

# **GENERAL PURPOSE STANDING COMMITTEE No. 3**

**Monday 15 October 2007**

**Examination of proposed expenditure for the portfolio areas**

## **WATER UTILITIES, EMERGENCY SERVICES**

**The Committee met at 9.00 a.m.**

### **MEMBERS**

The Hon. Amanda Fazio (Chair)

The Hon. R. L. Brown  
The Hon. G. J. Donnelly  
Dr J. Kaye

The Hon. C. J. S. Lynn  
The Hon. M. R. Mason-Cox  
The Hon. H. M. Westwood

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### **PRESENT**

**The Hon. N. Rees**, *Minister for Emergency Services, and Minister for Water Utilities*

**Sydney Water**  
**Dr K. Schott**, *Chief Executive Officer*

**Department of Water and Energy**  
**Mr M. Duffy**, *Director General*

**Office for Emergency Services**  
**Mr R. Lyons**, *Director*

**NSW Fire Brigades**  
**Mr G. Mullins**, *Commissioner*  
**Mr D. Bailey**, *Director, Finance and Administration*

**NSW Rural Fire Service**  
**Mr S. Fitzsimmons**, *Commissioner*

**State Emergency Service**  
**Mr P. McNamara**, *Director General*  
**Mr J. Heath**, *Director, Logistics*

**State Emergency Management Committee**  
**Mr J. Anderson**, *Chairman*

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

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

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

**CHAIR:** I declare this hearing open to the public and I welcome Minister Rees. At this hearing the Committee will examine the proposed expenditure for the portfolios of Water Utilities and Emergency Services. Minister, the Committee has received a letter from your chief of staff asking that we split the time allocated to deal with your two portfolio areas. The Committee has resolved to deal with Emergency Services first for 1½ hours and then Water Utilities for the remaining 2½ hours.

In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door.

Any messages from attendees in the public gallery should be delivered through the chamber and support staff or the committee clerks. Minister, you and the officers accompanying you are reminded that you are free to pass notes and refer directly to your advisers while at the table. I remind everyone to please turn off mobile phones. Even if they are on silent, they interfere with the Hansard recording system.

Minister, the Committee has agreed to the following format for the hearing: 1½ hours for Emergency Services followed by 2½ hours for Water Utilities. We will have a five-minute break when we change the portfolio areas. Do you anticipate that this will pose any difficulties?

**Mr NATHAN REES:** No.

**CHAIR:** Minister, I advise that the Committee has resolved to request that answers to questions on notice be provided within 35 calendar days of the date on which they are sent to your office. Do you anticipate that this will pose any difficulties?

**Mr NATHAN REES:** No.

**CHAIR:** Witnesses will now be sworn. Minister, you do not need to be sworn because you have already sworn an oath to your office as a member of Parliament. I ask that all witnesses press the red button to activate the microphone when they speak. I ask that each witness in turn state his or her name, job title and agency and make an oath or an affirmation.

**RICHARD LYONS**, Director, Office for Emergency Services, and

**PHILIP McNAMARA**, Director General, State Emergency Service, sworn and examined:

**SHANE FITZSIMMONS**, Commissioner, New South Wales Rural Fire Service, and

**GREGORY MULLINS**, Commissioner, New South Wales Fire Brigades, affirmed and examined:

**CHAIR:** I declare the proposed expenditure for the portfolios of Water Utilities and Emergency Services open for examination. Minister, do you wish to make a brief opening statement?

**Mr NATHAN REES:** No, I do not.

**CHAIR:** Opposition members have 20 minutes to ask questions.

**The Hon. MATTHEW MASON-COX:** What were the target hazard reduction figures by hectare set by the New South Wales Rural Fire Service for 2004-05 and 2005-06, and were these targets met?

**Mr NATHAN REES:** First, historically the measure of hazard reduction has involved a crude figure of the thousands of hectares burnt. When I took on this job in April it quickly became

apparent that the crudity of that measure renders it almost useless for proper planning and strategic purposes. We could burn, for example, 5,000 hectares in the far west of the State that does not necessarily protect a single property or life. In contrast, we could burn 10 hectares at the urban bush interface in southern Sydney on the fringes of the national park and that would protect many more properties and lives. We must move beyond that crude measure.

In response to the question, last year a total of nearly 100,00 hectares were reported as treated by hazard reduction burns around the State. The priority is carefully targeted works that protect families, their assets and the environment. It is also worth noting that hazard reduction is achieved not only by burning. In many cases fuel loads can be better managed by implementing a variety of activities such as mechanical slashing and hand clearing, and many landowners find these much easier to manage. Of course, hazard reduction burns involve inherent risks and can be complex and dangerous depending on the weather conditions. I understand that we are still compiling the figures for this year's hazard reduction burns. I will take the second part of the question on notice.

**The Hon. MATTHEW MASON-COX:** What was the target for that year?

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

**The Hon. MATTHEW MASON-COX:** In relation to the different hazard reduction zones, the priority asset protection zone, the strategic fire advanced zone and the land management zones, do you set targets across each of those zones?

**Mr NATHAN REES:** As I indicated, we are in the process of shifting the reporting mechanism to address exactly those issues. I was not confident or comfortable with the format we had, and on that basis Commissioner Fitzsimmons and his team have been putting together what is in effect a matrix of hazard reduction activity that will enable us to say that on balance these are the treatments that an area has received according to a prioritisation process and, as a result of those treatments, the community is better protected. That involves things like alterations to the development application process so people are not putting up timber houses in the middle of the bush, and those sorts of things, as well as the physical clearing and hazard reduction burns, and a number of other treatments. We are in the process of putting together a more rigorous, complex and robust set of measures to protect communities from bushfires.

**The Hon. MATTHEW MASON-COX:** Would that involve setting targets for those zones?

**Mr NATHAN REES:** We will set priorities for areas that, on balance, need to be done as a priority, but that of itself does not necessarily mean setting targets. So long as the overall treatment component of a particular area is met, regardless of by what means, then that will satisfy that. Am I making sense on that front? For example, it does not make sense for us to say we are going to hazard reduce by burning  $x$  number of thousand hectares. In the event we do not get the right weather conditions to deliver against that number, it would be prudent for us to use other measures.

**The Hon. MATTHEW MASON-COX:** I also wanted to ask you about some anomalies when comparing the 2004-05 and 2005-06 hazard reduction figures in the Rural Fire Service annual report. In 2004-05 the report states that Crown land hazard reduction was just over a million hectares and in 2005-06 it was 1,286 hectares. The same figures for the national parks were 47,780 hectares in 2004-05 and 32,000-odd in 2005-06. Can you explain the wild deviation between the figures in each of those years, particularly in relation to Crown land hazard reduction?

**Mr NATHAN REES:** I am assuming that the very large figure early mitigates against the need to do such extensive burning the next year or even two years after, but I will defer to the commissioner.

**Mr FITZSIMMONS:** I would need to get those figures you are talking about and have a look at why there is a variation. I will take that on notice

**The Hon. MATTHEW MASON-COX:** It is unclear whether they are target figures or whether that is the actual land burnt at that time. If you could clarify that in your response it would be appreciated.

**Mr FITZSIMMONS:** Will do.

**The Hon. MATTHEW MASON-COX:** Just in relation to targets, have the hazard reduction targets set by the Rural Fire Service for 2007-08 been increased considering the extreme drought conditions across the State and the warning of extreme bushfire weather this season?

**Mr NATHAN REES:** Commissioner?

**Mr FITZSIMMONS:** The hazard reduction targets are set by bushfire management committees. It is not exclusively the Rural Fire Service—it is all agencies operating in that area that put together their works program. The regime of treatments that are proposed are the subject of consideration, including things like drought and recent fire history and other hazard reduction programs that have occurred in that area. A combination of factors come together to determine what the program would be.

**The Hon. MATTHEW MASON-COX:** Turning to the Auditor-General's report: According to the Auditor-General's report, specifically the performance audit of the State Rescue Board released in July 2005, there was no overarching strategy or plan to ensure the division of responsibility across the providers of rescue services would lead to optimal service delivery. It also stated that there have been very few changes to these arrangements since 1990. Have you developed an overarching plan to coordinate the division of responsibility to ensure the efficiency and effective delivery of emergency services?

**Mr NATHAN REES:** I have seen the emergency services in action, both paid and volunteer, across the State, particularly in the long weekend incidents, the heavy storms on the Central Coast and in the Hunter regions. I have seen how the emergency services perform as recently as last week in Lismore and I have seen how they perform, the Rural Fire Service in particular, over the past month or so when bushfires hit us earlier than anticipated. I have seen nothing but exceptional dedication to the task and a willingness by all the players to plan and coordinate their activities jointly. I have to say I have been very impressed by that. We do debriefs after major incidents and we have learned from those as well, as you would expect. I have not seen a pressing case to change the way we are doing things. I am satisfied we have the right personnel and the right measures and the right planning processes in place. I will have another look at the Attorney General's Report. I have not read it but if something emerges out of my reading of that that should be tacked on to what I think is an already comprehensive approach, I will do so.

**The Hon. MATTHEW MASON-COX:** The Auditor-General's report goes on to say that there is no reliable or consistent information on what it costs to provide rescue from the permanent services. I wanted to understand whether you have ensured that performance standards were in place to ensure that funding is used efficiently by rescue services?

**Mr NATHAN REES:** I can understand where the Auditor-General may be coming from on this, but at the end of the day if you are going to rescue someone you are not counting beans. We do what we can wherever we can as quickly as we can in the right manner. I would think it would be next to impossible to benchmark rescue figures, given the massive variety of circumstances that people who need to be rescued may find themselves in. You are talking about people who may need to be rescued from far-flung areas of the State down to people who need to be searched for and rescued in the metropolitan area. Brigadier McNamara, as chair of the State Rescue Board, may be able to add more to that.

**Mr McNAMARA:** If I could make a point firstly on the strategic planning process. I would like to reassure the Committee that as a result of the Auditor-General's report the State Rescue Board has commenced a thorough strategic planning process. We have just issued some new strategic directions that are going to guide us in the future. Sometime next year we will set in concrete that strategic plan. There were points you made on the gathering of data, and can I say we are also putting a lot of time in to ensure that we are going to be more efficient in the future. We gather the data at the moment, but the Auditor-General's report has given us some guidance on areas where we need to be a little more efficient, and we will do that in the future.

You have to realise that the gathering of data, particularly across the volunteer agencies, is sometimes a little difficult. Volunteers turn out to go to road crash rescues and they do a wonderful job and sometimes they are not as thorough as they could be at calling in the information. We have processes in place now to ensure that in the future that is as easy as it can be for the volunteers. The State Rescue Board now has a planning and research officer, a very efficient man, who has just come on board, who will ensure that all of those sorts of things are done more efficiently in the future. That is one of the tasks I have set for the State Rescue Board and I am pleased to say that we are moving in a very good direction.

**The Hon. MATTHEW MASON-COX:** I wanted to ask about the GPS systems in place to support emergency services and the Rural Fire Service. What is the current GPS provided to emergency service vehicles?

**Mr NATHAN REES:** I will ask the commissioner to answer that question.

**Mr FITZSIMMONS:** What do you mean by that question?

**The Hon. MATTHEW MASON-COX:** Does it have a satellite navigation function that you have put in place to ensure that those emergency service vehicles have GPS systems in place?

**Mr FITZSIMMONS:** From a Rural Fire Service point of view we have a variety of GPS aids; some of them are SatNav, some of them are more into the global positioning readout; some of them have street addresses incorporated into them as well. That is about as clear as I can be on that question.

**The Hon. MATTHEW MASON-COX:** Is it correct that senior officers in New South Wales are personally purchasing appropriate GPS systems to assist them in their volunteer work?

**Mr FITZSIMMONS:** GPS devices are being purchased and provided right across the organisation to assist and facilitate volunteer and salaried duties.

**The Hon. MATTHEW MASON-COX:** Is that being provided by the RFS? Are you aware that volunteers are providing that for themselves because it has not been provided by the RFS?

**Mr NATHAN REES:** If you have an example of that sort of thing occurring, give it to us and we will sort it out, but we are not aware of that.

**The Hon. MATTHEW MASON-COX:** But that is not the policy, though? The policy is to provide GPS to all emergency service vehicles, is that which you are saying?

**Mr FITZSIMMONS:** There is not a policy as such that relates to that but there is recognition that the use of GPS aids will be provided through a variety of forms, as has been the case, whether it is the fund, whether it is donations, whether it is grants. There are a variety of mechanisms to provide aids such as GPS devices.

**The Hon. MATTHEW MASON-COX:** Do you have a policy at all in relation to the provision of GPS?

**Mr FITZSIMMONS:** We have policies for procurement and the like. If I can take that on notice and be more specific, I would appreciate it.

**The Hon. MATTHEW MASON-COX:** Okay.

**The Hon. CHARLIE LYNN:** Minister, do you have a chief of staff?

**Mr NATHAN REES:** Yes.

**The Hon. CHARLIE LYNN:** What are the duties of your chief of staff?

**Mr NATHAN REES:** He manages my office and makes sure I get the information I need in a timely manner.

**The Hon. CHARLIE LYNN:** Do you meet on a daily basis with him?

**Mr NATHAN REES:** Other than weekends; I may skip a weekend or so.

**The Hon. CHARLIE LYNN:** Does your chief of staff have access to your diary so that he is right across what you are doing on a daily basis?

**Mr NATHAN REES:** Generally speaking.

**The Hon. CHARLIE LYNN:** Is the relationship with your chief of staff a close and confidential relationship?

**Mr NATHAN REES:** Mine is. I know of others that are not.

**The Hon. CHARLIE LYNN:** Who is your chief of staff?

**Mr NATHAN REES:** Is that relevant to this Committee, Madam Chair?

**CHAIR:** Because ministerial office budgets are included in the budget estimates questions about staffing of ministerial offices is an issue that can be canvassed in these hearings.

**Mr NATHAN REES:** His name is Ross Nielsen.

**The Hon. CHARLIE LYNN:** And you would expect your chief of staff to be right across your portfolio and all your activities?

**Mr NATHAN REES:** Not necessarily.

**The Hon. CHARLIE LYNN:** Why not?

**Mr NATHAN REES:** How I run my office is my business, Charlie, and he gets tasked with particular things that I think are a priority.

**The Hon. CHARLIE LYNN:** Can you advise me how much the taxpayer pays for your chief of staff?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. CHARLIE LYNN:** According to the New South Wales Rural Fire Service annual report 2005-06 the number of volunteers in the service has reduced by more than 2,000. Commissioner Fitzsimmons was reported as blaming the Federal Government's industrial relations policy for this reduction. Given that your 2005-06 annual report predated the Federal Government's WorkChoices legislation, what aspects of the Federal Government's industrial relations policy were you referring to?

**Mr NATHAN REES:** I will answer that in the first instance. I was at volunteer functions last Saturday morning, Friday and yesterday and unprompted and independent of each other I had a number of people come up to me and say that WorkChoices was having a significant adverse impact on getting volunteers both into services and retaining them in services. I have asked for the examples to come forward and I am happy to furnish you with them when they do, but these are not isolated cases. They are not just in the city; they are in the bush areas, the regional areas of New South Wales and whether you like it or not, it is a very real aspect of people's considerations when they become and want to remain a volunteer.

At the end of the day most employers do the right thing but some will not. As recently as Lismore last week, when people were actually on the job, people were saying, "There are a couple of

people who would have been here but they are not here today because they are worried about WorkChoices." We can furnish you with all the information you like on that when it comes through.

**The Hon. CHARLIE LYNN:** My question related to the drop being reported in the annual report, which predated WorkChoices?

**Mr NATHAN REES:** My recollection is there was no link drawn between the two figures.

**The Hon. CHARLIE LYNN:** What I am saying to you is that the report stated that it was reduced by more than 2,000 but your last annual report referred to a period before the WorkChoices legislation came in, so why would that drop have appeared at that time. Do you have an explanation for that?

**Mr NATHAN REES:** We have 70,000 volunteers in an ageing population and it is reasonable that those figures go up and down. What I am saying is that there is a theme emerging when I talk to volunteers, as I do almost every day, across New South Wales and I suspect across other jurisdictions in Australia that is basically along the lines that WorkChoices is having a deleterious effect on recruitment and retention of volunteers.

**The Hon. CHARLIE LYNN:** I think last year a question was asked regarding the number of active Rural Fire Service members and the Committee was informed that active membership varies from brigade to brigade according to its constitution. Why do the constitutions vary on the term "active membership"?

**Mr FITZSIMMONS:** Active membership is a definitional thing that the brigades work out themselves at a local level and the reason it is variable is that the brigades themselves are variable in their composition, in the services they provide in the communities they serve.

**The Hon. CHARLIE LYNN:** When you say you have an active membership of 70,000, it can be a varied figure depending on the definition of the various brigades that feed into those numbers, would that be a fair comment?

**Mr MULLINS:** The organisational membership is in the order of 70,000. The active membership, for whatever purpose, will be defined by the brigades as their proportion of that 70,000.

**The Hon. CHARLIE LYNN:** Do you think it is possible for you to come up with a definite term "active membership", so that everyone understands exactly what it means across the board when the term is used?

**Mr NATHAN REES:** If I may? I make this comment on the basis of the hundreds of volunteers I have spoken to in recent weeks. I gave awards out in Gosford last week. We have people who have been serving for 25 years, some of whom are in the catering arm of the Rural Fire Service. You are asking for a standardised definition. As far as I am concerned, someone who feeds the Army is part of active service. If you are suggesting that that person should not be included as part of active service, I think that is flawed. I think it is appropriate that the locals determine that rather than it being imposed from Macquarie Street.

**The Hon. CHARLIE LYNN:** No, I am not suggesting that at all. All I am looking to get is a term that allows us to compare apples with apples.

**Mr NATHAN REES:** I am satisfied that the current system works.

**Dr JOHN KAYE:** My first question relates to the Rural Fire Service. Possibly this question is to you, Commissioner Fitzsimmons. Congratulations on your promotion. Can you give us an outline of the studies that have been undertaken within the Rural Fire Service or elsewhere on what the impacts of climate change are likely to be over the next 10 to 15 years on the resource needs of that service and how those resource needs will be met? In particular, can you comment on the special case of the Blue Mountains, where there are now studies showing that the frequency and severity of the burns and the short return cycle of the burns in the Blue Mountains are changing the ecology of the



Blue Mountains world heritage area and will result in, as I understand it, an ongoing increase in severity?

**Mr FITZSIMMONS:** We are cognisant of the studies on climate change and we are working at the national level with the Bushfire Cooperative Research Centre and agents attached thereto. We are also working with the University of Wollongong in terms of studies and forecasting trends for the effects of climate change into the future. The realisation coming from the science suggests that we are going to see a continuance of hotter and drier summers and more protracted summers, closing windows of opportunity for hazard reduction works and the like in the off seasons.

In relation to the Blue Mountains, fire frequency thresholds and ecosystems are not exclusive to the Blue Mountains. Indeed, the studies are showing that what is the right fire frequency threshold for different vegetation types and different landscapes is as varied as the many opinions there are and the research that is going on into those areas. We are constantly adjusting our treatment regimes and our fire suppression activities in support of the considerations in relation to fire frequency thresholds and other factors.

**Dr JOHN KAYE:** My question specifically related to resources and what work is being done to develop an understanding of what resources will be needed to protect assets and lives as we move into what is very likely to be a period of increased severity of fires. Has work been done specifically on how large those resources will be, where they will be allocated, the nature of the resources, and how much it will cost?

**Mr NATHAN REES:** That work is ongoing, and it relates to the chunk of policy work I alluded to earlier, where we have to be cleverer than just using broad-acre burning. We know that the CSIRO and other researchers are telling us there will be longer summers, hotter summers and more drought. I think you are right: over time this will mean different strategic emphasis for the Rural Fire Service, and of course there will be the expected call for increased funding and we will deal with that in the usual process. But I think all the evidence and the science are pointing one way on this.

**Dr JOHN KAYE:** I still feel my question has not been answered, in that I was specifically asking a resource-based question. How much will this cost us, and is work being done that specifically isolates what we now think—

**Mr NATHAN REES:** It is too early to tell how much extra it will cost us; we are just doing the work now.

**Dr JOHN KAYE:** When will you be able to tell? When will you have the first estimate?

**Mr NATHAN REES:** This session next year, probably.

**Dr JOHN KAYE:** My second question relates to the fire brigade and the issue of using recycled water in firefighting. I would like to know where that got up to, whether it was resolved, and what steps the fire brigade took to ensure that recycled water used in firefighting did not compromise the health and safety of firefighters.

**Mr MULLINS:** The use of recycled water for urban fire brigades is a major issue. We are very much aware of the strains on water supplies at present due to the continuing drought and the climate change issues that you spoke of earlier. This issue came to the fore—I think it was last year; it may have been the year before. The Fire Brigade Employees Union placed a ban upon the use of recycled water at the BlueScope Steel plant in the Illawarra. Through that process, to cut a very long story short, we have been able to engage with the Fire Brigade Employees Union, Sydney Water in particular, BlueScope Steel, the Water Services Association, the Australasian Fire Authorities Council and the United Firefighters Union Australia.

The union, I believe, had valid concerns about ingesting aerosolised water. With regard to the water itself, we had a range of measures that could be put in place to keep firefighters safe if they were soaked in the water, but their concern was about breathing it in. The Water Services Association did a major research project on this, and the outcome was that it found that class A recycled water, which is highly treated water—as you would be aware, there are various methods of doing so—will

not pose a health risk to firefighters. Since then, just in recent months, the Queensland Fire Rescue Service has done a further study that has confirmed this.

The Water Services Association and Sydney Water are being very proactive in working with the fire services to meet the union concerns. We are confident that at the national level we will shortly have agreement with the United Firefighters Union across the board for a certain class of recycled water, and then safeguards to be put in place when they are using other sources that are not treated to that level.

**Dr JOHN KAYE:** I will put this question to you, Minister, but perhaps the commissioners might like to answer. I refer to the relationship between planning and the fire services. Clearly, we are moving into a regime where we have increasingly exposed private property assets because of what, on any person's notion, have been bad planning decisions. Do both services feel as though their voices are being heard in the planning process, and specifically what steps are being taken to incorporate the expert advice of the two services into the planning process?

**Mr NATHAN REES:** In 2002 the Government introduced legislative reforms to improve planning and development in bushfire-prone areas. The aim of these reforms was to make communities near bushland safer places in which to build and in which to live, and to better protect our firefighters as well. Bushfire prevention and safety are now integral to the State's planning laws, and this has fostered smarter planning and building in one of the most bushfire-prone regions in the world.

That improved land use planning and development is intrinsic to the Rural Fire Service's fire management and environmental protection strategies. As part of the Government's ongoing commitment to protecting bushland communities from the threat of bushfire, the Rural Fire Service has updated the Planning for Bushfire Protection 2001 Guidelines, and the revised publication took effect in March this year.

The review panel which helped to develop the new guidelines included representatives from State Government departments, environmental and planning agencies, the housing industry, environmental groups, local government, and the community. That review has resulted in a better document, which incorporates clearer legislative provisions and performance criteria, together with more options for achieving compliance when building in bushfire-prone areas. These guidelines are further evidence of our commitment to mitigate the impact of bushfires on our community.

Since these planning reforms took effect in August 2002 the Rural Fire Service has assessed more than 44,000 development applications in bushfire-prone areas and more than 11,000 applications in integrated development areas. Of those, the Rural Fire Service has shown that only 1.4 per cent pose a significant bushfire risk and therefore could not be approved in their current form. That does not mean that the developments cannot ever proceed; it means that modifications need to be made. The 2002 legislation introduced uniform and consistent regulations, and all bushland communities around the State now have a level of planning rigour in their fire protection arising from that.

**Dr JOHN KAYE:** I understand that workers in the fire brigade are protected from WorkChoices by New South Wales legislation. What impact would the removal of WorkChoices have on the ability of firefighters to protect assets? If a subsequent government were to expose firefighters to WorkChoices, can you envisage the impact that that would have on their ability to function?

**Mr NATHAN REES:** The question is essentially political in nature, so I will take the first part of it if you do not mind and then provide further detail if needed. The fire brigade is in a slightly atypical position from the rest of the community, in so far as it is a seller's market for labour at present. The fire brigade gets many more applicants than we need each year for the intake of recruits. Removal of protection from WorkChoices would simply mean that each unit is bidding for resources on its own. It would be a race to the bottom in terms of wages and conditions for our firefighters; and it would quickly destroy the morale that is absolutely critical to the effective operation of the fire brigade and its stations. In short, it would render fire brigade services inoperable. The reason for that is the extensive use of workers not just in one station but across stations. They travel to other stations frequently, and if wages and conditions vary from station to station or area to area very quickly there will be a breakdown in the willingness of people to cover in other areas, and the capacity to manage

operationally goes through the floor. The effect of WorkChoices on something as essential to our community safety as the fire brigade service would be absolutely disastrous.

**CHAIR:** We will now go to 10 minutes of questioning from the Hon. Robert Brown.

**The Hon. ROBERT BROWN:** Minister, I have a great deal of respect for our emergency services personnel, paid and volunteer, but I have concerns about their preparedness to deal with a major dam failure in this State. The New South Wales Dams Safety Committee Annual Report 2005-06 identified 20 deficient dams throughout New South Wales with significant safety risks. Whilst Warragamba Dam is only half full and people probably would not even think about a failure at Warragamba, a failure there would obviously be catastrophic. Around the State there are 20 deficient dams. Can you tell us how the current local emergency evacuation plan would cope with dam failure? What warning systems does your department have in place to mitigate the effect of dam failure for residents downstream of the dams? What training have you provided for all of our emergency services staff? I ask the question in the context of Budget Paper No. 3, Volume 3, page 9-24, which lists the statistics for the changes over the last four years in the number of specialist training personnel, flood of boat rescue, disaster rescue et cetera. They do not seem to have increased much, if at all.

**Mr NATHAN REES:** Thank you for the question. The first thing to say is that we have an expert panel, the Dams Safety Committee, which assesses dams right around New South Wales. The Committee comprises some of the most pre-eminent experts in the field from anywhere in the world. With regard to the Hawkesbury-Nepean, it is one of the major river systems in New South Wales and drains a catchment area of around 22,000 square kilometres. Exceptionally heavy rainfall can lead to severe flooding. This is worsened past Richmond, where water flows much faster into the valley than it can flow out. These catchment areas have experienced a number of major floods, as recently as the 1990s, and flooding in this area, as you have pointed out, has the potential to directly affect up to 60,000 people. But there is no suggestion anywhere that Warragamba is an issue.

The Government is well aware of planning for flooding in those areas that are flood prone. In 1997 we approved the \$57 million Hawkesbury-Nepean Flood Management Strategy, developed by the Hawkesbury-Nepean Flood Prone Management Advisory Committee. The committee's brief was to study the flood problem downstream of Warragamba Dam in light of the planned construction of an auxiliary spillway. It was completed in 2002. That committee comprised representatives from the community, local councils, the Hawkesbury-Nepean Catchment Management Trust, the then Department of Urban Affairs and Planning or DUAP, the Roads and Traffic Authority, the Sydney Water Corporation and the State Emergency Service [SES]. One of the Hawkesbury-Nepean Flood Prone Management Advisory Committee's major recommendations was developing new evacuation routes to ensure local residents could escape rising floodwaters.

This resulted in the \$60 million South Creek high-level evacuation route, which was opened in September last year. This evacuation route, in the form of a high-level bridge, provides a completely new evacuation route for the people of Windsor. Construction of the bridge brings the total expenditure on road evacuation upgrading to over \$150 million. As the State's major flood combat agency, the SES was provided with about \$10 million as part of the strategy. It has invested that funding to review and rewrite the area's flood emergency plans, conduct annual exercises of the plans, improve flood warnings and undertake local awareness programs to educate the community about flood risk and evacuation procedures.

The new Hawkesbury-Nepean Flood Emergency Sub Plan was endorsed by the State Emergency Management Committee in 2005 and, like all emergency plans, this sets out the specific roles and responsibilities of the various emergency services and support agencies in the event of a major flood. Several exercises have been conducted to test the plan. The Sydney Western Region SES headquarters has also been fully upgraded to provide a state-of-the-art emergency operation centre and this operation centre will be the nerve centre of the response operation in the event of any severe flood. The local SES headquarters at Penrith, Hawkesbury, Blacktown and Baulkham Hills have also upgraded their computer systems, emergency power systems and flood rescue boats.

The SES is committed to the ideal that an educated and aware community is better equipped to respond appropriately to local emergencies and help prevent loss of life and minimise property loss and damage. The SES has implemented an ongoing community education program, Flood Safe

Hawkesbury-Nepean, throughout the valley. This program has been boosted by the targeted Business Flood Safe Program, which was recognised in the National Safety Community Awards last year. The genesis of the New South Wales SES was the horrendous floods of Maitland in 1952-1955 and the SES has become widely recognised for its flood planning and response capabilities of the order we saw earlier this year. I can assure the Hawkesbury-Nepean community that in the event of a major flood they will receive first-class protection and assistance from the SES. For the dams around the rest of the State that you referred to, your questions are probably best directed to Mr Koperberg.

**The Hon. ROBERT BROWN:** All the planning that you have done sounds good and that is the way it should be done. What sort of budgetary considerations—there are obviously none being made in this current 2007-08 budget—are being made for extra training and extra resources for all of those areas, particularly flood rescue boat training as specialist training? My colleague, the Hon. Dr John Kaye, was talking about climate change, one of the things that most of the local climatologists agree on, irrespective of whether they think climate change is anthropogenic or not, is that we are going to have increased storm activity. Storm activity is one of the biggest dangers for dams rather than any other type of event. Are you planning to look at increasing the resources that would be applied in order to prepare for such a catastrophe wherever it may be?

**Mr NATHAN REES:** As I have indicated, we are in the early stages of assessing what climate change means for emergency services and, as you rightly point out, more storms of potentially greater severity. We are in the early stages of actually getting a handle on what this means for emergency services but the brigadier may have some information on training.

**Mr McNAMARA:** I would like to reassure the committee that in fact flood boat training is not something we have to put increased funds in; it is part of our training program, and so is flood boat replacement. We have an ongoing program to ensure that the flood boat fleet out there is efficient and up-to-date. We continue to purchase boats to do that and we continue on a regular basis to train our boat crews. We have just produced some new training documents to make our coxswains more efficient. We have some excellent flood boat crews out there; they worked tremendously well during the Hunter floods and their work was praised.

I would also like to make the point on the dam safety side of things. In June this year we ran a workshop on dam safety amongst my senior planners, working very closely with Norm Hemsley from the Dams Safety Committee, to look at all the challenges that come from dams safety. My senior planner, my director of emergency risk management, sits as an observer on the Dams Safety Committee. When dams are prescribed, one of the things to come out of that is to look at the local plans. The local people and my planners work very closely with the Dams Safety Committee to ensure that all the necessary plans are there and the people downstream are advised if required. If a dam changes its colour coding we have the processes in place to ensure that the people downstream of that dam are advised and are aware where they need to go. That process is practised and, certainly from my point of view as Director General, I am very confident that it serves the communities at threat fairly well.

**Mr NATHAN REES:** The combined funding of the Rural Fire Service and the State Emergency Service is a quarter of a billion dollars. It is a record budget. To date we have purchased 236 flood rescue boats and nearly 80 sandbagging machines. This year's budget has another \$1.8 million for up to 60 new flood boats and \$3.2 million to continue upgrading the State Emergency Service emergency response fleet over the next four years.

**The Hon. ROBERT BROWN:** I have no further questions on this portfolio.

**CHAIR:** We will now go to Government members for questions.

**The Hon. GREG DONNELLY:** Minister, following up on the line of questioning from the Hon. Charlie Lynn, prior to the commencement of WorkChoices in March 2006 many workers in New South Wales were entitled to emergency services leave provisions in their awards and enterprise agreements. Would you be aware of that?

**Mr NATHAN REES:** Yes.

**The Hon. GREG DONNELLY:** WorkChoices statutorily sets five minimum entitlements in the WorkChoices legislation. The Minister would be aware that emergency services leave is not one of those minimum entitlements.

**Mr NATHAN REES:** Correct.

**The Hon. GREG DONNELLY:** Would that be one of the significant reasons contributing to the issue that you raised earlier? Would you, or perhaps the Commissioner, like to elaborate on this issue of people being denied access to emergency services leave as a result of the introduction of WorkChoices?

**Mr NATHAN REES:** We know that the removal of that standard provision is going to have a negative impact, and is already having a negative impact, on volunteer services across Australia and in New South Wales, in particular, the emergency services. There are those who want to live in cloud cuckoo land and think that employers will always do the right thing everywhere they are. The fact of the matter is they will not. That is why the Prime Minister's agency that has been charged with looking at the fairness of some of the changes to existing awards has had to send a whole heap back, some thousands of them. The point I would make is that in an enterprise where people are having to individually negotiate their wages and conditions, and with the bulk of the community not necessarily involved in emergency services volunteering, that will not be an automatic provision that someone would seek to put in an individual agreement. I make the obvious point that the next person who comes along and applies for that job who does seek to include it is automatically at a disadvantage with the employer.

There is a sharp edge to this WorkChoices legislation that is very real for our volunteers. It is an inconvenient truth for a whole heap of people, but it is the reality. In summers when we get serious bushfire activity—and I do not mean one or two days, I mean a serious campaign where people are having to fight bushfires on 30, 40 or even 50 fronts right across New South Wales—those volunteers are away not just from their friends and families but also from their workplaces for extended periods. WorkChoices removes what I consider to be a collective spirit of goodwill towards volunteers by employers and instead replaces it with a dog-eat-dog approach to an ability to put in volunteer hours. I think we have just seen the start of the impact of WorkChoices.

I know people are scared witless out where I live. We have just seen the start of the impact on volunteering, particularly for emergency services, which is the absolute backbone of any emergency response when there is a serious issue, whether it be a storm or flood or anything else. If the Prime Minister is not turfed out and WorkChoices remains in its current form, regrettably, we will see the on-the-ground impact of WorkChoices on volunteering at a point at which it is too late to turn it around, and that is when the disaster hits.

**The Hon. GREG DONNELLY:** The so-called fairness test—which was introduced relatively recently by the Commonwealth Government to, it seems from its point of view, allegedly ameliorate the sharp edge of WorkChoices—offers no protection for emergency services leave provisions. It deals only with other matters. Emergency services leave is not one of the protected items covered by the fairness test, is it?

**Mr NATHAN REES:** That is right. It does not preclude it, but obviously you need a significant body of people in an organisation to stand up and say, "We want this included in any agreement." The fact of the matter is that will be unlikely to occur. The sharp steel that will occur arising out of WorkChoices goes directly to our provision of front-line services in the event of an emergency. It has been inadequately considered. The legislation, ill-conceived as it is, not only damages the wages and conditions for hard-working families across Australia; it also damages the fabric of our society. When I go around the State and talk to volunteers, these people are the salt of the earth in their communities. They get about protecting the community and lives, many times on the smell of an oily rag. I have been amazed how modest some of their requests have been.

These are people who are doing it through the goodness of their hearts. They recognise that their involvement in the community and their contribution to community morale are critical, particularly in rural areas where they are also dealing with very severe drought. Combine that with the legislative architecture that enables an employer to screw down on their ability to make themselves

available for community service, and very rapidly you end up eroding the morale of bush towns and regional New South Wales.

Ultimately where this all ends up is a reduced ability to provide an effective response in time of emergency. We have got the best emergency services crowds in the world. That is not me saying that; it is the international experts. That is why I send people such as Shane overseas. They want to hear from him. We saw the terrible tragedies that occurred in Greece recently because of inadequate preparation and response to bushfires. We do not have that same sort of thing in Australia because our people are the best in the world. But that will be undermined. We have 650-thereabouts paid employees in the Rural Fire Service. They run the operations effectively of 70,000 volunteers. The fact of the matter is we cannot continue to provide protection to communities against fire and storm with WorkChoices coming down the pipeline at us.

I make this point: Whilst Australia has a resource boom at present and unemployment is reasonably low, at some point in time when that cycle turns and employers are in a race to reduce employment costs there is no way in the world on a large scale that employers are going to accommodate volunteers having to leave their place of employment to go and fight a bushfire for five days or longer. That is the reality. It is inconvenient for Mr Howard and his supporters, but that is the reality. WorkChoices does not just screw down wages and conditions. At some point in time it will have a very damaging effect on a community's ability to respond to and protect itself from disaster.

**The Hon. GREG DONNELLY:** Minister, could you tell the Committee about the new bushfire community protection reporting system that is being introduced by the Rural Fire Service?

**Mr NATHAN REES:** Discussion about what needs to be done to provide protection from bushfire in New South Wales has long concentrated on two main areas: firstly, volunteers and fire tankers; and, secondly, the number of hectares of bushland burned or cleared in hazard reduction works over spring and autumn to protect nearby homes. Both the Carr and Iemma governments have significantly increased funding for the Rural Fire Service. This year's budget alone is a record \$198 million. I would appreciate the opportunity to outline for the Committee further advances in relation to hazard reduction and bushfire mitigation work. To assist land managers and fire agencies around the State in reducing the bushfire risk to our community this year's Rural Fire Service budget includes \$9 million in new funding specifically allocated for additional hazard reduction works.

I emphasise that this is \$9 million in recurrent funding. It is not a one-off; it is an ongoing commitment to enhanced bushfire mitigation. Of this \$9 million, \$3 million is going directly to councils to help them complete hazard reduction works on their lands and an additional \$3 million has been provided to support our very effective Rural Fire Service brigades in carrying out bushfire mitigation works. This relieves the load on our volunteers by providing for the use of paid work crews to do the preparatory works needed for a burn to be safely and effectively conducted. We will also allow brigades to concentrate on conducting more hazard reduction activities.

Another \$3 million has been allocated to be used as grants to local bushfire management committees for critical work, including extending and maintaining our existing network of fire trails and breaks across the State. Overall, this increased funding will enable land managers and fire agencies to increase the amount of hazard reduction work carried out and, importantly, improve the effectiveness of the work, depending as it always does on favourable weather conditions. The \$9 million will be targeted at priority works. All land managers, including councils and State agencies, must be able to demonstrate how the funding will enable them to improve on their planned hazard mitigation activities. Bushfire management committees in each district are now required to provide a schedule of works identifying areas that are most vulnerable to bushfire and giving these the highest priority for treatment. These areas will need to be treated first, followed by areas of lower risk that can be then treated as circumstances allow.

The Government's significant reforms to hazard reduction in recent years have seen a priority placed on carefully targeted burns that provide greater community benefit by protecting families, their homes and the environment. There has also been a greater focus on a range of other measures that also protect the community against bushfire, such as bushfire hazard complaints management, community education and development control standards in bushfire prone areas. These advances have not been reflected just in a new system for recording hazard reduction work. Previously, that report simply

collected the number of hectares of bushland burnt and did not include these other valuable protection measures. As I have indicated, that is a pretty unsophisticated approach. We need to be cleverer. We can be cleverer, and in the face of climate change and ongoing uncertainty about weather forecasts it is essential that we be cleverer in the way we measure and plan.

I use an example of the issue I alluded to earlier, where you can do a hazard reduction burn of 5,000 hectares in the far-flung reaches of New South Wales beyond the divide and not protect necessarily a single property or life. In contrast, earlier this year I attended a hazard reduction burn in the Baulkham Hills shire and this burn covered only 2½ hectares of bushland, but in doing that burn it provided protection for more than 80 family homes worth an estimated \$36 million. That is the distinction I would make between large-scale hazard reduction burning when, to my mind, we could have had a more sophisticated measure of how effective our mitigation measures are than what we have had in the past, and I use that as an example: a hazard reduce burn there of 2½ hectares of bushland and it protected 80 homes worth an estimated \$36 million.

The current system of reporting does not give an indication of the value of hard work by our volunteers to protect this local community or others of a similar type around the State, and knowing how many people have benefited from your own work as a volunteer and the value of the assets you protect it gives you a far clearer idea both of the volunteers' hard work and also of the priority of operations ongoing. The Rural Fire Service will be moving to a new bushfire community protection reporting system that will better reflect the level of bushfire mitigation and protection. The new reporting system will capture the range of measures undertaken in each year that have helped protect communities by reducing the risk of fire on the urban bushland interface. These measures include hazard reduction activities—the traditional burns—but also mechanical and manual clearing by land managers, private owners and fire agencies. It will include community education campaigns, the response to bushfire hazard complaints and also the development control standards on buildings that we apply in bushfire prone areas.

Furthermore, for the first time it will also allow us to calculate the number and estimated value of properties protected by all these measures. Whilst we will still record the hectares treated in more remote tracts of bushland where broader scale mosaic burning can help impede the progress of major bushfires before they threaten rural assets, we will also include this other data. We are not suggesting, Mr Mason-Cox, that we would not be measuring the number of hectares that we burn. We are simply saying that there will be additional measures as well. Further down the track, we envisage a computer system that enables you to click on the location where you live in the State and have a look at the matrix of reduction activities that has occurred in that area. That is a little way off, but it is in the pipeline.

The Rural Fire Service has referred the new bushfire community protection reporting system to the National Bushfire Cooperative Research Centre and the Centre for Environmental Risk Management of Bushfires at Wollongong University for review, and we received broad support for the move to a more comprehensive reporting system. I am sure that when the report is generated by the new system—and it will show up in next year's annual report—the community at large will agree that this is a direction that the assessment management and reporting of bushfire risks must go. The new bushfire community protection reporting system will ensure the Rural Fire Service is able to demonstrate to the people of New South Wales that mitigation of funding is being well spent and the communities across the State are being well protected.

**The Hon. HELEN WESTWOOD:** This morning in some of your answers you have spoken about community education programs that are currently underway. Could you inform the Committee about what work is being undertaken by New South Wales Fire Brigades to improve the fire safety awareness of people from non-English speaking backgrounds?

**Mr NATHAN REES:** It was a terrific pleasure earlier this month to officially recognise a New South Wales Fire Brigades program that is helping to improve fire safety awareness and reduce the risk of fires in our ethnic communities. The brigades' culturally and linguistically diverse program was highly commended in the 2007 Safer Communities Awards. These awards are a showcase for Australian talent in preventing, planning for and responding to emergencies and disasters. The Fire Brigades also is recognised for its pre-disaster planning for bushfires.

The program provides fire safety information to community groups who are identified as being at greater risk of injury and death from fires, and it is designed to increase community education, safety and confidence in culturally diverse communities across the State, with the overall aim of reducing both the frequency and severity of fires within these communities. The program has made important inroads into fire safety awareness among New South Wales residents from different ethnic backgrounds as well as new migrants and refugees. Our firefighters play an important role in educating the community about fire safety, and nowhere is this more important than among members of culturally and linguistically diverse communities who are more likely to experience a fire in their home or be injured by a fire.

While most people know that 000 is Australia's emergency number and that smoke alarms are compulsory in all homes, new migrants or people whose first language is not English may not be familiar necessarily with these messages. We know that the mandatory installation of smoke alarms has resulted in a very significant decrease in deaths over the past few years, so there is a real-life example of our ability to translate a message literally into the preferred language of the recipient being absolutely critical, and in some cases a matter of life and death.

Through a partnership with the Australian New Muslims Association in Lakemba, local firefighters out there have been able to deliver these important fire safety messages and raise awareness of the work of New South Wales Fire Brigades. That Muslim association and New South Wales Fire Brigades fire brigades have been working together for four years to develop joint fire safety presentations on smoke alarms and other key fire safety programs for the local community, using interpreters and translated fire safety fact sheets. Information provided includes the need to change batteries in and maintain smoke alarms, fire prevention in the home and workplace and evacuation procedures, including home escape plans. The program is also being delivered to Sudanese refugee groups by firefighters in Coffs Harbour, Orange, Lismore and Blacktown. In Parramatta the program is being delivered to the Vietnamese and Chinese communities and in Leichhardt to the Italian community.

I am delighted that the program has led to better communication and more interaction between firefighters and their local communities, providing opportunities to pass on fire and life safety information and advice in relation to bushfires, property fires, hazardous materials and a range of other issues. Through this program and other community safety initiatives and programs, New South Wales Fire Brigades, in partnership with the Government, is striving to enhance the resilience and capacity of the communities of New South Wales to prevent and prepare for possible fire emergencies.

**The Hon. HELEN WESTWOOD:** Could you also advise the Committee what activities the Rural Fire Service is engaging in to foster its cadet program?

**Mr NATHAN REES:** Earlier this month I had the pleasure of attending the inaugural Australian National Fire Cadet Championships held at Cranebrook in Sydney's west. That event was organised by the New South Wales Rural Fire Service and it was an opportunity for young firefighters aged from 12 to 16 from around Australia to gather and showcase their skills in 12 different events over a number of days. It was a glimpse into our fire service's future and the young participants' enthusiasm and skill was an indication that we can expect more experienced and confident members to be joining the ranks of our firefighters in the years ahead. That is welcome, particularly in light of the priorities set out in the State Plan to increase participation and integration in community activities.

The State Plan has set a target to increase the proportion of the total community involved in volunteering, group sporting and recreational activity or group cultural and artistic activity, and to halve the existing gaps in the participation rates of low income, non-English speaking and Aboriginal communities in these activities. Overall, 400 fire service personnel from right around Australia—there were teams there from South Australia, Western Australia and Victoria—participated in those national championships. The program began with a team-training day followed by two days of championship events. The championships ended with a presentation dinner on the Saturday evening. Several displays also featured, and members of the public were welcome.

In addition, 20 teams of six took part in the events, which were either drills or scenario based, and time penalties were issued for incorrect procedures or unsafe actions. The final day of competition



saw a special standalone event, the New South Wales two-person hose attack, which was open to teams of two cadets from Rural Fire Service brigades. This event was specially designed for junior brigade members or participants in the Rural Fire Service school cadet program who were not otherwise competing in the championships. The 10-week Rural Fire Service school cadet program is designed for students from years 9 and 10 in rural and regional schools across New South Wales. It provides an opportunity to participate in exercises, team building and fire safety training. The program increases students' skills and encourages good citizenship by giving students a chance to work with their local area service building strong bonds, an ethos and a sense of community.

I congratulate the Rural Fire Service Cumberland zone volunteers and St Paul's Grammar School for holding this event. An enormous amount of work went into it and the staff performed brilliantly. Staff from the school filled most important roles in the championships and other assistance was provided by Rural Fire Service volunteers from the Hawkesbury, Macarthur, Blue Mountains and far South Coast areas. The championships were jointly funded by the New South Wales Rural Fire Service and the New South Wales Rural Fire Service Association. Each contributed \$50,000 to support the event, which was organised and managed locally by the St Paul's Cadet Rural Fire Brigade.

I congratulate everybody involved in the competition and the organisation of the event. It proved the value of training the youth of today to become the responsible emergency services leaders of tomorrow. The challenge is to make emergency services the volunteer organisations of choice for young people. We have an ageing population and we must ensure that when young people consider volunteering and putting some hours back into their community the first organisations they think of are the State Emergency Service, the Rural Fire Service or the Volunteer Rescue Association.

**CHAIR:** That concludes the time for Government members to ask questions. Opposition members now have 10 minutes in which to ask questions.

**The Hon. CHARLIE LYNN:** I refer to the fires in the Australian Capital Territory in January 2003 when 500 homes were destroyed and four people lost their lives. What action has the ministry taken in response to these fires and the findings of the Australian Capital Territory Coroner and the McLeod report?

**Mr NATHAN REES:** I have specifics about some of the legal actions that arose if that is the material required. I will defer to the commissioner with regard to more general material.

**The Hon. CHARLIE LYNN:** What actions have been taken in respect of the fires and the findings of the Australian Capital Territory Coroner and the McLeod report?

**Mr FITZSIMMONS:** In summary, a range of issues is being considered in relation to the recommendations from both of those processes. We have revised and updated the memorandum of understanding to ensure that interoperability across the jurisdictional boundaries is optimised in support of firefighting operations. I will take the more specific detail on notice.

**The Hon. CHARLIE LYNN:** How much money has been set aside in the event of a finding against the New South Wales Government in regard to the current litigation?

**Mr NATHAN REES:** I will take that question on notice.

**The Hon. CHARLIE LYNN:** At what stage is that litigation?

**Mr NATHAN REES:** Which litigation? Three civil actions are under way in the Australian Capital Territory Supreme Court as a result of the damage. I am aware that a number of parties have begun legal action seeking compensation for physical and psychological injuries and property and business losses that occurred during the bushfires. Those actions have been taken against the Australian Capital Territory Government, the Commonwealth Government and the New South Wales Government. I understand that the action against the Commonwealth Government has since been dropped. It would be inappropriate to make any detailed comment on those matters while they are before a court.

**The Hon. MATTHEW MASON-COX:** I refer to the Rural Fire Service air wing and the 2006-07 budget year. What are the operating costs of the air wing?

**Mr FITZSIMMONS:** Prior to answering the specific question, I will pick up on the Hon. Charlie Lynn's comments. One of the report recommendations was to contract out fire services to New South Wales. The then Minister wrote to Australian Capital Territory Government regarding that recommendation, but it rejected that option. That is why we are focusing on the memorandum of understanding. I will take the question on notice.

**The Hon. MATTHEW MASON-COX:** I understand that the Firescan aircraft is leased to the New South Wales Rural Fire Service. In 2006-07 the aircraft was used 22 times for its designated purpose, or 45 per cent of the time, and 31 times, or 59 per cent of the time, to ferry the Minister, the commissioner or other staff to Rural Fire Service events. Minister, have you travelled in the Firescan aircraft?

**Mr NATHAN REES:** I have, if it is the aircraft in which we flew to Lismore last week.

**The Hon. MATTHEW MASON-COX:** For what purpose and how many times have you travelled in that aircraft?

**Mr NATHAN REES:** From memory, I have travelled in it twice. Once was last week to visit Lismore to check the damage wreaked by the hailstorms. I will have to check the other event and take that question on notice.

**The Hon. MATTHEW MASON-COX:** Could you have travelled by private aircraft, commercial aircraft or by an alternative mode?

**Mr NATHAN REES:** No. I make a point of using commercial aircraft where possible. We use that aircraft only when we cannot get a seat on another aircraft or the destination is so far flung that we cannot use commercial services.

**The Hon. MATTHEW MASON-COX:** So it is not Air Force One?

**Mr NATHAN REES:** It certainly is not. Those who know me know that I am terrified of flying, so I do not get up there on a whim.

**The Hon. MATTHEW MASON-COX:** Please outline the lease arrangements for the Firescan aircraft. Is it an upfront payment for a year or are charges applied for each flight?

**Mr FITZSIMMONS:** I will take the question on notice. It is a combination of both. It is amortised over a seasonal contract and then on a tasking allocation.

**The Hon. MATTHEW MASON-COX:** Who authorises the use of the aircraft for non-firefighting duties? Is that you, commissioner?

**Mr FITZSIMMONS:** Yes, it is.

**The Hon. MATTHEW MASON-COX:** In that regard, can you provide a list of dates and times and passengers who have used the aircraft over the past year?

**Mr FITZSIMMONS:** I will take that question on notice.

**The Hon. MATTHEW MASON-COX:** Is the expectation that the aircraft will be used for Rural Fire Service firefighting activities rather than ferrying personnel?

**Mr NATHAN REES:** There is no way in the world we would use that aircraft if it were required for firefighting or emergency purposes. As I said, I do not like flying and it is a last resort for me. From memory, I have used the aircraft on two occasions and that has been to attend an emergency event.

**The Hon. MATTHEW MASON-COX:** I turn to the marine side of things. The New South Wales Rural Fire Service report for 2005-06 notes that the service fleet includes 19 marine craft. What is the average age of this resource?

**Mr NATHAN REES:** We will take that question on notice.

**The Hon. MATTHEW MASON-COX:** Are there maintenance schedule protocols for the equipment?

**Mr FITZSIMMONS:** Yes. It varies from vessel to vessel.

**The Hon. MATTHEW MASON-COX:** Can I have an explanation of that, as well in terms of the protocols in place?

**Mr FITZSIMMONS:** I will take that question on notice.

**The Hon. MATTHEW MASON-COX:** Earlier this year the service received an urgent request for safe firefighting equipment for the Buccarumbi fire brigade of the Rural Fire Service. Despite that request, the Buccarumbi fire brigade has been stood down a number of times due to unsafe or out-of-date equipment. Has the Government allocated funds to address this urgent request?

**Mr NATHAN REES:** That is news to me. We will take that question on notice.

**The Hon. MATTHEW MASON-COX:** Is there a systematic process of inspection of Rural Fire Service equipment to ensure that it is maintained in working order and available for fire use when it is needed? Is there an ongoing program for that?

**Mr FITZSIMMONS:** Yes.

**The Hon. MATTHEW MASON-COX:** Can you outline how that works and what is in place?

**Mr FITZSIMMONS:** If I can take that on notice, I can clarify that for you.

**The Hon. MATTHEW MASON-COX:** Could you also take on notice perhaps the amount that is in place for training for Rural Fire Service personnel?

**Mr FITZSIMMONS:** As in funding?

**The Hon. MATTHEW MASON-COX:** Yes.

**Mr FITZSIMMONS:** Yes.

**The Hon. MATTHEW MASON-COX:** I might turn to the State Emergency Service if I may. The new State Emergency Service Ryde headquarters opened recently at a cost of \$1.15 million. I understand it was funded by Federal building subsidies and by the local council. Could you just explain why the State Government did not make any contribution to the building?

**Mr McNAMARA:** My understanding is it was \$1.2 million. Under our Act, the State Emergency Service Act, local councils are legislated to provide a facility for their State Emergency Service unit and, in particular, their local controllers to operate from and perform their functions from. Under the legislation the responsibility rests entirely upon the local councils. In most cases we are able to provide funds from other areas. We use grants from the National Emergency Volunteer Support Fund, some councils get money from the local government scheme, and through a building subsidy that I allocate we are able to allocate portions of \$50,000 to assist. Basically it comes down to a council like Ryde, which understands its responsibilities, that is able, through its own funds, to provide a significant portion for a magnificent headquarters.

**The Hon. MATTHEW MASON-COX:** Do you think it is appropriate that the State Government does not provide any money for those types of facilities?

**Mr NATHAN REES:** Hang on, we do. We provide the recurrent funding for things that occur after the capital expenditure has occurred. It is erroneous to say that we do not provide funding. The reality is—

**The Hon. MATTHEW MASON-COX:** Capital expenditure funding I am referring to.

**Mr NATHAN REES:** Yes, but you do not just have a building that lies empty.

**The Hon. MATTHEW MASON-COX:** You do need to build it.

**Mr NATHAN REES:** But the construction has occurred. The point I am making is—

**The Hon. MATTHEW MASON-COX:** The point I was making was the capital expenditure, not the recurring costs. That is the point I was making.

**Mr NATHAN REES:** That point is made, but we are in this together. Everyone has a role to play and the State Government plays a role in the recurrent funding.

**CHAIR:** The time for Opposition questions has expired. We now go to Dr John Kaye for a further eight minutes of questioning.

**Dr JOHN KAYE:** My question to the Minister is can you talk about the budget expenditure on mapping of bushfire-prone land, how big is that and has it grown?

**Mr NATHAN REES:** I am not sure I can off the top of my head. I will have to take that on notice.

**Dr JOHN KAYE:** Can you give us a rough estimate? Let me ask another question. Do we have an expenditure for mapping bushfire-prone land?

**Mr NATHAN REES:** Commissioner?

**Mr FITZSIMMONS:** That is one of the responsibilities of council, and we aid in that process. We map bushfire-prone areas right across New South Wales and they are the subject of routine updates as development and other things change. I do not have the specific budget. I will need to take that on notice.

**Dr JOHN KAYE:** When you say you do the mapping, is that paid for out of councils' funds or is it part of your core function?

**Mr FITZSIMMONS:** I will take on notice the apportionment of funds. Different people are involved at the local and the State level compiling the data and producing the maps.

**Dr JOHN KAYE:** To take you a little further down that path, are funds allocated for the review and audit of fire trails? Specifically looking at the fire trails, there are some fire trails, I understand, that are scheduled for closure and rehabilitation; others that are marked strategic. Can you talk to us about how that is done, what funds are allocated to that and what are the criteria for that?

**Mr NATHAN REES:** I might jump in first on that. We have allocated an additional \$9 million in recurrent funding for bushfire mitigation works this year, and \$3 million of that is for precisely that purpose: for community groups and councils to audit and improve those fire trails where required.

**Dr JOHN KAYE:** That is \$3 million. Is there a statewide plan to identify which of those fire trails are strategically important, or is that done purely at a local level?

**Mr FITZSIMMONS:** The assessment and determination of fire trails standards and classifications has recently been the subject of a bushfire coordinating committee policy update which has been promulgated statewide, and the fire trail network is predominantly the focus of the local

bushfire management committee, taking into consideration the fire histories and practical containment options over many years. Funding is then provided in support of that matrix of prioritised trail works.

**Dr JOHN KAYE:** Is it possible for us to get a copy of the policy?

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

**Dr JOHN KAYE:** Lastly, what is the status of funding for the national disaster mitigation program? Is there a State budget expenditure on that this year?

**Mr LYONS:** The national disaster mitigation program arose out of a Council of Australian Governments review some years ago. It was one of the fundamental recommendations that New South Wales was pushing very hard so that Commonwealth, State and local government money, on a one-to-one-to-one basis, was provided for mitigation funding. My recollection is that this year it is about \$14 million State and local government money. That has varied over the past five years, and that program is up for review this year.

**Dr JOHN KAYE:** Can you take it on notice and get us the exact amount and the breakdown between State and local authority funding?

**Mr LYONS:** Happy to do that.

**Dr JOHN KAYE:** My next question gets back to the Blue Mountains again and the future of the Blue Mountains. With the increasing severity and increasing frequency of fire in the Blue Mountains and the increasing threat to homes and to people's lives, what steps are being taken in the Blue Mountains to increase fire readiness? What steps are being taken in the Blue Mountains to look at those areas that are extremely difficult to protect and where we may need to talk about repurchasing land—or is there a program for repurchasing land? Finally, do you see a stage at which we will have to significantly increase the resources we deploy into the Blue Mountains to keep both property and people safe during the bushfire season?

**Mr NATHAN REES:** They are operational matters. I will ask the commissioner to respond.

**Dr JOHN KAYE:** There are also some policy questions in there about repurchasing. Do we need to look at private land holdings that are too difficult to defend and may need to be repurchased?

**Mr NATHAN REES:** That is something that has not been canvassed with me previously. Townships in the Blue Mountains, as you would be aware, are almost unique in the way they are laid out. There are national parks to the south, the north and the west as well. Most of the townships are along that ridge or spine that the railway travels along. While the natural beauty and the landscape of the Blue Mountains make it an attractive place to live, that obviously brings risks with it. You have only to pick up the Gazette up there and read that for a couple of weeks in a row and you will realise that people up there have an awareness of the prospective danger in the event of a fire. Many of the residents up there have lived through fires previously. There is a pretty well practised approach to dealing with major fires that occur. The issue of increased resources in the face of climate change and prospective increased fire activity I will ask the commissioner to respond to. It would make sense down the track for a whole heap of places to be augmented, but we are still going through the science on that.

**Mr FITZSIMMONS:** As the Minister mentioned previously, in 2002 New South Wales introduced some legislative reforms that are not replicated anywhere else in Australia that I am aware of where we can actually have a meaningful role in bushfire-prone development. That also happens to include adjustments to existing properties along the interface. The provision of resource is scalable in any event in any given fire season, and subject to the prevailing weather conditions and threats at the time.

The matrix of community preparation and protection strategies that we deploy are very much targeted at engagement with the community—working with those local communities, tailoring programs and strategies particular to the needs of pockets of the community as well as more broadly in the community. I know that the authorities in the Blue Mountains, as occurs in every other part of

New South Wales following a fire, will review what arrangements are in place and what can be done better the next time. That is a subject of ongoing review in the Blue Mountains. Whether it is through the effective use of hazard reduction works, community engagement, development control, hazard complaints, trail networks, standards, or access and egress, the range of options is duly considered, not just in the Blue Mountains but also elsewhere in New South Wales

**Dr JOHN KAYE:** Are those reviews available publicly?

**Mr FITZSIMMONS:** What do you mean?

**Dr JOHN KAYE:** You said after every fire you have a review, which presumably results in a document with findings and changes to policy. Are those reviews available publicly?

**Mr FITZSIMMONS:** Most of the documentation is the subject of internal reviews but the bushfire management committees at the local level are ultimately the ones that consider the results of those services and the committee comprises community members, agencies and authorities at that local level.

**CHAIR:** We have run out of time for this portion of today's hearing. I thank representatives of the Rural Fire Service, the State Emergency Service and New South Wales Fire Brigades for their attendance. We will now have a five-minute break to facilitate the changeover of witnesses.

**(The witnesses withdrew)**

*[Short adjournment]*

**CHAIR:** We will now deal with the portfolio area of Water Utilities.

**KERRY SCHOTT,** Chief Executive, Sydney Water, and

**MARK DUFFY,** Director General, Department of Water and Energy, sworn and examined:

**CHAIR:** Minister, would you like to make a brief opening statement on this portfolio area?

**Mr NATHAN REES:** No, it has probably been well canvassed publicly. I am happy to go straight to questions.

**The Hon. MATTHEW MASON-COX:** Minister, there has been an estimated cost for the amount each consumer—I emphasise, the consumer—will have to pay for the desalination plant. In a release dated 23 November 2005 we were told the cost would be \$1.20 per week. On 28 June 2007 we were told the cost would be \$2 per week, and on 14 September 2007 we were told it would be \$2.50 per week. What is the final figure per household going to be?

**Mr NATHAN REES:** The figure that appears in Sydney Water's submission to the Independent Pricing and Regulatory Tribunal for the component of the price increase is \$110 to cover the desalination plant, and that equates to around \$2 a week, consistent with what the Premier has repeatedly said.

**The Hon. MATTHEW MASON-COX:** Why were we told on 14 September 2007 that the cost of the desalination plant would be \$2.50 per week, not \$2?

**Mr NATHAN REES:** It is in the order of \$2 a week. At \$110 a year, divided by 52, that is in the order of \$2.

**The Hon. MATTHEW MASON-COX:** Will you give a guarantee that you will freeze the cost at the latest figure of \$130 per year—you maintain, \$110 per year—?

**Mr NATHAN REES:** The \$110 was the figure in the submission.

**The Hon. MATTHEW MASON-COX:** Will you give a guarantee that you will freeze it at that figure, \$110 per year?

**Mr NATHAN REES:** There will be no variation to the submission that has been put by Sydney Water to the independent umpire.

**The Hon. MATTHEW MASON-COX:** So will you guarantee that you will freeze the cost at \$110 per year?

**Mr NATHAN REES:** There will be no variation to the submission that has been put to the independent umpire.

**The Hon. MATTHEW MASON-COX:** So you will not guarantee that?

**Mr NATHAN REES:** You need a lesson on how this stuff works. It is not me who puts that price increase to the Independent Pricing and Regulatory Tribunal to cover the cost not just of the desalination plant, which is less than half of any anticipated increase; it is Sydney Water. We have to cover the cost of recycling schemes as well, the three biggest in Australia.

**The Hon. MATTHEW MASON-COX:** Will you agree to show the cost of the desalination plant on Sydney Water notices?

**Mr NATHAN REES:** We will take that on notice.

**The Hon. MATTHEW MASON-COX:** What concession will you make to low-income households and households with large families?

**Mr NATHAN REES:** Currently we have hardship and disadvantage scheme provisions, and they will be expanded.

**The Hon. MATTHEW MASON-COX:** Minister, the Premier promised that the desalination plant would be built only if Sydney's water storage dropped to below 30 per cent capacity, but he signed the contract when dam levels were at 57 per cent. When was it decided to break this promise?

**Mr NATHAN REES:** Earlier this year our dam levels were at 32.4 per cent. If we had not been transferring water from the Shoalhaven and had water restrictions on for the last few years, we probably would have been down to single figures. The fact of the matter is that we pressed "go" to construct a desalination plant, because we have been advised by experts that there was an international queue for both the expertise to construct and the component parts. We pressed "go" when we did. Our initial projections for cost remained on track, and in contrast, those jurisdictions that have moved towards the construction of a desalination plant subsequent to us are incurring much greater costs. Melbourne's is going to be \$1 billion more.

The notion that we went too early on this is a furphy. We relied on expert advice in moving to go to the tender processes. We now have Western Australia with a desalination plant, South Australia with a desalination plant, Melbourne with a desalination plant, and the Gold Coast with a desalination plant. We have the Nature Conservation Council of New South Wales talking about when, not if, we have a desalination plant; Tim Flannery talking about when, not if, we have a desalination plant; and we have Mike Young of the Wentworth Group and ultimately your Federal Treasurer saying that there should be a desalination plant in every city.

That is the reality here. In the face of climate change and up to a 9 per cent reduction in rainfall, and another million people out to 2032, if we do not have an additional augmentation of supply for Sydney's water, Sydney is in very real danger of running out of water.

**The Hon. MATTHEW MASON-COX:** When did you decide—or who decided—to break a promise to sign the contract when dam levels—?

**Mr NATHAN REES:** We base our decisions on the best available evidence and research. I am not sure what you base yours on.

**The Hon. MATTHEW MASON-COX:** The promise was that the contract would not be signed unless dam levels went below 30 per cent. Yet, the contract was subsequently signed by the Premier when dam levels were at 57 per cent. I want to understand when it was decided to break that promise, and by whom.

**Mr NATHAN REES:** We rely on the expert evidence and advice of the experts. If that means we change our position, we do so, because it is prudent to do it. I do not know what you base your decisions on, but we go on the best available advice at the time. Your approach is a recipe for disaster. It imperils New South Wales' \$300 billion economy—

**The Hon. MATTHEW MASON-COX:** I have not put an approach to you at all. I have asked you a question, and I thank you for your answer. What would be the cost, if any, of cancelling the desalination plant?

**Dr SCHOTT:** It would be billions of dollars, I would imagine. We have a contract to construct the desalination plant, which is worth \$1.1 billion, and to cancel a contract means that at this stage you are on the hook for obligations you have given.

**The Hon. MATTHEW MASON-COX:** Have you done a costing?

**Dr SCHOTT:** It is a contractual matter.

**The Hon. MATTHEW MASON-COX:** Has an assessment been done in relation to what it would cost to—?

**Dr SCHOTT:** This is a normal construction contract and an operations and maintenance contract, and breaking firm contracts incurs the cost of that contract.

**The Hon. MATTHEW MASON-COX:** Why has the cost of the desalination plant continued to blow out?

**Mr NATHAN REES:** It has not. The initial estimate was \$1.9 billion and it remains below that.

**The Hon. MATTHEW MASON-COX:** What assurances can you give that the desalination plant will not affect migrating whales?

**Mr NATHAN REES:** It is interesting you raise that. It has been raised that whales might be affected because of the brine. I point out to you and some of your shadow Cabinet colleagues that whales are mammals and the notion that the water goes through their gills and into their being is erroneous. There will be no impact on whales. The outlet is some hundreds of metres offshore. The advice to us is that any brine that is in the outlet water will return to its background levels within 50 to 75 metres, and there is even less likelihood of any whales being sucked into the intake. Water moves at the rate of about four inches per second. I have seen footage with my own eyes of small fish easily swimming against that sort of current.

**The Hon. MATTHEW MASON-COX:** You are aware that whale organisations say that it will affect migratory patterns and the wellbeing of whales, especially young whales?

**Mr NATHAN REES:** To my recollection, no whales have been beached on the reef on which the outlet pipe will be.

**The Hon. MATTHEW MASON-COX:** So you reject those comments?

**Mr NATHAN REES:** I reject them.



**The Hon. MATTHEW MASON-COX:** I refer you to an article appearing in today's *Daily Telegraph* in relation to the wind turbines. Why were they not announced at the same time as the letting of the contract for construction?

**Mr NATHAN REES:** They are separate contracts, is the short answer to that. We have said consistently that the desalination plant will be powered by renewable energies. Today's request for proposals is the first step in ensuring that not a single kilogram of CO<sub>2</sub> is emitted from the operation of this plant, and we expect to sign tenders, on the advice to me, early in 2008. It is likely that wind energy will be a significant component of any contract that is signed. We have said throughout that this plant will be powered by green energy and today is the first step in making that a reality.

**The Hon. MATTHEW MASON-COX:** Are not the public entitled to be just a little bit cynical, given this is a late designed addition to deflect criticism away from the plant being Sydney's "bottled electricity" as famously said by Bob Carr?

**Mr NATHAN REES:** No, that is rubbish. The Premier has consistently said that this plant will be powered by renewable energy. It has been in press releases going back many months and the fact that people have chosen to ignore it does not lessen the reality.

**The Hon. MATTHEW MASON-COX:** Will your Government guarantee there will be no additional cost to the \$1.7 billion announced for the plant?

**Mr NATHAN REES:** I have answered that.

**The Hon. MATTHEW MASON-COX:** How do you justify paying \$10 million to the operators simply to do their job, as disclosed in the *Daily Telegraph* article?

**Mr NATHAN REES:** You will need to elaborate.

**Hon. MATTHEW MASON-COX:** It is noted in the contract details that your taxpayers could be forced to pay up to \$10 million to the operators of the plant simply for them to do their job safely and efficiently. Is there any truth to that?

**Mr NATHAN REES:** I will have to take the detail of that on notice.

**The Hon. MATTHEW MASON-COX:** Why was the cost of green power infrastructure not factored into the original cost estimate of the desalination plant?

**Mr NATHAN REES:** It was.

**The Hon. CHARLIE LYNN:** I refer to the blue green algae and water purity issue. Why, despite the technological advances over the last 10 years, are we still facing the same sort of potential crisis as we faced in 1998 when we had to boil our water?

**Mr NATHAN REES:** It is nothing like that. In any event, that question should be directed to Minister Koperberg.

**The Hon. CHARLIE LYNN:** Do you recommend that infant children and sick people drink Sydney water?

**Mr NATHAN REES:** Yes.

**The Hon. CHARLIE LYNN:** Have any notices been issued by the Department of Environment and Conservation in respect of water quality against Sydney Water in the last 12 months?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. CHARLIE LYNN:** If you do, would you provide us with the details of that?

**Mr NATHAN REES:** The preliminary advice on that is no, there has not been a notification.

**The Hon. CHARLIE LYNN:** Can you advise if any prosecutions have been instituted against Sydney Water in the last 12 months?

**Dr KERRY SCHOTT:** I will take that on notice. There have been three or four on sewage overflows.

**The Hon. CHARLIE LYNN:** Can we have the details of those?

**Dr KERRY SCHOTT:** Yes.

**The Hon. CHARLIE LYNN:** Minister, the blue green algae bloom now covers 75 per cent of Warragamba Dam and toxins have been detected. At what stage will you start to ring the alarm bells for Sydney consumers?

**Mr NATHAN REES:** The most recent brief I have from the health experts satisfied me that there was no danger, because we are taking water from an entirely different point in the dam. The detail of that question is best referred to Minister Koperberg.

**The Hon. CHARLIE LYNN:** In regard to those levels, given that dam levels may drop due to uncertain rainfall and you are drawing water currently, I believe, from 48 metres, what happens if you have to start drawing water from 20 metres instead of 48 metres?

**Mr NATHAN REES:** We have a plan to deal with all of that and questions around the detail of that are best directed to Minister Koperberg. My understanding is that we are actually drawing from 75 metres.

**Dr KERRY SCHOTT:** No, we are drawing from 45 metres but we could do 75 metres.

**Mr NATHAN REES:** We are drawing from 45 metres but we could draw from 75 metres if we had to. Bear in mind, that the algae bloom affects only a very narrow amount of the top of the water, well and truly less than a metre. So we are drawing from 45 metres with a potential to go to 75 metres.

**The Hon. CHARLIE LYNN:** If dam levels continue to drop, how deep can you draw that?

**Mr NATHAN REES:** From 75 metres.

**The Hon. CHARLIE LYNN:** I understand that your department actually purchases the water—?

**Mr NATHAN REES:** Correct.

**The Hon. CHARLIE LYNN:** —from the Sydney Catchment Authority. So you have a responsibility, you cannot simply flick these answers off to the other Minister. You are responsible for ensuring the purity and the quality of water is safe for everybody.

**Mr NATHAN REES:** That is correct and that is why we have water treatment plants—big ones.

**The Hon. CHARLIE LYNN:** So you are not concerned about the quality of water in regard to how it may impact on sick children, infant children and sick people?

**Mr NATHAN REES:** No.

**The Hon. CHARLIE LYNN:** You are not concerned at all in regard to the extent of the algal bloom and the toxins that have been detected? You do not see any need to ring the alarm bells for Sydney consumers?

**Mr NATHAN REES:** I refer you to my previous answers.

**The Hon. CHARLIE LYNN:** You are the one who purchases the water?

**Mr NATHAN REES:** I have answered the question and I refer you to my previous answers.

**The Hon. CHARLIE LYNN:** Have you raised any concerns with Minister Koperberg in this regard?

**Mr NATHAN REES:** I refer you to my previous answers. I have answered the question.

**The Hon. CHARLIE LYNN:** No, you have not. I am asking you whether you have expressed concerns about the quality of water with Minister Koperberg?

**Mr NATHAN REES:** We have a plan in place that deals with all sorts of contingencies and this is just one of them.

**The Hon. CHARLIE LYNN:** It is a fairly serious contingency, surely, 75 per cent being covered with the algal bloom?

**Mr NATHAN REES:** I refer you to my previous answers.

**The Hon. CHARLIE LYNN:** You have not advised me whether you have expressed concern to Minister Koperberg in regard to this?

**Mr NATHAN REES:** I have had discussions with Minister Koperberg about this. Of course I have. I make the point that the water that we treat at Prospect Reservoir, and I have been out there with journalists and other interested parties, treats our drinking water to a standard that is 10 times higher than is required by the national drinking water standard. That is what we do. It is an outcome of the McClelland report into the 1998 giardia incident. Incidentally, that is an option that would not have been available under the water policy that Mr Debnam took to the election.

**The Hon. CHARLIE LYNN:** Are you happy with the assurances that Minister Koperberg has given you?

**Mr NATHAN REES:** We keep a watching brief on water quality and I am comfortable with where we are at present.

**The Hon. MATTHEW MASON-COX:** I understand that the Central Coast Water Corporation Act 2006, which you administer, allows the Government to levy dividends against Central Coast Water, just as it does Sydney Water. Will you give an assurance to the people of the Central Coast that their supply system will not be used as a hidden tax, as Sydney Water's is?

**Mr NATHAN REES:** With respect, you need to read the Act. The Act says that any dividends go back to the shareholders, and the shareholders under that statute are the constituent councils.

**The Hon. MATTHEW MASON-COX:** So you will give that assurance?

**Mr NATHAN REES:** It is in the statute.

**The Hon. MATTHEW MASON-COX:** The Federal Government has agreed to pay the entire \$80 million cost for the long overdue pipe between Mardi and Mangrove Creek dams. Can you detail the arrangements your department has made to facilitate construction, such as land resumption, planning and access, as soon as the Federal election is over?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. CHARLIE LYNN:** I refer to the dividends received from Sydney Water. The recent Sydney Water submission to the Independent Pricing and Regulatory Tribunal [IPART] stated

that the average annual cost of residential household water is to be increased by \$275 over four years. Would you agree that these additional costs would not have to be passed on to consumers if the Government did not take a hidden tax in the form of dividends from Sydney Water?

**Mr NATHAN REES:** I make the point that the contributions you refer to are essential for funding the Government's core responsibilities in health, education and law enforcement, and they are also essential to maintaining the proper financing disciplines on Government trading enterprises. Those contributions represent a return to the Government acting as a shareholder in the Government trading enterprises on behalf of the people of New South Wales. The taxpayer is entitled to a rate of return for bearing that risk and investing the capital.

**The Hon. CHARLIE LYNN:** So it is a tax; it is not a dividend?

**Mr NATHAN REES:** If you do not like that answer, they are the words of your Assistant Treasurer in 1993, Mr George Souris.

**The Hon. CHARLIE LYNN:** It is a tax.

**Mr NATHAN REES:** I refer you to my previous answer.

**The Hon. CHARLIE LYNN:** Can you calculate how much the price of water could be reduced if consumers did not have to pay this hidden tax?

**Mr NATHAN REES:** Yes, I could.

**The Hon. CHARLIE LYNN:** How much could it be reduced by?

**Mr NATHAN REES:** You would have to give me a moment.

**The Hon. CHARLIE LYNN:** Would you like to take that on notice?

**Mr NATHAN REES:** Yes.

**The Hon. CHARLIE LYNN:** Minister, will you agree to show the tax on Sydney Water notices? If you are not prepared to do so, why not? Surely, if it is tax, taxpayers should know how much they are paying.

**Mr NATHAN REES:** Questions on dividends are best directed to the shareholding Ministers.

**The Hon. CHARLIE LYNN:** Do you agree that any tax should be shown on the notices so that people know exactly how much water is costing them and how much additional tax they are paying?

**Mr NATHAN REES:** Those questions should be directed to the shareholding Ministers.

**The Hon. CHARLIE LYNN:** Can you advise how much has been taken from Sydney Water over the past 12 years?

**Mr NATHAN REES:** Water?

**The Hon. CHARLIE LYNN:** Dividends or taxes from Sydney Water?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. CHARLIE LYNN:** I understand a media release shows a total of \$1.37 billion as having been taken. That is a lot of tax, would you not agree?

**Mr NATHAN REES:** Over how long?

**The Hon. CHARLIE LYNN:** Over the past 12 years \$1.3 billion has been taken from Sydney Water in what you call dividends.

**Mr NATHAN REES:** I call them contributions. I call them contributions for a very good reason. If you take the contributions from Sydney Water over the last year, the notion that these contributions just disappear is wrong. They, in fact, pay for services. Last year's contribution equates to around 3,000 newly registered nurses or the construction of seven high schools or the average wage of nearly 1,500 teachers.

**The Hon. CHARLIE LYNN:** Surely taxpayers should know from their water statement that they are making a contribution for other areas and not just paying for the cost of water.

**Mr NATHAN REES:** It is publicly available in the annual report and appears on the website.

**The Hon. CHARLIE LYNN:** I get a water bill. I know how much it costs to purchase water. I should also know how much contribution I am making to health and roads and other areas.

**Mr NATHAN REES:** That is called an annual budget.

**The Hon. CHARLIE LYNN:** It does not allow me as a taxpayer to know how much I am being slugged in the form of a hidden tax to support other areas, which obviously you do not have enough money to support.

**Mr NATHAN REES:** With respect, that is just not right. The budget papers are printed every year and the budget is delivered by the Treasurer.

**The Hon. CHARLIE LYNN:** Not everybody gets the budget papers.

**Mr NATHAN REES:** It is on the New South Wales Treasury website. I am happy to give you a copy of my budget papers, if you like. [*Time expired.*]

**CHAIR:** We will now have 10 minutes of questions from Dr John Kaye.

**Dr JOHN KAYE:** Minister, I am interested in justifications for the desalination plant. On Wednesday 12 September at the University of Technology, Sydney—I was present in the audience, you will recall—you said that basically this was an issue of climate change, that is, the yield into the dam was reducing because of climate change and therefore we needed to build a desalination plant. I think you sort of repeated that again today. Could you take us to the research that says that climate change will reduce the quantity of water flowing into the dam?

**Mr NATHAN REES:** Yes, I can.

**Dr JOHN KAYE:** Specifically into Warragamba Dam.

**Mr NATHAN REES:** This is a report prepared for the New South Wales Government by the CSIRO entitled "Climate Change and the Sydney Metropolitan Catchments". At page 3 it states that annual rainfall is likely to decline. It then goes into a series of possible projections for rainfall variation over the years 2030 to 2070. It refers to an annual reduction in rainfall of up to 13 per cent annually by 2030. They are scary figures. We also know that the rainfall projections that we have been working on right across Australia that have been predicated on the last 50 years may, in fact, be atypically high. That is the emerging theme of the research. With respect to your question, yes, climate change is part of it and we have the experts saying that there is going to be prospectively 13 per cent less rain.

**Dr JOHN KAYE:** I note that it is likely to be 13 per cent.

**Mr NATHAN REES:** Up to, I said.

**Dr JOHN KAYE:** Up to 13 per cent. Are you aware of the concept of error bars in predictions?

**Mr NATHAN REES:** I am.

**Dr JOHN KAYE:** That is likely to be the top of the error bar. Can you tell us what the bottom of the error bar is?

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

**Dr JOHN KAYE:** I can tell you what it is. I think from recollection it is plus 20 per cent.

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

**Dr JOHN KAYE:** In fact, as the climate projections stand at the moment—correct me if I am wrong—there is a chance that yield into the dam will fall by 13 per cent and there is a chance it will increase by 20 per cent. Is it not true that we could be building this desalination plant on the basis of climate change when, in fact, climate change is going to increase the yield into Warragamba Dam?

**Mr NATHAN REES:** What the research shows is greater volatility in rainfall, as you will know. The challenge for governments right around Australia is to factor in that increased risk to water yield. As I indicated, climate change is one element of this equation. It is not the only element.

**Dr JOHN KAYE:** Sure. Can I just—

**Mr NATHAN REES:** Let me answer the question, because the other part of the question is around how we deal with additions to the population of up to one million people over the next 25 to 30 years. As I outlined earlier, I came to this discussion or this policy debate with a fresh mind. Having seen the research, I think there is a compelling case for a new supply of water for Sydney, that is, the desalination plant, because of population growth and climate change.

**Dr JOHN KAYE:** We will get to population growth and the long-term supply option. I would like to stick with climate change for the moment. You talk about climate change could increase volatility in yield into Warragamba Dam. I accept that as being true. Is it also not true that Warragamba Dam, from 30 per cent to 100 per cent at current usage rates, holds in the order of 10 or 11 years of usage?

**Mr NATHAN REES:** I think it is eight. That is at the existing population.

**Dr JOHN KAYE:** Therefore, is it not true that volatility is less important, as has been the history of Warragamba Dam, than the few extreme rainfall events that occur? We saw this recently in June this year over the long weekend where we went from in the 30s to now just shy of the 60s across the entire system. Is it also not true when you have a very large catchment such as Warragamba that catches the very large storms that come through, the five-year volatility or two-year volatility is far less important than the size of the extreme events? In fact, many climate change predictions show that the extreme events will be more frequent and more extreme in terms of rainfall. So in terms of matching Sydney's water storage usage—the Hon. Greg Donnelly is moaning over there.

**The Hon. GREG DONNELLY:** Are we receiving a lecture or is there a question?

**Dr JOHN KAYE:** I am seconds off finishing my question.

**The Hon. GREG DONNELLY:** If there is a question, the question should be put to the Minister.

**Dr JOHN KAYE:** Is it not true that, in fact, climate change could increase the effective yield out of Warragamba Dam?

**Mr NATHAN REES:** That is not the research and the advice that has been given to us. The CSIRO is telling us there will be a reduction in annual rainfall by 2030 and that rainfall run-off and

stream flows will be reduced and droughts are likely to become more severe. The challenge for governments right around Australia is to deal with a changing set of imperatives on the climate change front and also population and augmentation of supplies for that population. At the end of the day, every economy essentially runs on water. The reality is that New South Wales has a \$300 billion economy centred in Sydney. If there is any risk at all to the water supply for that \$300 billion economy then Australia gets the wobbles, not just Sydney. It is a risk level that no responsible government would take. That is why Western Australia is building a desalination plant, South Australia is building a desalination plant, Melbourne is building one and one is being built on the Gold Coast.

The discussion around a desalination plant, when I talk to the major players in the water policy debate, is inevitably around when, not if. That is the point I make. We are able to set Sydney up for the next generation of water supply by providing an additional 14 per cent of water out of the desalination plant. In combination with another 11 per cent through our recycling schemes—and we will be recycling 11 per cent of water by 2015—those two measures give us a combined increase in water supply of 25 per cent. That more than matches population growth.

**Dr JOHN KAYE:** Through to what year?

**Mr NATHAN REES:** About 25 years, so 2032.

**Dr JOHN KAYE:** So we are building a plant now that will match population growth in 25 years?

**Mr NATHAN REES:** The population growth is coming on stream as we speak. You cannot tell me we are not going to get down to 30 per cent in the next few years. No-one can tell us that.

**Dr JOHN KAYE:** It would be unlikely in the next few years.

**Mr NATHAN REES:** It is a level of risk that no responsible government takes.

**Dr JOHN KAYE:** To go back to the issue of population growth, when did the plant go from being an emergency response measure—which is how it is referred to in the ACIL-ISF report and how it is referred to in the Metropolitan Water Plan and it can be built with a two-year lead time, which is why the 30 per cent trigger, as I understand it, was recommended in both those reports, when did it go from that to becoming a long-term supply option? At what point did we say it is no longer a plant that you would buy in a hurry because we might get into trouble but it is a plant that you would install 25 years in advance against population growth or a drought that might happen some time in the future?

**Mr NATHAN REES:** I am not trying to gild the lily on this. If we faced the same set of circumstances that we have faced in the last 12 months, without doing anything only 10 or 12 years from now Sydney runs out of water.

**Dr JOHN KAYE:** I am sorry, Minister, I simply cannot understand what you are saying there. Is it not true that if we had faced the same set of circumstances that we faced in February of this year and things had got worse, then we would have built the plant then and, as I understand what your department's report says, we would have got out of trouble? That is the whole idea of building a desalination plant: having it in the back pocket as an emergency measure. What I am trying to understand is why we are building it now when we are not in trouble and it was an emergency measure. If that means—as your language implies—it has become a long-term supply option, I want to see, and all of us want to see, what studies say it is a cost-effective, long-term supply option. Was it measured against other long-term supply options?

**Mr NATHAN REES:** The short answer to that is yes. But the reason we have moved with it now is that the repeated expert advice to us is that we are in an international queue for both the skills to build the thing and also for the constituent parts of it. We have been vindicated on that front. Melbourne is building a desalination plant and is paying a billion dollars more for it than we are paying. There is an international queue, whether you like it or not. If we had not been transferring water from the Shoalhaven and we had not had water restrictions over the past few years and we had not been managing power consumption, then when the dams hit 32 per cent earlier this year—I think

it was February—if we had not had those measures in place Sydney would have been down to single figures.

If you fast forward 10 years, with an additional up to 500,000 people in the catchment basin, we would have run out of water, if you apply the same set of circumstances 10 years down the track. This is a sensible, prudent and indeed necessary step to secure Sydney's water supply, not just to deal with this drought but for droughts in years to come, and that is what we are doing.

**CHAIR:** The time for questioning from the Greens has expired. We will now go to 10 minutes of questioning from the Hon. Robert Brown.

**The Hon. ROBERT BROWN:** Given that the desalination plant is now a reality, will you guarantee that New South Wales residents living outside the Sydney area will not be burdened with the cost of either building or operating the desalination plant?

**Mr NATHAN REES:** Yes.

**The Hon. ROBERT BROWN:** Can the Minister advise whether on completion of the desalination plant Sydney will be able to cease taking water from the Shoalhaven, and is there any plan to make that water from the Shoalhaven available to water-poor areas such as Goulburn?

**Mr NATHAN REES:** That is an excellent question. Our ability to augment Sydney's water supply through the desalination plant provides us with the opportunity to wind back what are currently significant transfers from the Shoalhaven River. In an ideal world you would not be making those Shoalhaven transfers. However, the drought has necessitated it. Down the track, when the water from the desalination plant is being used, the opportunity is there for us to reduce the water we are taking from the Shoalhaven River and improve the environmental gains along the river route and also in the river itself.

**The Hon. ROBERT BROWN:** In answer to a recent question about whether the Government would reconsider the Welcome Reef dam proposal, you indicated that recent available data questioned the viability of the site, and you claim that the 1968 environmental impact statement was inadequate justification for building the dam. These replies suggest that this important backup for Sydney's water supply will not be built. While Sydney would have benefited from Welcome Reef dam, and given the sorts of projections of growth in the Sydney basin and the land available in the Sydney basin, and given the fact that you seem to have grasped the nettle about the dire consequences of Sydney and its region running out of water on a national scale, would it be good planning now to look again at the Welcome Reef dam not so much as a way of augmenting Sydney's water supply but perhaps as some early planning for areas such as the southern areas from Liverpool down to Goulburn?

**Mr NATHAN REES:** Since the late fifties Welcome Reef dam has been the preferred site in the event that a new surface water dam becomes necessary. However, that proposal would have resulted in a very shallow dam with a large surface area, meaning that evaporation rates would have been extremely high. It is also important to note that the most recently available data, such as rainfall for the area, has brought the viability of that site into question. The estimates available indicate that the cost of building Welcome Reef Dam would be in the order of half a billion dollars. However, those costs only relate to dam construction and do not include other associated infrastructure costs such as pipelines, fish ways, equipment to provide environmental flows, multilevel off-takes and the like. The costs would also need to include the costs associated with enlarging the scheme as it relates to the Shoalhaven transfer scheme.

Adding all those factors in, there would be an overall construction cost of around \$1 billion, and perhaps significantly more than that. For example, that estimate does not include major pipeline requirements to avoid impacts of the run-off river schemes. On this basis the construction of the Welcome Reef dam was indefinitely deferred by the Government in 2001 and the New South Wales Government reconfirmed in the Metropolitan Water Plan that the Welcome Reef dam was not being considered further. Whilst the dam has been indefinitely deferred, the Government has implemented a number of other options to secure the water supply in Sydney and Goulburn and in March 2007 Premier Iemma announced a State Government contribution of \$20 million for a water supply pipeline



from Wingecarribee Reservoir to Goulburn. This funding has enabled Goulburn Mulwaree Council to commence investigation works towards construction of the pipeline. The Federal Government has also announced a matching contribution of \$20 million for the Goulburn water supply pipeline.

The current estimated cost of the pipeline is \$50 million. Goulburn Mulwaree Council has set aside \$10 million towards the cost of the pipeline. The construction of that pipeline is in line with the Government's commitment to the State Plan to work with local water utilities to fast-track secure, sustainable town water supplies beginning with the Central Coast and Goulburn. The Wingecarribee Reservoir is part of the Sydney water supply system managed by the Sydney Catchment Authority. The authority has not set a limit on the volume of water that can be provided to the Goulburn Mulwaree Council.

The construction of the pipeline with supply from the Sydney system will ensure the long-term security of water to the residents of Goulburn and it will drought-proof Goulburn against current and future droughts. The Government has also provided \$8.7 million recently for the recently completed Sooley Dam upgrading and works to source additional supply from ground and surface water sources. I make the point that when Welcome Reef Dam was a gleam in an engineer's eye it was half a century ago and water technology—desalination technology in particular—has progressed very substantially since then. Aside from all the environmental impacts of a large dam at Welcome Reef, the fact of the matter is that augmentation of supply from a desalination plant is likely to be more cost effective over the long term.

**The Hon. ROBERT BROWN:** You have stated here that the overall budgeted cost of the desalination plant is \$1.9 billion, is that correct?

**Mr NATHAN REES:** That has been the estimate from day one, and we remain consistent with that.

**The Hon. ROBERT BROWN:** How much contingency is in that amount?

**Mr NATHAN REES:** I would have to take that on notice.

**The Hon. ROBERT BROWN:** You are aware of concerns from local fishermen about the location of the saline outfall on the hard reef, and given that we have just discovered that it is not going to affect whales if you shift it further offshore, is there enough money in the budget to look at those sorts of considerations if in fact the environmental work done on the outfalls suggests that it should be further offshore?

**Mr NATHAN REES:** The advice to me at this stage is that the outlet pipe is on the least environmentally sensitive element of the coastline there. I understand we have in place a range of environmental monitoring programs for when the plant is in operation and we will monitor that very closely. But I emphasise that the outlet pipe is at the least environmentally sensitive part of that coastline.

**The Hon. ROBERT BROWN:** We note that water leakages are a worldwide problem, with rates varying from 4 per cent up to 16 per cent in Third World countries. Sydney seems to be smack in the middle with a leakage rate of about 11 per cent compared with 8 per cent in Melbourne and 7 per cent in Adelaide. What percentage of water is currently being lost through infrastructure each week?

**Mr NATHAN REES:** The drought causes contraction and expansion in underground landscapes and that has made it more difficult to deal with leaks. Nonetheless we are experiencing historic leakage lows. We have about 21,000 kilometres of pipes with five million different joints. Most water loss is not due to visible main breaks and leaks but is a result of underground seepage from some of those five million joints. Of the total water lost, only 5 per cent is from visible leaks and breaks. Our leakage rate is about 8 per cent, which is in line with world best practice. I believe that Chicago has a 50 per cent water loss as a result of leaks and London loses 12 to 15 per cent, and in some parts of the city the leakage rate is in excess of 20 per cent. The rate in Sweden is 15 per cent and in Italy it is 30 per cent. So, an 8 per cent leakage rate is international best practice or very close to it.

Many of our pipes are below roads and large buildings and are difficult to access. We have very sophisticated technology that we use within pipes to identify and fix leaks. Our leak reduction programs save about 22 billion litres of water a year. Through our active leak detection program we have inspected 100 per cent of Sydney's water mains and made repairs where possible. We will continue to detect and repair leaks in 18,000 kilometres of Sydney's water mains through reinspection every year, and we have budgeted about \$100 million to detect and repair leaks. We also have pressure management programs in place. We expect to reduce leakage by a further 13 per cent by June 2009.

**The Hon. HELEN WESTWOOD:** Minister, can you advise the Committee about what has been achieved in recycling, what stormwater harvesting initiatives have been implemented and what the Government is planning?

**Mr NATHAN REES:** As we have outlined, recycling and stormwater harvesting are integral to the Metropolitan Water Plan. Using recycled water and stormwater means that Sydney can save its drinking water for drinking purposes. Under the plan the Government has committed to recycling 70 billion litres of water each year by 2015 and it is well on track to meet that target. To date, large-scale recycling schemes and individual efforts have boosted Sydney's recycling volume from 15 billion litres a year to over 22 billion litres a year. I have a graphic that demonstrates the success of the schemes comparing the recycling projects in 1995 and the projects now in place or under construction. A significant increase has occurred and represents up to 11 per cent of total supply by 2015. It is an integral part of drought proofing Sydney.

**The Hon. MATTHEW MASON-COX:** Can we have those documents tabled?

**Documents tabled.**

**Mr NATHAN REES:** We have the three biggest recycling schemes in Australia in the Sydney water catchment area. They include the BlueScope steel facility at Wollongong, which I understand saves nine billion litres of water a year. About 18 per cent of the Illawarra's water supply would be impacted if the scheme had not been implemented. We have the largest residential scheme in Australia at Rouse Hill in north-western Sydney. When complete it will provide recycled water to about 36,000 homes. We have also announced the successful tenderer for the construction a \$250-million water recycling scheme in Western Sydney that will provide environmental flows of up to 70 billion litres a year to restore the health of the Hawkesbury-Nepean water catchment area. Those projects, in combination with a 24-kilometre recycled water pipeline running from Liverpool to Ashfield that will be available for businesses to tap into, and a range of other recycling projects will mean that, by 2015, 11 per cent of our water supply will be recycled.

As I said, in combination with the desalination plant we have an additional 25 per cent augmentation. Another two billion litres of recycled water will be produced each year for agriculture at Camden and construction has started on a scheme to supply 9,000 million of litres a year to new homes and industries at Ropes Crossing near St Marys. Final negotiations are under way for the construction of a recycled water scheme that will supply six billion litres of water a year to industries in the Smithfield, Fairfield and Camellia areas and we have also provided financial support to more than 20 local-scale projects to supply recycled water for businesses and for irrigation purposes across Sydney.

With regard to stormwater harvesting, the Government has provided financial support to councils, schools, community organisations, golf clubs, local industry and other businesses in Sydney and the Central Coast to implement 71 stormwater harvesting projects that will supply up to two billion litres of water a year. That includes the project at the University of New South Wales, which will collect water from the grounds and store it temporarily as groundwater before using it as cooling water, for toilet flushing and in laboratories. That project will save more than 100 million litres of water a year. We are also collecting water from the roof of this building and other Macquarie Street buildings that will be stored in a disused railway tunnel and then used for airconditioning, garden watering and fire safety testing. We are using stormwater from a 76-hectare catchment in Marrickville to irrigate sports and playing fields. In addition, we are using the Warringah Expressway at North Sydney, Macquarie University and the King's School grounds at Parramatta. Since the release of the

Metropolitan Water Plan the Government has committed to a recycled water grid that will deliver another 30 billion litres of water.

They are essential, large components of the Government's water policy in the face of the worst drought in 100 years and all the science telling us that it will get hotter and drier. We are setting up Sydney to be drought proof for the next generation. It is the single biggest infrastructure budget allocated for water since the dam was built in the 1950s. We have a suite of measures designed to ensure that Sydney does not run out of water, that our economy will not come to a standstill and that we will not get the wobbles internationally.

**The Hon. MATTHEW MASON-COX:** If I may—

**CHAIR:** No, you may not. You will keep that question until the next round of Opposition questions.

**The Hon. HELEN WESTWOOD:** Can you now provide the Committee with an update on the Government's water savings initiatives?

**Mr NATHAN REES:** The Government is implementing a range of measures to reduce demand for water in urban communities. That is achieved by improving the way we use water, installing more efficient equipment, educating the community and modifying processes to help use water more wisely. All of us in this room will recognise that over the past 10 years the community's attitude to water use has shifted substantially. There is a much greater awareness of the preciousness of water. In the face of the worst drought in 100 hundred years we have seen how critical it can be.

The Government has committed to saving 145 billion litres of water each year by 2015 in Sydney alone. We use about the same amount of water now as we did 25 years ago when we had one million fewer people in Sydney. The people of Sydney have done an extraordinary job in saving water. Again, that is an indication of the level of community awareness of the need to be responsible with water. People also expect the Government to be responsible in its development of water policy. The 145-million-litre target will be achieved through the implementation of existing, new and proposed initiatives in the Metropolitan Water Plan.

To date we have had a series of very significant achievements, and around 430,000 households—about a quarter of all households across Sydney, the Illawarra and the Blue Mountains—have been fitted with water-saving devices. That is as of 30 June this year. That is equivalent to almost every home in Adelaide taking up the offer to be water efficient. Our Active Loo Protection Program is saving 20 billion litres a year and the Government has required the top water users in the Sydney Water area of operation—industry, councils and government agencies that use greater than 50 million litres per day—to prepare water conservation plans and identify cost-effective measures to reduce water use. These plans are expected to save approximately 20 per cent of water use within these industries. We also have 369 businesses who have joined the Every Drop Counts Program as of 30 June this year. We also have 5,000 properties that have participated in the Sydney Water Love Your Garden Program, which is estimated to be saving over 500 megalitres a year through better watering services and smart water tools.

About four to six weeks ago the Premier and I introduced long-term water-saving rules in Sydney to commence once the drought restrictions are lifted. These will ensure that the commonsense water-saving practices adopted during the current drought, such as not watering gardens during the heat of the day, become a permanent part of the way we use water. I am advised that in combination they will save us in the order of 3 per cent of volume per year. Those water-saving rules will be that common sprinklers and watering systems are to be used only before 10.00 and after 4.00 on any given day and avoiding the heat of the day; hand-held hoses fitted with a trigger nozzle may be used at any time for lawn and garden watering and washing vehicles; no hosing of hard surfaces, such as paths or drives, except for reasons of health and safety, emergency or construction activity; and, of course, fire hoses only to be used for firefighting activities. So we are seeing an end to the days of people hosing leaves off footpaths and into gutters.

On a statewide basis we have the \$340 million Climate Change Fund, which is offering up to \$1,500 per household for the installation of rainwater tanks. Some 40,000 of those rebates have been

handed out and the New South Wales Government is also an active participant in the national Water Efficient Labelling and Standards Scheme. The scheme requires showers, tap equipment, toilet equipment, urinal equipment, clothes washing machines and dishwashers to be labelled with their water efficiency. Following a proposal by the New South Wales Government to the Commonwealth, the Environment Protection and Heritage Council Standing Committee has agreed to a long-term program of work to examine the introduction of minimum standards for clothes washing machines and showerheads and to increase the stringency of minimum standards for toilets.

The New South Wales Government has also led the way with planning requirements through the building sustainability index, otherwise known as BASIX. That program ensures all new homes are designed to use up to 40 per cent less water than the standard New South Wales home. Additionally, as a key component of the best practice management guidelines, all local water utilities around the State are required to complete a demand management plan and implement water savings initiatives. These include active leak protection and repair, installation of low-flow shower roses and dual flush toilets, subsidisation of rainwater tanks and recycling schemes.

All of the New South Wales water utilities have also abolished their free water allowance for portable water supply, thus meeting a key requirement of the national water initiative. With a medium water usage charge of around \$1.05 per kilolitre, the New South Wales utilities are providing strong pricing signals to further encourage careful water usage. Annual residential water consumption per connected property has also fallen by over 40 per cent over the past 15 years and is lower than all other Australian States. This reduction in water demand has avoided the need to increase water supply system headworks and treatment capacity, thus saving up to \$1 billion of capital expenditure. On this basis, it is clear that the State Government is committed to ensuring that water is used wisely and that in conjunction with other initiatives such as recycling and new supply sources there will be enough water to meet demand now and into the future.

**The Hon. GREG DONNELLY:** There has been some publicity in recent time about water carters. Could the Minister explain what action the Government has taken to address the use of water carters as a loophole to avoid mandatory water restrictions?

**Mr NATHAN REES:** Yes. This arose recently with a tanker in Bellevue Hill, as I understand, loading water up from a mains supply. We will move to close that possible loophole that has allowed people to buy drinking water for use on their lawns and gardens to get around water restrictions. There have been claims of wealthy households buying drinking water from water carters in order to fill rainwater tanks for unrestricted watering of gardens and lawns. It is not in the spirit of the water restrictions that everyone else in Sydney is living with. As I understand it, the carters take from Sydney Water mains. It is measured through a metered standpipe and they pay for it at the same rate as everyone else before selling it. I need to be satisfied that that is in the spirit of the legislation. Water carters can currently draw water from a number of sources, including the drinking water supplied by Sydney Water, also recycled water that is not subject to water restrictions or bore water or groundwater that is not subject to water restrictions.

Under current guidelines it is unclear whether using water purchased from water carters to water lawns and gardens outside the permitted times is a breach of water restrictions. I have asked Sydney Water to ensure that the notice of water restrictions clearly covers of drinking water supplied directly or indirectly by Sydney Water. That means that the same restrictions will apply to drinking water from the tap and drinking water supplied by water carters in the Sydney Water area of operation. However, the restrictions will not apply to supplies from water carters of recycled water or water from sources outside Sydney Water's area of operation. As I mentioned earlier, Sydneysiders have done a terrific job of saving water, and we are using about the same as we were 20 years ago or thereabouts even though we have another million people. The vast majority of people have accepted that we all have a responsibility and a role to play in reducing water usage. Where there are breaches we will take decisive action to ensure that our supplies are reserved and any real or perceived loopholes are removed.

**The Hon. GREG DONNELLY:** Minister, can you provide some details to the Committee for the new head office plans for Sydney Water?

**Mr NATHAN REES:** I believe I can. Sydney Water is moving its headquarters to Parramatta. It is a state-of-the-art building that has all the security features you would expect for a building that controls valuable infrastructure. The new head office is in Smith Street in Parramatta. There was a concrete pour there last week. It will be completed in 2009. It forms part of the Parramatta-Civic Place master plan that supports the Government's objective of contributing to the long-term economic growth of Parramatta and greater Western Sydney. About 1,500 Sydney Water staff may relocate to Parramatta from the current head office in Bathurst Street, Sydney, and from other sites later that year. The Multiplex group is constructing the 17 storey high premises and it will have around 23,000 square metres of space. We are committed to bringing more jobs to Western Sydney and we are now a step closer to that.

The new building will also feature cutting-edge technology that allows Sydney Water to minimise its impact on the environment and substantially cut its water use by incorporating an environmentally sustainable design. Earlier this year I announced that Sydney Water would become carbon neutral by 2020, and the design and purchase of this new building will help it achieve this target. The Government and Sydney Water encourage Sydneysiders to conserve and recycle water and it is only appropriate that we lead by example. The building will include a 100,000-litre rainwater tank to supply water for toilets and cooling towers, and solar heating panels to supplement hot water needs. An off-site wastewater recycling plant will be installed to provide recycled water for toilet flushing, cooling towers, price system testing and irrigation. Solar heating panels will be installed to supplement hot water requirements and a high-performance glass facade will be used with shading that will control the heat load entering the building without limiting natural light. These measures will cut the building's greenhouse gas emissions by about 30 per cent, and it will use 75 per cent less water than a standard commercial office block.

Chilled beam cooling will be used instead of conventional airconditioning. Chilled beams use chilled water through cooling elements in the ceiling, and rising warm air is then cooled by the chilled beams and then descends. Where possible, construction material will be made from renewable sources or have a high recycled content. It will be produced with minimal greenhouse gas production and ozone depletion. The building is located next to a major public transport interchange and will contain showers, bike racks and other facilities to encourage staff to commute in healthier, more sustainable ways. The new headquarters will achieve five stars from both the Green Building Council of Australia's Green Star Scheme and the Australian Building greenhouse rating. The move will invigorate local business, bring more permanent jobs to Parramatta, and 500 jobs will be created during construction. This follows the development of the Parramatta legal precinct and the police centre. Multiplex will own, build and maintain the new premises and Sydney Water will lease the building.

**CHAIR:** What is going to happen to the existing premises, particularly the heritage-listed part in Pitt Street?

**Mr NATHAN REES:** It is currently for sale.

**The Hon. HELEN WESTWOOD:** Can the Minister outline the Government's achievements in improving water supply and sewerage services in country towns?

**Mr NATHAN REES:** The Country Towns Water Supply and Sewerage Program is an important part of the Government's plan to assist people in country New South Wales to manage their water supply and sewerage systems and reduce the backlog of water supply and sewerage infrastructure. We have expended around \$719 million on this program, enabling some 326 water supply and sewerage projects to be completed, providing improved public health, environmental and security of supply outcomes for more than one million people who live in rural and regional areas of New South Wales.

The Government demonstrated its commitment to this program earlier this year when we committed a further \$160 million to the program and extended it out to 2014 and 2015. This funding increase boosts our overall commitment to this program to in excess of \$1 billion. All program funds are committed and there are no plans at this stage to reprioritise projects. The funding over the course of 2006-07 will assist in the completion of 23 water and sewerage projects across the State and ongoing delivery of projects such as the upgrade of six existing sewerage systems and provision of

sewerage infrastructure to five unsewered villages in Bega, and the delivery of sewerage schemes to Glen Innes, Conjola and Tumut.

Other major projects include Bega, Coffs Harbour, Goulburn, Bowral, Conjola regional, Tumut, Glen Innes and Junction Hill sewerage schemes, Shannon Creek Dam as part of the lower Clarence Coffs Harbour regional water supply scheme, the Hastings water supply scheme, Spring Creek Dam safety upgrade and a number of town water supply emergency drought works. The allocation in 2007-08 of \$46 million will bring on line new major projects, including Lake Tabourie, Cabonne villages, Clarence town, Mooney Mooney, Turo Point up towards the Central Coast, Guerie sewerage schemes and Eurobodalla, Denman and Manning schemes.

Unless the drought breaks there will also be significant expenditure on a number of town water supply emergency drought works. Best practice management of water supply and sewerage guidelines have been revised and continues to be one of the New South Wales Government's key instruments for driving sound planning and performance improvements by the non-metropolitan utilities. These guidelines were released in 2004, were updated and revised earlier this year and involved with the following criteria: first, strategic business planning and financial planning; second, pricing and developer charges, including trade waste policy and approvals; third, water conservation and demand management; fourth, drought management; fifth, performance monitoring; and sixth, integrated water cycle management.

Utilities that comply with the requirements and guidelines are progressing towards the effective and sustainable water supply and sewerage services. There has been an excellent response to the guidelines by the non-metropolitan utilities, some 107 of them across the State. Sixty-five per cent of the requirements of the guidelines have been met by the utilities as at June 06, with 82 per cent of them having completed a sound 20-year to 30-year strategic business plan, 95 per cent of the utilities now achieving cost recovery for water supply and sewerage and the remainder having committed to phasing in full cost recovery by June 2009. All the utilities annually report their performance in the New South Wales performance monitoring system, which has been in place since 1986.

All those guidelines and the monitoring reports are available on the website of the Department of Water and Energy. Our commitment does not stop at this. We know that pressures such as climate change, demographic shifts and ageing infrastructure are causing us to take another look at the way we deliver water and sewerage services. Last week I wrote to all councils inviting their input into the draft terms of reference for a review of the water supply and sewerage arrangements in country and regional New South Wales. We will be seeking to identify arrangements that will ensure that all customers of local water utilities in regional New South Wales benefit from a secure water supply, cost-effective service standards and regulatory safeguards in the provision of water supply and sewerage services.

I make the point too that this will be done in close consultation with the 107 utilities around New South Wales. I have met with dozens of them already. I delivered a speech at Inverell outlining our initial plans. The draft terms of reference are out there and I have asked councils to come back to me with their commentary inside two months. The terms of reference will not be finalised until councils have provided their feedback to me. Again I make the point that we are in this together. The worst drought in 100 years has made manifest all the frailties and vulnerabilities of our water supply and sewerage schemes right around New South Wales, and I want to work with councils to make sure that people in rural and regional areas of New South Wales have exactly the same certainty of supply that those of us in the city enjoy.

This is the third part of our plank to drought-proof drinking water supplies for New South Wales. I have outlined the measures for metropolitan Sydney to drought-proof metropolitan Sydney for the next generation. We have also got a very comprehensive infrastructure-based plan for the Hunter that includes the construction of the Tillegra Dam. This review of the 107 water utilities in rural New South Wales is the third part of our plan to drought-proof drinking water supplies for New South Wales. I take my commitment and responsibility to delivering certainty of water supply for the people of the bush as equally as seriously as I take it for the people of Sydney.

**CHAIR:** We will now go to 20 minutes of Opposition questioning.

**The Hon. MATTHEW MASON-COX:** Minister, I asked you earlier to guarantee that no dividends, which, of course, are State taxes, would be levied on the Central Coast Water Corporation. Your answer was that any dividends would be paid to the stakeholder councils. That is correct under section 19 (3) of the Act, but you failed to acknowledge section 37 of the Act, which states:

The Minister may, as a condition of the corporation's operated licence, require the corporation to pay to the Minister for payment into the Consolidated Fund such annual licence fees as may be determined by the Minister.

Will you guarantee that you will not make Central Coast water consumers pay money in the form of an annual licence fee to the State Government?

**Mr NATHAN REES:** There may be a license fee. It will not be a dividend, as you sought to equate it with.

**The Hon. MATTHEW MASON-COX:** What sort of the license fee do you have in mind? Have you done any preliminary work on what license fee you would require them to pay, what sort of order of magnitude that might be?

**Mr NATHAN REES:** No, we have not. I met with the newly elected mayors of Gosford and Wyong last week. I also met with the staff representatives up there and I made the point to them that I think there needs to be movement on this matter. Councils up there have dithered around implementation of this corporation, even though they initially requested the legislation be put in place. As you are probably aware, the Central Coast has been on level four water restrictions for some time; they got down to as low as 10 per cent water supply.

They came to government and sought a piece of legislation that enabled them to become a corporation in their own right. They came to us as a government—I think it was in June last year, if my recollection is right. The legislation went through in November last year, if I recall, and 12 months on the legislation that they sought still has not been taken up by them. With a couple of new mayors the opportunity was there for us to revisit the issue and reconfirm levels of commitment to the corporation. I made it clear to them last week that I wanted to do it in consultation with them. That is my commitment to them, but we do need to see some movement on this. There are no plans—I will read the statute again—but we will do this in close consultation with the councils up there and any arrangement on that particular clause of the Act would be struck in agreement with them.

**The Hon. MATTHEW MASON-COX:** Do you have an idea about what might be an appropriate licence fee?

**Mr NATHAN REES:** Not at this stage. It is too preliminary.

**The Hon. MATTHEW MASON-COX:** I turn to advertising. How much money was expended by Sydney Water on advertising from 1 July 2006 to 31 March 2007, in particular, how much was expended on television, radio and metropolitan newspapers?

**Mr NATHAN REES:** For the financial year 2006-07 Sydney Water spent a total of \$2.28 million on advertising around water restrictions, water conservation, rainwater tank rebates, recycling programs and the like. Low-level promotion of water restrictions took place during September 2006 to maintain awareness leading into the summer months. Since level one restrictions were introduced in 2003 advertising costs for water restrictions have been: level one, \$1.35 million from October 2003 to June 2004; level two, \$1.6 million from June 2004 to June 2005; and level three restrictions, \$1.1 million from June 2005 to the current date, and a total of \$230,000 was spent on print advertising for level three restrictions between December and November 2006. I contrast our use of advertising and our expenditure on advertising with the Federal Government.

**The Hon. MATTHEW MASON-COX:** There is no need to contrast, Minister.

**Mr NATHAN REES:** It is such an easy comparison to make.

**The Hon. MATTHEW MASON-COX:** Was the advertising cleared by the Auditor-General?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. MATTHEW MASON-COX:** Has the Auditor-General made any comment upon that advertising?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. MATTHEW MASON-COX:** Will you supply to the Committee on DVD copies of all the television advertisements, including the cost of each advertisement?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. MATTHEW MASON-COX:** Are you inclined to provide to the Committee copies of the advertisements on DVD?

**Mr NATHAN REES:** My hesitation is that I am the last person to call myself a tech-head. I will check whether it is technically feasible.

**The Hon. MATTHEW MASON-COX:** You can rest assured that it is technically feasible.

**Mr NATHAN REES:** We will see.

**The Hon. MATTHEW MASON-COX:** If it is technically feasible, you will provide it to the Committee?

**Mr NATHAN REES:** I will take it on notice.

**The Hon. MATTHEW MASON-COX:** It is a yes or no answer, I would suggest.

**CHAIR:** The Minister has indicated he will take the question on notice.

**The Hon. MATTHEW MASON-COX:** Minister, did you approve the advertisements, or did the previous Minister approve them to your knowledge?

**Mr NATHAN REES:** I do not believe I did. However, they are done in consultation. They are approved by the Sydney Water board.

**The Hon. MATTHEW MASON-COX:** Can you advise us who the advertising agency was?

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

**The Hon. MATTHEW MASON-COX:** And perhaps how much was paid to the advertising agency in respect of those advertisements?

**Mr NATHAN REES:** I will take that on notice.

**The Hon. CHARLIE LYNN:** Minister, I refer to your previous answer to Dr John Kaye regarding water leakage. To give us a feel for the effect of the percentage reduction that you advise, will you publish a comparison of Sydney's water leakage through pipes with other major cities, such as, for example, Melbourne, Brisbane and comparable overseas cities, such as San Francisco? I am happy for you to take that on notice.

**Mr NATHAN REES:** The Water Supply Association of Australia already does that, and that material is publicly available as I understand it.

**The Hon. CHARLIE LYNN:** Would you be able to provide that information?

**Mr NATHAN REES:** I see no reason not to.



**The Hon. CHARLIE LYNN:** Minister, I refer to the Hawkesbury River. I understand that there is no water recycling in the brand-new sewerage connection at Brooklyn-Dangar Island. Could you advise if this is so, and why?

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

**The Hon. CHARLIE LYNN:** Perhaps you could also advise why there is no exclusion zone under the Road Bridge, where the sewage treatment plant outfall pipes come out. That exclusion zone, I understand, is to protect swimmers, fishers and other people.

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

**The Hon. CHARLIE LYNN:** Could you advise what environmental impact studies have been done to ensure that oyster farmers are not adversely affected?

**Mr NATHAN REES:** We will take that on notice.

**The Hon. CHARLIE LYNN:** I turn to the Mount Kuring-gai industrial area. Could you advise why the industrial area still has not been connected to the sewer, despite promises which have gone back over the past 10 years?

**Mr NATHAN REES:** I think I will take that on notice.

**The Hon. MATTHEW MASON-COX:** Minister, why would you want any fee at all for the operation licence when all the capital costs have been provided by the local councils?

**Mr NATHAN REES:** When we issue a licence to a water provider, included in that licence is a range of requirements around water quality, supply certainty, and a whole range of other things. It costs money in order to monitor that those requirements of the licence are being met, and it is on that basis that there would be a licence fee. That is not a profit-making mechanism; it is simply to cover the cost of making sure that people continue to drink high-quality water that is supplied securely.

**The Hon. MATTHEW MASON-COX:** I turn to stormwater and recycling. You tabled some plans for the future in relation to water recycling, and we thank you for that and look forward to having a look at them. At that time I asked what costings had been done in relation to plans, and I wondered whether you might be able to provide to the Committee complete costings for those recycling projects, project by project.

**Mr NATHAN REES:** Certainly we will seek to comply with it, project by project. I have some here, if you want me to go through them.

**The Hon. MATTHEW MASON-COX:** I am happy to have the information tabled subsequently. What would be the cost in metropolitan Sydney of developing a program to catch stormwater and use it for non-potable use?

**Mr NATHAN REES:** It depends on the scale you are talking about. As I have previously stated, the volumes you are talking about are very substantial. The preliminary estimates to me are that to save in the order of 20 per cent of the rain that falls we need 150 reservoirs, each the size of 20 Olympic pools, at a cost of about \$5 billion to \$6 billion once we treat it. It is worth bearing in mind that we need to treat it to a higher standard than effluent, because it has been in contact with petrochemicals, faeces, fertilisers, and the like.

As I think I have said previously, we are all intuitively attracted to the notion of catching more stormwater, but there are very significant, practical barriers to it. That is why we do it where it is possible, and we have done it in more than 70 projects, in Sydney and on the Central Coast—or are on our way to doing it in 70 projects up and down the coast. In the city of Canada Bay, at Bardwell Park Golf Course, we are saving 1.5 million litres there every year, at a cost of around \$300,000. In Holroyd City Council, at Sydney Smith Park in Westmead, we are diverting stormwater from the stormwater pipe, treating it, storing it offline, and using it for irrigation on playing fields. That is a seven million litre project, at a cost of around \$700,000.

We have a stormwater collection scheme at Rockdale City Council, at the Bexley Municipal Golf Course, saving 12 million litres a year there. We have another project in Kiama City Council. At Black Beach foreshore park stormwater is collected, treated and pumped to an offline storage area and used for irrigation on two parks, reducing the mains water demand. That is delivering 12.7 million litres every year. At Manly, there is a stormwater treatment and reuse project, where we collect stormwater using permeable pavement, then store it underground and irrigate previously non-irrigated parks. That is delivering 22 million litres of water each year. Again at Canada Bay, at Powells Creek Reserve at North Strathfield, there is the collection of stormwater using pervious road gutters, stormwater treatment, and then the irrigation of non-irrigated parks, delivering two million litres every year.

At Hawkesbury City Council, in partnership with the University of Western Sydney, we have a reuse project out there which involves the treatment, storage and reuse of stormwater. That is part of the Hawkesbury water recycling scheme, and within the university it is currently reusing 25 million litres of water every year, with the potential to increase that to 40 to 50 million litres every year. At Penrith City Council, at Scope Creek at Cranebrook, we have the collection of stormwater, treatment, and the initial irrigation of a woodblock. That is delivering six million litres of water every year. At Solander Park in Erskineville, we are collecting stormwater, treating it, and then irrigating parks, delivering another two million litres every year. At Taronga Zoo, we are collecting stormwater from the zoo, treating it to an advanced level, then reusing that stormwater for irrigation, wash-downs and toilet flushing. That is delivering 36.5 million litres every year.

At Liverpool, at Riverside Park in Chipping Norton, stormwater is treated by the wetlands system to irrigate sporting fields. That is delivering 10 million litres of water every year. At Hornsby, in the shire council's nursery and parts depot, they are collecting water from the nursery, treating it, storing it, and reusing it for irrigation, truck washes and toilet flushing. That is delivering 800,000 litres of water every year. At the Prince Henry development at Little Bay, stormwater from a residential and retail area of that development will be collected, treated and drained to two new storages. This will be used for irrigating three local parks, street trees and road verges within the Prince Henry development, and also to irrigate the Coast Golf Course. That project will be finished this year and will deliver 70 million litres of water in savings every year.

At the Sydney Harbour Foreshore Authority, around 4.5 million litres of water is captured every year from the Sydney Entertainment Centre. The water is stored in 21 specially designed tanks located in unused space at the Entertainment Centre car park. It is then fed through the existing irrigation pipeline to parks and gardens at Darling Harbour, including Tumbalong Park and the Chinese Garden. With that project another 4.5 million litres of water is saved every year.

**The Hon. MATTHEW MASON-COX:** Minister, I appreciate that there are a number of projects—

**Mr NATHAN REES:** There are many more, and I am happy to have you fully informed on them.

**The Hon. MATTHEW MASON-COX:** That would be terrific. The costings associated with each of the projects would also be appreciated. If I could move back to the Central Coast Water Corporation; if you are so concerned about the Central Coast being on level four restrictions as mentioned earlier, and given any capital works that are done by the Central Coast Water Corporation to be paid for by the local councils as you pointed out earlier as well, why did the State Government not pay for the missing link pipeline between Mardi and Mangrove dams?

**Mr NATHAN REES:** Because we had already committed to a \$340 million dam to the north of the Central Coast that over the long term will be integral to their water supply and, indeed, Hunter Water is already giving the Central Coast some water now.

**Dr JOHN KAYE:** Is that Tillegra?

**The Hon. MATTHEW MASON-COX:** Yes, that is Tillegra Dam, which will not be in place for 10 years or something of that order once the dam fills. So in the meantime the people of the

Central Coast would have been left, if you like, with very loose or very lax water options and the Commonwealth Government has come to the party in relation to the level four restrictions. Why has the State Government not done anything about this prior?

**Mr NATHAN REES:** The simple fact of the matter is that Gosford and Wyong Council exercised their autonomy on the provision of water; they insisted they be the authorities. Now when the drought gets severe their historic decisions and, arguably, their lack of investment in infrastructure, has risen to the surface and that is the situation we find ourselves in. I am not interested in playing a blame game with Gosford and Wyong councils—I have made that very clear publicly and to them. But we need to draw a line under the historic process of making decisions or not making decisions as the case may be. What I am about is making sure the people of the Central Coast have a secure and sustainable water supply in to the future.

**The Hon. MATTHEW MASON-COX:** If I can go back to one recycled water project, the Liverpool-Ashfield recycled water pipe project?

**Mr NATHAN REES:** Yes.

**The Hon. MATTHEW MASON-COX:** When is it to be completed, at what cost, how much water will be supplied upon completion and what will be the charge to industrial users for that recycled water? You will find that in your list there, Minister.

**Mr NATHAN REES:** It is now. The Liverpool-Ashfield pipeline is a critical part of the recycle grid spine that we talk about. It is essential that we deliver that in order to have us recycling 100 billion litres a year in the out years. It is due for completion in the middle of 2008 and will initially be used to allow an upgrading of the existing waste water system. We expect to be supplying customers with recycled water from mid-2010. It is an important component for us increasing recycled water to 11 per cent of supply by 2015. I stand corrected on this, but I think we are about three quarters of the way through construction or thereabouts and at this stage on track.

**The Hon. CHARLIE LYNN:** Can you advise how many claims there have been under the Rainwater Tap Rebate Scheme and how much has been paid out?

**Mr NATHAN REES:** There have been 40,000 rebates paid out. I will have to take that on notice as the total amount of rebate varies with the size of the tank.

**The Hon. CHARLIE LYNN:** Can you advise how many do-it-yourself water saving kits have been distributed by Sydney Water and at what cost?

**Mr NATHAN REES:** I will have to take that on notice but in doing so I make the point that I made earlier, around one-quarter of households have installed water-saving measures. Sydney Water installs them at a subsidised price—I think it is \$22 to install. Under the Water Savings Kit program householders are provided with the opportunity to modify their existing inefficient showerheads and taps. As at 30 June 2007, more than 127,000 kits had been distributed since the start of the program and the savings on that are very substantial—618 million litres per year.

**The Hon. CHARLIE LYNN:** I go back to a previous question I asked in regard to the water bills we all get. Would you give consideration to listing on the water bill what the actual cost of water here is from Sydney Water and the dividend that water users pay to the Government, via Sydney Water, for other subsidies?

**Mr NATHAN REES:** That is a matter for the shareholding Ministers and the Board.

**The Hon. CHARLIE LYNN:** Would you support that?

**Mr NATHAN REES:** I think the price of water is already on the bill.

**The Hon. CHARLIE LYNN:** And the dividend?

**Dr KERRY SCHOTT:** No.

**The Hon. CHARLIE LYNN:** That is the question, the cost of the dividend that is apportioned out?

**Mr NATHAN REES:** I thought I had answered that previously.

**The Hon. CHARLIE LYNN:** Well, you have not.

**Mr NATHAN REES:** It is in the annual report and will continue to be reported in the annual report. The fact of the matter is any element of the contribution is going to go up and down from one bill to the next so it is best reported in the annual report. That figure is publicly available and, I make the point again, it goes directly to the provision of essential services, such as employing nurses, building hospitals and building schools.

**The Hon. CHARLIE LYNN:** But you would agree that 99.9 per cent of people would not read the annual report but 100 per cent of them read their water bill and they should know that information?

**Mr NATHAN REES:** If you are asking me if I agree with you, I do not agree with you.

**The Hon. CHARLIE LYNN:** In the interests of transparency?

**Mr NATHAN REES:** It is in the annual report and that is the linchpin of accountability—

**The Hon. CHARLIE LYNN:** It is a good way of hiding it though, is it not?

**CHAIR:** Order? The time for Opposition questions has expired. We will now go to Dr John Kaye for 10 minutes.

**Dr JOHN KAYE:** Can I take you back to where we were last time? You are saying that the desalination plant is a long-term supply option. I am saying that the ACIL ISF report and the Metropolitan Sydney Water Plan both spoke of it as an emergency option. What I would like to know is the names of the experts who said to you this is a good long-term supply option.

**Mr NATHAN REES:** We have had advice from the expert panel that is chaired by Professor Peter Cullen, and includes other very eminent water researchers, on the development of our plan. We have made it clear from the start that desalination on its own is not the only answer to setting Sydney up for the future. The recycling programs and the stormwater harvesting that I have just outlined are also integral to that—

**Dr JOHN KAYE:** If I may interrupt, you do not need to go back to that again. I am more interested in who gave you the advice that this was a long-term supply option?

**Mr NATHAN REES:** I will have to dig that up.

**Dr JOHN KAYE:** Would you be prepared to undertake here to table the advice you have been given, that it is a cost-effective long-term supply option? The advice that specifically and explicitly compares desalination to all other long-term water supply options and shows that it is the most cost-effective amongst those options?

**Mr NATHAN REES:** In putting together the water policy framework for Sydney there are two fundamental questions that need to be asked. The first one is, are circumstances such and into the future that we need an additional source of supply? I think everyone agrees that we do. The second part of the question—if the answer to the first question is yes, we need additional supply—is what should be that source of supply? Two competing proposals or approaches have bubbled to the surface. The first is indirect potable, whereby we recycle and treat effluent and pump it back into the main system. That is the first option that has been flagged. The second option is a desalination plant. All the expert advice to Government has been consistent on this; if you want to provide similar levels of supply augmentation, that the desalination plant can deliver up to 500 million a day, if you want to do that through recycling effluent, it is going to cost in the order of a billion dollars more.

The reason for that is that by the time that effluent has been treated and pumped back up behind Warragamba Dam 20 kilometres behind the dam wall—which is how far you have to pump it in order to get the level of dilution you need and to get the level of exposure to the UV light you need—the advice to me is that the cost of doing that is in the order of a billion dollars more than a desalination plant, which only has to get it 18 kilometres across Botany Bay into the main supply. As I said to you earlier, I came to this debate with an open mind and, as Minister, I have had the opportunity to speak to the experts and there is a very strong and compelling case that backs our plan.

**Dr JOHN KAYE:** Firstly, will you make publicly available through this Committee the advice that it is a cost-effective option? Secondly, are you telling us that the only other alternative that was looked at for long-term supply options was indirect potable use?

**Mr NATHAN REES:** No, it was not the only alternative.

**Dr JOHN KAYE:** In answer to the question you said it was A or B. So you are effectively straw manning the situation.

**Mr NATHAN REES:** No, what I said or what I meant to say was—I stand corrected if I did not say it—that there were two key proposals that bubbled to the surface. I think that was the term I used.

**Dr JOHN KAYE:** No other proposals?

**Mr NATHAN REES:** That is not to say there were not other proposals, but some stacked up better than others. At the end of the day, the desalination plant stacked up. In answer to your question, I am happy to provide and table for the Committee's information the independent panel's comment on the report.

**Dr JOHN KAYE:** Thank you.

**Leave granted.**

**Document tabled.**

**Mr NATHAN REES:** You are talking about costs. Currently Sydney Water purchases water from the Sydney Catchment Authority at a cost of 56¢ a kilolitre, 56¢ a tonne. The water we will end up purchasing from the desalination plant will be 60¢ a tonne. So there is a difference at this point of 4¢ per tonne. There is another determination around two years away for the cost of water that we purchase as Sydney Water from the Sydney Catchment Authority and it is London to a brick that that will increase. So in a very short period of time water from the desalination plant will be cheaper than the water we get out of the dam.

**Dr JOHN KAYE:** We will wait and see. While we are talking about costs, can we talk about the operations and maintenance contract between Sydney Desalination Pty Limited and Veolia. In particular, I refer to the commercial-in-confidence provisions within that contract, specifically schedule 6 and Exhibit D under clause 39 of the operations and maintenance [O and M] contract. As I understand it, the key cost factors for both the fixed costs and the variable costs of running the plant have been redacted from the contract on the grounds that it is commercial in confidence. I quote, "It would put the operator at a competitive disadvantage with potential suppliers and subcontractors for the listed items." Minister, can you explain what competition there would be for Veolia in terms of providing desalination services in Sydney, given that it has a 20-year contract? How can you possibly argue that there is a commercial-in-confidence imperative with respect to those particular clauses? Am I correct in saying those numbers define the operating costs? Without those numbers you cannot calculate the cost of water coming out of the desalination plant.

**Mr NATHAN REES:** There are two components of my response. The first is we made available all the elements of the contract that we were able to make available willingly and freely. We were not required by law to do it but we did it, earlier in fact than we needed to do so when there ultimately was an FOI [freedom of information] application. I am entirely relaxed about people

scrutinising the contract. The second part of my answer is that commercial-in-confidence provisions exist for a very good reason. They exist because those people and businesses that are tendering for large-scale projects, inherent in their tender is their competitive advantage. If any government anywhere in Australia or, indeed, the developed world takes on board tenders and then subsequently releases all the detail within, very quickly the competitive advantage of any particular organisation evaporates and very quickly you are completely undermining and white-anting tender processes right throughout New South Wales and Australia. That is the reality here. Those private sector organisations that tender for government business, or any other business for that matter, who are successful are entitled to have their competitive advantage concealed from their competitors. That is the underpinning of commercial-in-confidence provisions. We are not going to resile from that.

**Dr JOHN KAYE:** Who are they competing with, Minister? If there is a competitive disadvantage, there has to be somebody they are competing against. Since there is only one desalination plant in Sydney—

**Mr NATHAN REES:** They were competing with Degremont for the tender.

**Dr JOHN KAYE:** But once they have got that tender—

**Mr NATHAN REES:** It is all part and parcel of the same thing. Commercial-in-confidence provisions are entirely appropriate for large-scale infrastructure delivery. I think you know that.

**Dr JOHN KAYE:** We can have that debate another time. My time is limited. Are you aware of the Charles Meyer desalination facility in Santa Barbara and its history?

**Mr NATHAN REES:** No, I am not.

**Dr JOHN KAYE:** The Charles Meyer desalination facility was a much smaller plant than the proposed Sydney plant. It was built in the early 1990s and later the membranes were sold and the facility closed down when it was not needed. I refer you to schedule 11 of the desalination plant contract called "Termination for convenience costs". I understand that the "Termination for convenience costs"—that is, termination for the convenience of Sydney Desalination Pty Limited—has also been redacted. Am I correct in saying in terms of public policy determination that there can be no debate in the future about copying what Santa Barbara Water did with respect to the Charles Meyer desalination facility and shutting the plant down?

**Mr NATHAN REES:** The advice to me is that any termination clause in industry terms is very low. I am happy to come back to you with more detail, if possible.

**Dr JOHN KAYE:** Thank you, Minister. I refer to the clauses in the contract about privatisation of the desalination plant. I do not have the clause number. Sydney Water's submission to the Independent Pricing and Regulatory Tribunal [IPART] and the clauses within the desalination plant contract both anticipate the opportunity to sell Sydney Desalination Pty Limited, the owner of the plant, and take it out of public hands. Can you comment on whether the Government by putting those clauses in the contract was looking forward to a time when it would sell and privatise the desalination plant?

**Mr NATHAN REES:** We will not privatise the desalination plan. With respect, I think there are some subtleties to that clause that I will ask the CEO to explain.

**Dr SCHOTT:** The reason that clause exists is to give the Government flexibility in the future to transfer the ownership of Sydney Desalination Pty Limited from Sydney Water to another government entity, if it wishes. The reason why the Government might wish at some point in the future to contemplate that is that the principal task of Sydney Water is buying bulk water, which we currently do from the Sydney Catchment Authority, and selling it to our customers. With the construction of the desalination plant and our ownership of it, we find ourselves in a situation of producing water and then retailing it. It may be that at some point in the future it may make some sense for another government bulk water entity to own that subsidiary. That is the only purpose of that clause. [*Time expired.*]

**CHAIR:** The Hon. Robert Brown has 10 minutes of questioning.

**The Hon. ROBERT BROWN:** Minister, I refer to a recent report prepared by Infrastructure Partnerships Australia, which claimed that even without drought-breaking rain water restrictions could be lifted in all capital cities within five years. I acknowledge in your answer to a previous question you laid out the Government's plans here for water restrictions. The report suggested charging more for water for non-essential purposes using private investment to expand supplies through desalination and recycling projects and allowing trading between country and city, which could deliver all the water needed. Minister, are you considering a two-tier system for residential water where current prices would be charged for consumption for essential needs, say, up to 150 kilolitres a year, but discretionary use above this level for gardens and pools and other non-essential usage would attract a different market price? If the answer is yes, what sort of market price differential are you considering?

**Mr NATHAN REES:** We already have a couple of tiers of pricing in Sydney. That will not change or we do not propose to change that under the current submission to IPART. I would have to come back to you on the detail of where those prices are going to be set under any new regime when the IPART makes its determination. I make a passing observation on this. It is part of a broad issue. We not only have to get the infrastructure delivery right in Australia, we need to get the policy settings right. Part of that obviously is pricing. Perth has four tiers of pricing, four different prices for water use. The economic experts and the economic experience show that price tiers of themselves do not have an impact on people's behaviours, or at least it is very marginal. In economic terms elasticity is less than one, I think is how you put it.

What that means is that there is limited use for tier pricing to deal with behavioural changes for water use, and that has been the experience not just in New South Wales but also around the world. In New South Wales, for example, in putting in place two-tiered pricing arrangements we have had to have cognisance of the fact that there may be some large families who are adversely impacted simply because they have got four or five children and automatically, because kids get a bath every day, are going to get into the second tier, and we have had to put arrangements in place to make sure they are not suffering undue financial burdens. We will retain a two-tiered approach.

With regard to the broader thrust of your question around that Infrastructure Partnerships of Australia report, we have a number of concerns with the report and do not agree with some of its conclusions. For example, one of its conclusions is that by 2012 no Australian city shall be living with water restrictions. The point I make there is one I alluded to earlier and that is that the Australian community and the community of Sydney have moved well and truly beyond the point, in my mind, of unlimited water use. People have been extremely responsible in their use of water and they expect governments to mirror their responsibility with our policy settings. Whilst Infrastructure Partnerships of Australia might be of a mind that we can eliminate water restrictions, I think that that for the longer term is, frankly, an irresponsible proposition.

What we have done on water restrictions is put in place low-level water-saving rules that will save us around 3 per cent a year. It is worth bearing in mind that the Infrastructure Partnerships of Australia report is predicated on very large infrastructure spends and they are infrastructure spends in the order of up to tens of billions of dollars, as I understand it. Were those infrastructure spends to be undertaken by government they would obviously need to be paid for by someone, and inevitably that would be the taxpayer. I have not seen anything in the Infrastructure Partnerships of Australia proposals that comes anywhere near the cost efficiency of our plan. I guess at the end of the day it is a security equation but we need to make sure that the decisions we make are fiscally responsible and are responsible into the medium- and long-term. The Infrastructure Partnerships of Australia proposals may indeed provide more water but the question is at what cost? We are satisfied that our financials stack up well and truly better than any of the private sector proposals, which will cost billions and billions of dollars and undo much of the good work we have done.

**The Hon. ROBERT BROWN:** Minister, in answers to questions on your other portfolio you mentioned the problems associated with using recycled water for firefighting purposes from an occupational health and safety point of view. That is, that the firefighters were concerned with aerosols containing organic matters. In an answer to an earlier question regarding this portfolio you talked about the new project at Parramatta. I am not sure whether I heard you correctly but I am sure you said that one of the water-saving and energy-saving proposals was that you would use recycled

water in the cooling towers of air conditioners. This perhaps raises a larger question: If the Water Board is responsible for providing recycled water to end users what is the mechanism for ensuring that those end users do not create occupational health and safety problems by using recycled water in inappropriate fashions?

For example, cooling towers are one of the largest villains when it comes to sick building syndrome, whatever you like to call it, and that is, generally speaking, water that is fairly heavily treated with chemicals—so you have disposal problems, et cetera. I do not expect you to have the answer to this but could you have a look into the question of what sort of additional sterilisation is going to be put in place in the new Parramatta building to ensure that recycled water used in those cooling towers does not create a health problem not just for the occupants of the building but for the surrounding businesses in Parramatta?

**Mr NATHAN REES:** I stand corrected by the experts on this but my understanding is that the sorts of sick building syndrome issues that you are dealing with will arise from Legionella pathogens. My understanding is—and I stand to be corrected by scientists around the table—that Legionella is largely an airborne pathogen. What we would be seeking is use of recycled water for air conditioner cooling towers. That water would obviously be treated to a very high standard—chlorinated and all the rest of it. But Legionella is not necessarily waterborne; as I understand it, Legionella is airborne, lands on the water-cooling tower and then replicates and becomes a problem. We would expect that in combination with very stringent upfront treatment by chlorine and similar and close monitoring of the tower that we would be in a position to prevent any Legionella contamination.

**The Hon. ROBERT BROWN:** Are you aware of any other previous projects where supplied recycled water has been used for these sorts of purposes, cooling towers and the like?

**Mr NATHAN REES:** There are, I am advised, but I am not of the full bottle on that—no pun. I am happy to come back to you with details.

**CHAIR:** We will now go to 20 minutes of Government questions.

**The Hon. HELEN WESTWOOD:** In a number of answers earlier this morning you talked about plans for the new headquarters of Sydney Water to be carbon neutral. Could you provide an update to the Committee on the overall plans by Sydney Water to be carbon neutral?

**Mr NATHAN REES:** We announced earlier this year that Sydney Water and its operations would become carbon neutral by 2020. To achieve this, Sydney Water aims to achieve a 60 per cent reduction in energy related innovations, mainly from electricity consumption, by 2012. That is a significant commitment, especially since Sydney Water is one of the most energy intensive businesses in Australia, to set itself a carbon neutral target. This commitment will be achieved through a combination of measures including reductions in our energy use, generating renewable energy at our sewage treatment plants and elsewhere, and also using carbon credits. We will eliminate or offset more than 400,000 tonnes of carbon dioxide each year. That is equivalent to taking 100,000 cars off the road for a year. Sydney Water's \$45 million hydro generation and biogas co-generation programs will make a significant contribution to this reduction.

Motor vehicles represent about 3 per cent of Sydney Water's total emissions from energy and electricity consumption. We will be increasing the proportion of four-cylinder vehicles to six-cylinder vehicles and we are introducing hybrid vehicles to the fleet. Since August 2005 Sydney Water has reduced the number of six-cylinder cars by nearly half and increased the number of four-cylinder cars by more than a quarter. Four-cylinder cars now comprise 20 per cent of the fleet and six-cylinder cars only 10 per cent. Future targets will include a 2 per cent reduction in overall fleet size by the end of 2008 and a further 3 per cent reduction in 2009-2010. We will also aim for a further reduction in six-cylinder cars to four-cylinder cars by 5 per cent by the end of next year and an additional 5 per cent reduction in 2009. We are after an increase in hybrid cars to 4 per cent of the total fleet by the end of 2009.

The Government has already committed that the desalination plant will be powered using renewable energy. That was the subject of an announcement that appeared in the newspapers today:



not a single kilogram of carbon dioxide is to be emitted from the operations of that plant. It is a very substantial shot in the arm for the renewable sector in Australia—one of the biggest, if not the biggest, ever. Our move at Sydney Water to carbon neutrality is an ongoing demonstration of our commitment to environmental responsibility. We will use carbon offsets to reduce the impact of some of the energy use, and most of the carbon offsets that Sydney Water needs to meet its carbon neutrality target will be generated through our own initiatives, and these include the WaterFix Program and others like that.

**The Hon. GREG DONNELLY:** Minister, you would probably be aware like most of us that the Howard Government is obscenely spending about a million dollars a day on advertising, with large dollops of that being devoted to trying to push down people's throats workplace legislation that Australians have rejected.

**The Hon. MATTHEW MASON-COX:** The honourable member is misleading the Minister on that front.

**CHAIR:** Order! There is no point of order.

**The Hon. GREG DONNELLY:** I have seen Sydney Water's professionally produced advertisements on television, which are specifically devoted to providing information and advice to end users. Minister, can you provide additional information to the Committee about the intention behind Sydney Water's electronic and print advertising?

**Mr NATHAN REES:** The advice provided to me is that Sydney has been the most successful subjurisdiction anywhere in Australia in managing water demand and coming to grips with the reality of climate change. As I indicated, even though we have one million more people in Sydney we are still using the same amount of water that was used 20 to 25 years ago. Sydneysiders have embraced water responsibility with an enthusiasm well in advance of the populations in other capital cities in Australia. I am sure we can all remember the Every Drop Counts advertising campaign that encouraged us to think about every drop of water we used. A whole generation has been brought up with and educated about the ways and means of saving water and the responsible use of water.

From memory, the advertising budget I alluded to was \$2.3 million. In very large part it is being spent on advertising water restrictions—levels one, two and three—and embedding positive behaviours and good habits in households around Sydney. We save about 13 per cent of water by volume each year with level three restrictions, which is a very considerable saving. It means that the Government has been able to delay the provision of some infrastructure. That is true not only of this Government but also of other governments over the past couple of decades. However, we are now at the point at which the low-hanging fruit of water savings has been picked and we need additional supply.

That additional supply will come from recycling and stormwater harvesting schemes and the desalination plant. Some of the advertising has been designed to alert people to the necessity of those programs, to raise awareness and to let people know that the Government is being as responsible as they are in the formulation of its policy settings. Like road safety or antismoking campaigns, this advertising is not only defensible but also to be encouraged. It is part of good policy management and implementation. It contrasts with the Federal Government's party-political use of taxpayer-funded advertising to promote WorkChoices—

**The Hon. CHARLIE LYNN:** That is based on the New South Wales model before the previous election.

**CHAIR:** Order!

**Mr NATHAN REES:** In stark contrast to what the Federal Government is doing—that is, running blatant party-political advertisements to swamp the airwaves of Australia to the tune of \$1 million a day, and that figure is probably rising every—

**The Hon. MATTHEW MASON-COX:** You must be dreaming.

**Mr NATHAN REES:** I am not dreaming at all. I do not know what stations the honourable member watches.

**The Hon. CHARLIE LYNN:** It is based on the New South Wales model.

**CHAIR:** Order! It is not time for Opposition questions and Opposition members will cease interjecting during the answers.

**The Hon. CHARLIE LYNN:** Point of clarification—

**CHAIR:** There is no such thing as a point of clarification under standing orders, and the honourable member well knows that.

**Mr NATHAN REES:** Under the New South Wales model, \$30 million of advertising expenditure was spent on recruiting nurses, teachers and police officers, calling tenders and public notices. I fail to see any similarity between the blatantly political WorkChoices advertisements and those public information advertisements. The Federal Government and the honourable member's Federal colleagues should hang their heads in shame.

**The Hon. HELEN WESTWOOD:** What is the Government doing about water restrictions and, specifically, are they likely to be lifted or will they remain as a permanent fixture in Sydney?

**Mr NATHAN REES:** As I have just outlined, restrictions are an important drought-management tool. The community is abiding by them and in many circumstances has embraced them as sensible practice. The current level three water restrictions are: no hand-held hosing of lawns and gardens or drip irrigating except on Wednesdays and Sundays before 10.00 a.m. and after 4.00 p.m.; no other watering systems or sprinklers at any time; a Sydney Water permit is required to fill new or renovated pools bigger than 10,000 litres; no hosing of hard surfaces, including vehicles, at any time; no hoses or taps to be left running unattended, except when filling pools or containers; and fire hoses must be used only for firefighting purposes and not for cleaning. Since mandatory restrictions were introduced in October 2003 Sydneysiders have saved some 331,862 million litres of water, or have used 13 per cent less than the 10-year average.

That said, the Premier and I have said that we may look at reviewing some of the restrictions if dam levels return to 65 per cent or 70 per cent. Any easing of restrictions is conditional on levels remaining high for a sustained period. The community expects us to be responsible with any lifting of restrictions. In years gone by there have been automatic trigger points, but they are a thing of the past. We must monitor the water situation on an ongoing basis. The community expects the Government to be responsible in any lifting of restrictions. In seven months in the job I have not been approached by anyone saying that we should ease restrictions. To the contrary, since the Government announced long-term water saving rules on 16 September the feedback has been very positive: people are saying that that is the right thing to do, that it raises awareness and that it is a responsible use of a scarce resource.

If the dam level reached 80 per cent and remained at that level for six to nine months and restrictions were removed the Government would retain these long-term water savings rules that will deliver savings of volume in the order of 3 per cent a year. That is significant over a number of years and is a sensible and prudent approach to water usage. Those long-term water savings rules are: sprinklers and watering systems may be used only before 10.00 a.m. and after 4.00 p.m. on any given day—of course, that avoids the heat of the day; hand-held hoses must always be fitted with a trigger nozzle; no hosing of hard surfaces such as pathways or driveways except for reasons of health and safety, emergency or construction activity; and any such hosing can be carried out only using a trigger nozzle or high-pressure cleaning device. Again, fire hoses may be used only for firefighting activities. Of course, until then the mandatory restrictions remain in force.

The Government does not rely only on the restrictions. In the residential sector the Water Fix Program gives householders the opportunity to have a qualified plumber visit their home to provide a new water-efficient shower head and tap flow regulators, a toilet cistern flush arrester for single-flush toilets and the repair of minor leaks. That program is offered free to low-income households holding a pensioner concession card, a health care card or a Veterans Affairs gold card. The service is provided

to other customers from only \$22. Anyone who has called a plumber recently will realise that \$22 is very cheap. As at 30 June the Water Fix Program, including the Department of Housing component, has serviced the best part of 500,000 households, including more than 70,000 departmental properties. That is the equivalent of more than 25 per cent of all households in Sydney Water's area of operations. It has resulted in a reduction in residential usage in the order of nine billion litres of water a year.

In 2006-07 the non-residential sector in Sydney used about 27 per cent of the water supply. Through the Every Drop Counts Business Program, Sydney Water enters into partnerships with Sydney's largest water-using businesses to identify and encourage improvements in their water management systems. In 2006-07 that program had 369 customers and savings now total approximately 11,000 megalitres each year. In 2006-07 the Every Drop Counts Business Program carried out 56 water efficiency audits of customer sites and reuse trials, and another 16 reuse trials are in progress. The program has identified potential water savings estimated at 57.5 million litres per day, of which 30.2 megalitres per day have been achieved. This is in conjunction with the do-it-yourself water saving kit program, and more than 127,000 of those kits have been provided since the program began, 90,000 of those in 2006-07. That is a 290 per cent increase over 2005-06 and an estimated saving of 618 megalitres each year.

There is also a very substantial washing machine rebate, with \$150 available to residential customers for the purchase of new washing machines with at least a four-star or five-A water efficiency rating. That rebate is being offered until 31 July next year. As of 1 October this year Sydney Water has paid 68,300 rebates since the start of the program, with 47,108 paid in 2006-07. It is estimated that 1,315 megalitres a year have been saved since March 2006. It is also estimated that a total of 90,000 rebates will be paid by the end of June 2008. The market share of four-star and five-A water efficiency washing machines has increased from around 4 per cent to almost 46 per cent since 2005.

Of course, we also have the rainwater tank rebate program, which offers Sydney Water customers the opportunity to receive a rebate on the installation and connection of a new rainwater tank. This note needs to be updated. That rainwater tank rebate is now New South Wales wide. Properties about to install a tank to qualify with BASIX do not qualify for a rebate, but to encourage the maximum water saving from a tank the program offers rebates ranging from \$150 for a 2,000-litre tank to \$500 for a capacity equal to or greater than 7,000 litres. An additional rebate is available if a licensed plumber connects the tank for indoor use to supply washing machines or toilets. The Government recently announced an increase in this rebate to \$500 for a connection to a washing machine or toilet and \$1,000 for connection to both. In 2006-07 Sydney Water paid 12,389 rebates to customers, giving a total of 36,842 rebates since the program commenced in October 2002. I think that figure is closer to 40,000 now. That program saves an estimated 1,485 megalitres per year.

In addition, we have the lovely garden program, which involves a qualified horticultural expert visiting a customer's home and evaluating the amount of water the garden needs—and everyone has a cactus. No! Smart water tools such as timers, rain gauges and tap tags are provided along with a detailed report, and the service is provided for the customer for \$33 and \$55 for a large garden. As at 30 June 2007 almost 5,000 properties had participated in this program. On that note I also met with representatives of the nursery industry about four weeks ago. Dr Kaye may be interested in this. They are telling me that the profiles of plant purchases have changed very substantially over the past decade.

The sale of native plants, in particular those native plants that are native to drought-prone areas, has gone through the roof, and the sales of the exotics and some of those hydrangea-type plants that suck up the water. It is a further example of a level of awareness in our community of the need to be responsible with water use. People hold their gardens very dear but even in that domain we are seeing very significant changes in behaviour and usage patterns and further evidence of Sydneysiders' responsible use of water. Around 524 megalitres a year are saved through better watering services and smart water tools and landscape assessments are planned for another 40,000 properties by 2010.

**The Hon. GREG DONNELLY:** Can you inform the Committee what steps the New South Wales Government is taking to address much-needed price reform in country New South Wales?

**Mr NATHAN REES:** Yes, I can. The Australian Governments' Strategic Framework for Water Reform, National Competition Policy and National Water Initiative all call for water price reform to send the correct signals to users about the value of our scarce water resources. Having travelled around New South Wales and spoken to some of the utilities, I know that there is extraordinary variation in what different parts of the State are paying for their potable water supply. Under the agreements we have struck under those framework arrangements New South Wales local water utilities must be able to achieve full recovery for their water supplies and sewerage businesses. All States agreed to implement these reforms.

In 2004 the New South Wales Government issued best practice management of water supply and sewerage guidelines in order to drive continuing improvement by the local water utilities and to help them meet these national obligations. A vital reform has been the abolition of what was notionally a free water allowance in all town water supply systems. Obviously, that inhibits a price signal and does not reflect the scarcity of water or the value of our water resources. Equally, it does not reflect the cost of storing, treating or delivering that water. Free water allowances led to much higher annual access charges, which meant that lower water users such as pensioners cross-subsidised high-use customers. All New South Wales local water utilities have now abolished their water allowance for potable water supply and 95 per cent of the local water utilities are now achieving full cost recovery for water supply and sewerage. The remainder are phasing in full cost recovery by June 2009.

Other significant achievements of the local water utilities in New South Wales include the implementation of best practice pricing, and that has meant that the average annual residential water consumption per property has fallen by up to 40 per cent over the past 15 years. That is lower than all the other Australian States. So again, there is not just a hearty embracing of responsible water use by Sydneysiders but also a readiness and a willingness by our friends in rural New South Wales to embrace responsible water use. The median water use charge is now \$1.05 per kilolitre while the typical residential bill for water supply and sewerage has remained relatively constant at \$745 in January 2007 dollars over the past decade—a reflection of the reduced volumetric charges because people are using less.

A review of the best practice management guidelines, in conjunction with the Local Government Association and the Shire's Association and the New South Wales Local Government Water Directorate has been completed. Arising from that I, as Minister for Water Utilities, have issued revised guidelines in August 2007 to enhance New South Wales' compliance with the National Water Initiative. I did that in Inverell. In the revised guidelines the higher capital costs experienced by smaller local water utilities with less than 4,000 connections are reflected by a reduction in the minimum residential revenue required to be raised from water usage charges from 75 per cent to 50 per cent. Further, the threshold at which the second step usage charge per kilolitre applies has been increased from 450 to 600 kilolitres per annum for local water utilities in the hotter and drier areas of inland New South Wales. This increased threshold recognises the widespread and necessary use of evaporative air coolers in those areas. In places such as Tamworth evaporative air coolers are on the side of every house.

In relation to Tamworth, I make the point that water policy in so many locations is not an off-the-shelf exercise. There are specific geographic, industrial and demographic profiles that pertain to specific geographic areas. An off-the-shelf approach is not always appropriate. For example, I was in Tamworth earlier this year talking to John Treloar, the general manager. In Sydney last year 27 per cent of our water use was by commercial or industrial users. That is why in Sydney we base our water-saving measures in residential settings. In Tamworth 55 per cent of water used is for commercial and industrial purposes and for large-scale users such as abattoirs. So any move to severe water restrictions in places such as Tamworth where there is a large-scale industrial use through abattoirs and such has a very significant impact on the economy of the town—out of measure to what might occur in Sydney. I make the point in passing that in water policy we need to provide a strategy rather than a straitjacket. Where there are compelling cases for local and regional variations from policy settings we will look at those favourably, and Tamworth is one of those cases.

The guidelines also address sewerage and liquid trade waste pricing as well as charges to help new developments and the sound regulation of liquid trade waste. New South Wales local water utilities have made excellent progress in implementing these policies, thus placing New South Wales

well ahead of other Australian States in these important areas. The statewide median water usage charge has increased from 65¢ a kilolitre to \$1.05 over the past five years as a result of this best-practice implementation and the appropriate drop in water volumes used. That all contributes to our setting ourselves up more sustainability for droughts in years to come.

**CHAIR:** For the information of members, the tabled charts will be provided to the Committee on disk. We will now go to five minutes of Opposition questions.

**The Hon. MATTHEW MASON-COX:** In relation to an earlier question I asked you about today's late announcement that electricity for the desalination plant will be coming from wind turbines, can you clarify what will be the annual cost of electricity from these turbines, given that the IPART submission says that \$26 million a year has been allocated towards yearly cost for electricity to be included in the cost of the desalination plant itself?

**Mr NATHAN REES:** Firstly, it is not late news. We have said from the outset that the plant would be powered by renewable energy. That has been on the record for an extended period.

**The Hon. MATTHEW MASON-COX:** The submission from Sydney Water to IPART shows that \$26 million of the desalination plant's annual \$55 million cost is devoted to electricity costs. Given that you have made the decision now to target electricity from wind turbines and given the considerable cost of wind turbine energy compared with coal and other renewables, does that \$26 million cover the annual cost of electricity for the desalination plant or is there an additional cost, given that it is coming from green energy?

**Mr NATHAN REES:** No, that is the upper limit of the cost.

**The Hon. MATTHEW MASON-COX:** So there will be no increased cost on an annual basis?

**Mr NATHAN REES:** It is the upper limit of our estimate of the cost and the final detail of that will, of course, become apparent through the tender process, expected to be completed early next year.

**The Hon. MATTHEW MASON-COX:** I note also that Sydney Water's IPART submission states that, given the current volatility in electricity wholesale prices, the cost of electricity each year for the desalination plant could be substantially higher than the \$26 million nominated in that submission. Can you guarantee that that is something that will not impact upon the prices that people pay for water that comes from the desalination plant?

**Mr NATHAN REES:** The price could in fact be lower and the reason for that is that at some point during the energy contract's period there may be a Federal government that actually decides to set a carbon price and injects some certainty into the market. It is for that reason that the cost may actually decrease but there is volatility in there and we are not shying away from that.

**The Hon. MATTHEW MASON-COX:** I go back to a previous question I asked about comments made by the Premier on 14 September that the cost per household would be \$130 per annum water from the desalination plant. I think you corrected me and said that the cost would be \$110 rather than \$130.

**Mr NATHAN REES:** No, with respect, I said that was what was in the Sydney Water submission to IPART.

**The Hon. MATTHEW MASON-COX:** So you are willing to entertain the prospect that the price will increase to \$130 per annum, as per the Premier's statement?

**Mr NATHAN REES:** You are asking me to comment on a statement of someone else. I do not have the statement in front of me so I am at a loss.

**The Hon. MATTHEW MASON-COX:** You are at a loss in that regard, so we can come back to that. Given the different prices that have been given and the increasing nature of those prices

over time, do you expect prices to rise per household, given that we also have in the mix renewable energy from wind turbines, which is pretty expensive, as well as volatility of wholesale electricity prices? Is it your expectation over time that the price will rise per household?

**Mr NATHAN REES:** It is an interesting point that you raise because the Independent Pricing and Regulatory Tribunal has been around since 1993, from memory, and it is a very significant piece of corporate governance architecture for the governance of this State and its people. It is an independent arbiter, as you know, that makes independent decisions based on equality and rigour of submissions put to it by all the stakeholders, including in this instance Sydney Water and all the other stakeholders that may put forward a submission.

I actually think that IPART is one of the strengths of governance in New South Wales. It provides a transparent, arms-length from government, separate process for making very important decisions around the costs of infrastructure, travel and those sorts of things. I am not going to pre-empt what the IPART might or might not come up with but I do know that the integrity of its assessments is very well regarded internationally as well as locally.

**The Hon. MATTHEW MASON-COX:** But you do acknowledge that the price increase would not have been there except for the desalination plant, which the Government insisted upon?

**Mr NATHAN REES:** We have already said that the infrastructure involved in putting together the three biggest recycling schemes in Australia, our 70-plus stormwater harvesting programs and our desalination plant, is the biggest water infrastructure works program in Australian history. It is the biggest since the dam. Do we need to pay for that? Yes, we do, but the responsible thing for a government to do it is to make sure we have the right matrix of infrastructure initiatives, and we have that. It is now over to the independent umpire to determine what the appropriate pricing regime is.

**CHAIR:** We will now go to Dr Kaye for three minutes of questioning.

**Dr JOHN KAYE:** Dr Schott, I take you back to the answer to my last question, which was in respect of clause 42 of the operations and maintenance contract between Veolia and Sydney Desalination Limited. In your answer, as I understand it, you said that the purpose of that contract was to be able to transfer control of the plant from Sydney Water or a body fully owned by Sydney Water to another body within the State Government. Is that how I should interpret what you said to me?

**Mr NATHAN REES:** Let me just jump in quickly there. It was not the purpose. There is a provision for that, but it was not the purpose.

**Dr JOHN KAYE:** With due respect, Minister, what Dr Schott specifically said was that was why it was there. If you recall, the debate was about how this all works.

**Mr NATHAN REES:** Yes, but we ruled out privatisation.

**Dr JOHN KAYE:** And Dr Schott said that the purpose of that clause was to allow transfer. Dr Schott, is it not true that clause 42 talks specifically about if the company ceases to be controlled by Sydney Water or any other New South Wales government authority or the State of New South Wales? So clause 42 specifically envisages transfer of ownership from Sydney Desalination Limited, from any State government control, whether it is Sydney Water, the Sydney Catchment Authority or any other body, into the private sector?

**Dr SCHOTT:** No. We are not envisaging that anything will necessarily occur. The purpose of the clause is to provide the Government with flexibility, and the flexibility concern is whether or not Sydney Water should be a bulk water provider. In the event that the Government decides that it may be wiser for it not to be, it allows the desalination plant to transfer to some other government entity. That is the purpose of that clause.

**Dr JOHN KAYE:** Dr Schott, are you telling me that it does not allow for the transfer of Sydney Desalination Limited and the desalination plant into private sector hands?

**Dr SCHOTT:** Privatisation is not on the agenda and it is not envisaged—

**Dr JOHN KAYE:** I am sorry, doctor. If I can take you back to clause 42. Are you telling me that clause 42 does not provide for the transfer of the plant into the hands of the private sector?

**Dr SCHOTT:** It does not provide that.

**Dr JOHN KAYE:** Can you repeat that, please? As I read the clause—indeed, I quote from your own document, which is about clause 42. It says:

If the Company [the company in this case being Sydney Desalination Limited] ceases to be controlled by Sydney Water, any other government authority or the State of New South Wales, the Company must similarly give ...

So, as I understand it, contrary to what you just said under oath, the clause specifically talks about transfer into private hands.

**Mr NATHAN REES:** No, it does not.

**Dr SCHOTT:** It does not specifically envisage that occurring at all.

**Dr JOHN KAYE:** Does it prohibit it happening?

**Dr SCHOTT:** I do not have the clause in front of me, and I do not have the words in front of me, but the purpose of the clause is to allow the government of the day flexibility in the ownership of the plant—full stop.

**CHAIR:** That concludes the time set aside for today's hearing. I remind the Minister that he will need to provide answers to questions taken on notice within 35 calendar days of the date on which they are sent to his office by the Committee Secretariat. I remind members that they may lodge written questions on notice with the Budget Estimates Secretariat up to two days after the relevant hearing, which is, in effect, 5.00 p.m. two days after today.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**

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