pre-empting what will be the policies that I bring to Cabinet and then to the House. I cannot give you a figure when I have not got the policy in place.

The Hon. Dr A. CHESTERFIELD-EVANS: The answer is no? You are saying that there is no guarantee that you will borrow money to buy back fishing licences, is that right?

The Hon. E. M. OBEID: What I am saying is that I have not brought a policy to Cabinet or the House to make assessments or judgments on that policy or to make financial assessments. We formulate the policy, it goes through caucus and Cabinet. Then when I bring it to the House I am more than happy to answer questions on the financial viability of that policy and where I will get the money from.

CHAIR: But Minister is that not part of the 1994 Act?

The Hon. E. M. OBEID: Is what part of the Act? Buying out commercial fishers?

CHAIR: Yes.

The Hon. E. M. OBEID: I have not put on paper where I am buying out commercial fishers and what their business is worth.

The Hon. Dr A. CHESTERFIELD-EVANS: Has money been set aside in the budget to buy out commercial fishing licences?

The Hon. E. M. OBEID: You are pre-empting what will be a policy in the future. I have said quite clearly in the House that any buy-out of commercial fishers will be funded from the implementation of a recreational licence and those buy-outs will be in the interest of recreational fishing to enhance recreational fishing. That is yet to come but it will not come out of budget money.

The Hon. Dr A. CHESTERFIELD-EVANS: So if there is \$6.5 million from recreational fishing will \$1.5 million of that be used to buy out the licences? Is that what you are saying, that it will come from recreational fishing licences?

The Hon. E. M. OBEID: No, I am not saying anything of the sort. I am saying that if there is \$6.5 million the Committee that administrates the fund that holds the licence money will decide on the buy-outs. I believe the way then would be that you would have to borrow money because if you are looking at big buy-outs, certainly the yearly income of \$6.5 million will not be able to pay that back; it will have to be paid over a period of years like any commercial transaction. I think we are jumping ahead, but the intention would be if something did come about through a new policy that you would seek a loan and then pay that off over a period like any normal commercial transaction.

The Hon. Dr A. CHESTERFIELD-EVANS: So you concede that the concept of borrowing money to pay out commercial fishing licences is certainly being discussed at the moment?

The Hon. E. M. OBEID: I am not conceding anything because there is no policy in place that tells you I am buying or not buying commercial fishing licences. We will just have to wait until we finalise our consultation and decide on what model we will bring to the House, that is, what sort of legislation. I am happy to talk about it then and be grilled about it and be asked questions about it when that comes about.

The Hon. Dr A. CHESTERFIELD-EVANS: If you were buying them would it cost about \$20 million? What do you estimate the price would be?

The Hon. E. M. OBEID: It all depends on who you are buying out. If the fishing fleet turnover is about \$100 million a year, it is worth \$100 million a year. It all depends on what proportion, where and the individual take of that fisherman. It could vary, it could be less, it could be more. Until we know exactly who we are buying out and, based upon a model that we will pass through legislation, what sort of payment will be made, it will be very hard to assess.

The Hon. Dr A. CHESTERFIELD-EVANS: If you are getting \$1.5 million from recreational fishing licences, what would that be used for or would it go just into consolidated revenue?

The Hon. E. M. OBEID: No, it will not go into consolidated revenue. It will be for cost recovery; that will be paying off the recreational fishing budget figure that is required. I believe it is made quite clear. Mr Chairman, I have a document that clearly shows the makeup of the \$1.5 million.

CHAIR: The Minister has tabled a document entitled "Fisheries Policy Consultation Paper for Recreational Fishers. A general recreational fishing licence".

Document tabled.

The Hon. E. M. OBEID: The \$1.5 million, which was in the discussion paper that we released on 19 January, makes it quite clear that we asked recreational fishers from the fund to contribute \$1.5 million for the administration of the recreational sector of the budget, the same as required from commercial fishers and as I announced yesterday, for the \$400,000 for aquaculture.

CHAIR: Same as the farmers?

The Hon. E. M. OBEID: Yes. Well, no, it was aquaculture.

The Hon. Dr A. CHESTERFIELD-EVANS: What is being done about acid sulphate soils particularly in the Port Macquarie area?

The Hon. E. M. OBEID: Acid sulphate is a major concern. It is a whole-of-government issue. A number of Ministers are involved. Predominantly my colleague Richard Amery is responsible for the budget that we have allocated, which is about \$6 million. The coastal regions of New South Wales, particularly the North Coast, are characterised by the presence of acid sulphate soils. The release of acid from the soil into waters can result in fish kills and may also be responsible for increased oyster mortality. Lower growth rates of prawns in pond aquaculture can also be an effect because less bicarbonate is available to them in affected waters.

It appears that acid drainage is having an impact on oyster health, involving mass mortality, disease, shell erosion and low growth performance in the Tweed and Hastings rivers. Acid sulphate soils can be managed by opening floodgates to allow sea water to buffer off the acid run off, by maintaining a high water table, by burying exposed soils and planting vegetation, by liming soils, by constructing only shallow open drains that are essential and by avoiding developments in acid sulphate soil areas.

I am sure the Hon. Dr B. P. V. Pezzutti will have something to add to this later in the day. The Government is actively promoting education and awareness of the problems of poor management of acid sulphate soils and is involved in rehabilitation projects in several areas of the State. For example, the State Government has allocated \$2.7 million over three years to the Hexham Swamp Rehabilitation Project and the Commonwealth Government is matching this contribution. Pioneering research conducted by my department has linked acid sulphate soils with red spot disease in fish in northern New South Wales rivers.

My department works closely with local government, the acid sulphate soils information officer, the State Acid Sulphate Soils Management Advisory Committee, the National Acid Sulphate Soils Committee, the Department of Agriculture and other agencies on this problem. To the Fisheries research and development corporation, the Government has recently allocated approximately \$980,000 to a three-year study by New South Wales Fisheries on coastal floodplain management in eastern Australia focusing on barriers to fish and invertebrate recruitment in acid sulphate soil catchments.

This project will develop guidelines for management of tidal barriers and floodgates in estuaries and rivers to minimise the impact of acid sulphate soils drainage and maximise fish recruitment. This Government has allocated \$6 million over the next three years, including \$2 million in 2000-2001, to combat the problem of soil acidity including acid sulphate soils. As I said, these funds are administered by my colleague, the Hon. Richard Amery, Minister for Agriculture, as a part of a whole-of-government solution to acid sulphate soils.

I have had representations from the Hon. J. S. Tingle, with members of the community including the mayor and officers of council, who are meeting the three relevant Ministers—myself, Richard Amery and my colleague Bob Debus. We are working together as much as possible as a whole of government to look at the issues and see how we can assist the Hastings River in particular.

The Hon. A. G. CORBETT: Mr Dunn was starting to tell the Committee about the goals of the restructure. Could he continue with that explanation in brief?

Mr DUNN: The primary goal of the restructure was to move from an output function-based structure to an outcome-based structure where managers, research and compliance staff worked together in a single

functional group. We have organised around 16 program teams. Those program teams have been a little while coming together and we are now in the process of formalising them. The program teams are responsible for developing the objectives and performance indicators for each of the program areas. That will give us the opportunity to be accountable for exactly what we do in each of those major program areas. Under each program area will be a list of projects. The program areas and all the projects that are being undertaken under each program area will be available publicly through the web site.

The Hon. A. G. CORBETT: What is fish stocking? What does it refer to?

The Hon. E. M. OBEID: Stocking fingerlings in waterways. I can give you some information generally on fish stocking. My fisheries department has carried out record levels of stockings this season for a number of native fish species and also had a bumper year for trout. My department has received an allocation for fish stocking of \$300,000 from the recreational freshwater fishing licence. As a result, production capacity at New South Wales Fisheries hatcheries has received a significant boost with additional funds from the licence being put to work pushing fish production to all-time records.

Production of Australian Bass at the Port Stephens Fisheries Centre was boosted by an allocation of \$70,000 from the trust fund resulting in more than 307,000 bass being released into 24 impoundments. Last season's record of 210,000 murray cod fry has been broken this season with a total of 343,000 fry released. The total native fish production at Narrandera has also been a record with over two million fish stocked in impoundments around the State. Species stock include murray cod, golden perch, silver perch and the endangered trout cod. Trout and salmon stockings for the 1999-2000 season have been excellent with a total of 4.7 million fry and fingerlings stocked into impoundments and rivers in the cooler waters of the north, central and southern parts of the State.

The dollar for dollar native fish stocking scheme is also well under way with an allocation of \$200,000 from the recreational freshwater fishing licence fund. This scheme involves matching funds from organisations such as angling clubs or local councils that raise money to stock native fish in public waterways. The scheme has several aims which include increasing the stocking of high priority native recreational species, supporting the efforts of local stocking groups, increasing the production and sales from private hatcheries, improving compliance with permit requirements and other regulatory functions. This scheme has been extremely popular with the fish stocking groups and the private hatcheries.

These stockings provide regional economies with a significant boost and allow the angling community to see for itself that the licence money is going back into its waterways. A total of 33 fishing clubs and seven local councils took up the dollar for dollar stocking offer in the first round for the western drainage. Releases covered waterways from eight major river systems including the Macintyre, Gwydir, Namoi, Macquarie, Darling, Lachlan, Murrumbidgee and Murray. The second round offer, including both the eastern and the western drainage, has just been sent to nearly 600 angling clubs and 180 local councils around the State as well as via our licence agents. It is really helping nature.

The Hon. A. G. CORBETT: Is there a concern that fish stocking will lead to a reduction in freshwater native species? Has the department done any environmental impact statements on that possibility?

Mr O'CONNOR: We have had a look at the impact of these stockings and, indeed, we are conducting a research program, which has just commenced, looking at the impact of the stockings on the environment, looking at the impact of stocking relatively large numbers of fish into the natural environment and looking particularly at the genetic impacts of doing so. I guess one of the things that we do deliberately is carefully ensure that the brood stock from which we breed our fish is genetically diverse and representative of the population to make sure that we do not have impacts of that sort. But we are undertaking a major research project at the moment which will run over the next three years.

The Hon. A. G. CORBETT: Is that across the State?

Mr O'CONNOR: Yes, looking at all of our forms of stocking, but particularly native fish and trout.

The Hon. A. G. CORBETT: Is it just this one program or does this one program comprise a number of different research activities?

Mr O'CONNOR: Well, I guess we are looking at a number of things with regard to stockings. Firstly, we are looking at the success of those stockings. We are trying to evaluate are we better off stocking fish of a

certain size, are we better off stocking fish in particular sorts of areas as opposed to others, so it is the success of the stockings we are trying to evaluate, but we are also trying to evaluate the impact of those stockings.

The Hon. A. G. CORBETT: And would part of this be examining the impact on endangered species of frogs and native fish?

Mr O'CONNOR: Well, we already have policies in that regard in the sense that where there is a threatened species in an area, such as has occurred with frogs, we deliberately do not stock those areas with species such as trout, which might be regarded as a problem.

The Hon. A. G. CORBETT: When people refer to the genetic impacts of stocking, what are they referring to?

Mr O'CONNOR: Basically in any population you have a range of genes and you have an abundance of different gene types within that population. In order to ensure genetic diversity of future populations you should not be tampering with that ratio of genes in the current population. In order to ensure that that does not happen you take brood stock from the wild, ensure that it is genetically diverse and represents the population in that regard, you breed from it and then you restock the fish into those same areas.

The Hon. A. G. CORBETT: does this three-year program have a title attached to it?

Mr O'CONNOR: Yes, but it is long and I cannot remember the exact title.

The Hon. A. G. CORBETT: Could you take that question on notice?

Mr O'CONNOR: Sure.

The Hon. A. G. CORBETT: Is the program open to public scrutiny? Can the public actually find out what has been done, where it has been done and things like that?

Mr O'CONNOR: The program is partly funded from the freshwater licence program and we will be regularly reporting back to RFLEC and to the broader recreational community about exactly what is happening in that program. So the answer is yes.

The Hon. A. G. CORBETT: What is RFLEC?

Mr O'CONNOR: It is the Recreational Fishing Licence Expenditure Committee, so this is a committee which advises—

The Hon. E. M. OBEID: it administers the funds of the recreational freshwater licence.

The Hon. A. G. CORBETT: Finally, how much is being devoted to this three-year program?

Mr O'CONNOR: Can I get that information for you, I just cannot think of it off the top of my head?

The Hon. A. G. CORBETT: We will take that on notice.

CHAIR: If you obtain an answer to that as we are proceeding, at the end of another question just say that the answer to the Hon. A. G. Corbett's question is such and such.

The Hon. JENNIFER GARDINER: Minister, with respect to yesterday's announcement about aquaculture, you were asked about a cost recovery figure. Will you give a categorical assurance that you will not hit the aquaculture industry, including the oyster industry, with any further contributions and specifically with any charges under section 156 of the Fisheries Management Act?

The Hon. E. M. OBEID: Well, as I made clear yesterday, this was a cost recovery which amounted to 14 per cent of what consolidated revenue spends on aquaculture. The review indicated \$3.6 million of consolidated revenue money is spent on aquaculture that should be paid by the industry. The recommendation by that review committee was to retrieve that full cost recovery over five years, which would have been enormous for the industry. I was able to take to Cabinet a practical solution and that was to have a cost recovery

of \$400,000 out of that \$3.6 million, which is about 14 per cent, and fixed for five years. That is the commitment I made, that for five years it will be held at \$400,000 and it will be apportioned over all the permit holders of aquaculture.

The Hon. JENNIFER GARDINER: I will repeat the question: With respect to section 156 of the Act, will you give a categorical assurance to the industry that you will not increase the charges —

The Hon. E. M. OBEID: I am not sure what section 156 implies. Maybe I can get a bit of assistance.

The Hon. JENNIFER GARDINER: It relates to the annual contribution to cost of administration or research or to other industry costs and it is under the —

The Hon. E. M. OBEID: What I am saying is that as far as my announcement yesterday, the \$400,000 was fixed for five years, of course subject to consumer price index [CPI] rises. That is how it will be, so that is my undertaking.

The Hon. JENNIFER GARDINER: Is it a fact that yesterday's announcement was not made under section 156 because that is a straight out way New South Wales Fisheries would avoid reanalysis of its performance as far as aquaculture is concerned and under a section 156 contribution charge you would have to—

The Hon. E. M. OBEID: I am sure you are not listening. I am sure you did not listen yesterday and you are not listening now.

The Hon. JENNIFER GARDINER: I will finish the question, Minister.

The Hon. E. M. OBEID: You are heading down the wrong path.

The Hon. JENNIFER GARDINER: Under section 156 there would have to be a section 156 committee to scrutinise the performance of the department with respect to aquaculture and a report would have to be made on that performance.

The Hon. E. M. OBEID: The review which was headed by an independent person over a significant period—it had the involvement of aquaculture organisations—maintained that the fisheries department was spending funds of \$3.6 million that should have been attributable to the industry. We are recouping \$400,000 of that. I am not quite sure where you want the department to be accountable. It was a review committee that assessed the \$3.6 million that my department spends on behalf of aquaculture industries—the private sector. I do not think it can be clearer than what the review committee demonstrated; that was its assessment.

A total of \$6.1 million is on aquaculture but government was to pay the balance, which I believe is about \$2.5 million, or whatever it is, and the industry should be contributing \$3.6 million for the cost recovery. I believe we have given them a great opportunity to work with us and develop a strategy in the next five years where they can be much more viable. Quite obviously my announcement yesterday will go back to the advisory council on aquaculture and it will be fully consulted on the expenditure of funds from the aquaculture trust.

The Hon. JENNIFER GARDINER: You were going to consult after the decision?

The Hon. E. M. OBEID: This review has been going on for what, eight or nine months?

The Hon. JENNIFER GARDINER: Yes.

The Hon. E. M. OBEID: The industry has had full notice. If I were to go down the path of the review I would probably send every aquaculture business broke. So it is a question of saying to them, "Look, this is the best we can do. We have reduced it down to \$400,000 per year for five years. We have got five years to get our act together and start." I am sure the Hon. Jennifer Gardiner is not suggesting that government should continue to prop up the private sector. It is all right for governments to have seed money to help private sector establish businesses, but you are not really suggesting that we should not ask the private sector to pay its way. We are giving them five years and five years is a long time; it will be in full consultation with the industry. I will be working very closely with the industry. Of course our aim is to make sure that the aquaculture industry takes off in this State.

There will be full consultation with the industry and I had the aquaculture sector in there before the announcement; they knew what was coming but they did not know what the amount was. I think they were more than satisfied. Of course, no-one wants to pay 1¢ more, but in the circumstances it is reasonable to suggest that

they should pay 14 per cent of cost recovery. It will go into a trust fund, it will not go into consolidated revenue because it will be spent back on the services.

Essentially commercial fishers are paying about 30 per cent of cost recovery. It is quite clear in my discussion paper that recreational fishers will be expected to pay their \$1.5 million, rock lobster fishers are paying 85 per cent of cost recovery and abalone fishers are paying 90 per cent. It is just necessary for industry to pay its way. The Government carries the majority of the expense that is paid on behalf of the industry—we are quite happy to do that—but that cannot go on forever and a day. What I am suggesting to you is that the industry was fully consulted on the review. The review had recommendations that were much tougher and much more stringent than the recommendations I made to Cabinet. As a consequence, we will be working closely with industry and the advisory council to make sure that we can help the industry.

The Hon. JENNIFER GARDINER: Are you concerned about equity with the \$350 figure, particularly for small and medium size aquaculture businesses?

The Hon. E. M. OBEID: Every permit holder is to pay \$350 and I do not see where the equity comes in. I cannot look at the size of a business and say, "You will pay more." It is a permit figure and it is spread right across those that seek permits from the department.

Mr O'CONNOR: Mr Chairman, did you want me to provide those figures on the recreational stockings?

The Hon. JENNIFER GARDINER: Yes. I ask that they be tabled.

Mr O'CONNOR: I have an answer to Mr Corbett's earlier question about the recreational stocking program. The program has four elements, as I said before, for partly monitoring catches of anglers, partly stocking success, partly stocking impacts and also developing a stocking database. So far the program has spent \$540,000.

CHAIR: Would you like to table that document?

The Hon. E. M. OBEID: No.

The Hon. A. G. CORBETT: Is that the total program over three years?

Mr O'CONNOR: Yes.

The Hon. A. G. CORBETT: It has spent \$540,000?

Mr O'CONNOR: Yes.

The Hon. JENNIFER GARDINER: Minister, could you advise how New South Wales Fisheries is working with aquaculture and particularly Safe Food to expedite any inhibitions with respect to exporting the oyster product from New South Wales? Can you advise the Committee why Mr Damien Ogburn, who is very well regarded as being an expert on shellfish quality assurance matters, has been zapped from the inquiry on quality assurance or why can New South Wales Fisheries not insist that Mr Ogburn be involved in that process?

The Hon. E. M. OBEID: Let me answer the first part and I will ask Steve Dunn to answer the other part. I am very keen to make sure that we have world-best practice for our oyster industry and to comply with the standards that are required to have our oysters exported. I believe the oyster industry has a lot to offer. It is our major aquaculture industry in this State and at the moment classification is going through Safe Food, which is run by my colleague, Richard Amery. As to the representation on the inquiry and whether Damien Ogburn is part of it, maybe Steve Dunn can answer that.

Mr DUNN: There is a technical review going on now of the shellfish quality assurance program. That technical review is being overseen by a steering committee made up of a representative from Safe Food, a representative from the Cabinet Office and a representative from New South Wales Fisheries. I was asked to be on that committee and I nominated a member of my policy division to sit on that committee. It is not a technical review committee; it is a committee established to oversee the preparation of the report. Damien Ogburn's expertise will be fully utilised in responding to the preparation of that report. Damien is based in Port Stephens.

The steering committee is based in Sydney. The steering committee meets for half an hour to an hour, as required, and it is impractical to bring Damien down from Port Stephens for very short meetings when there is no reason for him to —

The Hon. JENNIFER GARDINER: So you are satisfied that the technical expertise will be properly put into the process?

Mr DUNN: Very much so.

CHAIR: Minister, last year I asked Dr Glaister about the black-market control program. Could you or Mr Dunn indicate what progress has been made in that area and whether any licences have been confiscated as a result of those inquiries?

The Hon. E. M. OBEID: It is a major issue in New South Wales Fisheries. The deregulation of the co-operatives and the commencement of fish receivers help tremendously in providing a paper trail from the fisherman to the end receiver; that is working as far as I am aware. The intention is to cut out the black marketing, generally speaking, through more compliance, as we saw in the abalone and rock lobster industries. Part of the success in being able to give them a higher quota. We have cut out the black market, and people who have a bi-catching lobster are not able to sell it. There are much stiffer penalties to be imposed if people are caught with abalone or rock lobster or selling black-market fish. For the details of prosecutions and everything else I will refer to Steve.

CHAIR: Minister, I believe it is on page 230 of the *Hansard* last year.

The Hon. E. M. OBEID: Gee, you have got a good memory, haven't you!

CHAIR: It is a big issue. I have been making enquiries.

The Hon. E. M. OBEID: No doubt. It is still a big issue.

Mr DUNN: It is a significant issue in New South Wales and it occurs in a range of different forms. The area that concerns us most is illegal marketing by non-licensed pseudo-commercial fisherman in particular of high value species such as abalone and rock lobster. The rock lobster and abalone industries pay directly for a number of Fisheries dedicated compliance officers to try to address that issue and try to come to grips with it. I do not have the exact details, but this year we have had a number of very good prosecution successes which act as a significant deterrent. Indeed, this year a gaol term was imposed for an abalone offence.

CHAIR: That was quite recent.

Mr DUNN: It was, yes. I think that was for three months. But I note that the weekend before last the Tasmanians gaoled a renowned poacher for two years. So, certainly all the States are getting involved in this. As well, we have a national docketing system which is being implemented that addresses the issue of illegal shipment of abalone between States as a laundering exercise. We had a major program with the Victorians earlier this year aimed at addressing cross-border trafficking in illegal fish.

CHAIR: I am sorry, the hearing time has concluded. I ask you to read the answer that was given by Dr Glaister last year in response to that question and if you have anything to add to that or can confirm that what he suggested would happen did happen, the Committee would appreciate that information.

The Hon. E. M. OBEID: We will do that for you.

CHAIR: Thank you very much Minister and your departmental officers for coming today. I am sorry about the inconvenience of the interruption but we had to try to finish off something.

The Hon. E. M. OBEID: And I am very sorry about the quality of questions that were asked by the Hon. Jennifer Gardiner.

The Hon. JENNIFER GARDINER: The quality of the answers is what matters.

The Committee proceeded to deliberate.
