

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

**Wednesday 7 December 2005**

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

## **POLICE, AND UTILITIES**

**The Committee met at 10.00 a.m.**

### **MEMBERS**

The Hon. A. R. Fazio (Chair)

The Hon. P. J. Breen  
The Hon. J. C. Burnswoods  
The Hon. M. J. Gallacher

The Hon. J. G. Jenkins  
The Hon. C. J. S. Lynn  
The Hon. G. S. Pearce  
The Hon. H. S. Tsang

---

### **PRESENT**

**The Hon. P. C. Scully**, *Minister for Police, and Minister for Utilities*

**NSW Police**  
**Mr K. Moroney**, *Commissioner*

**NSW Crime Commission**  
**Mr P. Bradley**, *Commissioner*

**Police Integrity Commission**  
**Mr T. Griffin**, *Commissioner*

**Ministry for Police**  
**Mr L. Tree**, *Director-General*

**Department of Energy, Utilities and Sustainability**  
**Mr D. Nemtzw**, *Director-General*

**Sydney Water**  
**Mr D. Evans**, *Chief Executive Officer*

---

**CHAIR:** I welcome the witnesses and I will run through a couple of procedural items first. The substitute arrangements are that the Leader of the Opposition will replace the Hon. Greg Pearce from 10.00 a.m. to 11.30 a.m., and the Hon. Jan Burnswoods will replace the Hon. Eddie Obeid for today's hearing. We have correspondence in the form of letters sent to the Hon. Carl Scully, MP, regarding the estimates, and we have an item of correspondence from Mr Andrew Lewis advising that Mr David Nemtsov will be slightly late for the meeting.

The budget estimates resolution does not prescribe procedures for the following matters. The Committee has previously determined that unless the Committee resolves otherwise, witnesses are requested to provide answers to oral questions taken on notice during the hearing within 35 calendar days. The sequence of questions is to be left in the hands of the Chair and the time will be divided equally. Members are advised that there is no provision for written questions on notice for budget estimates. Any written questions need to be lodged in the House in accordance with the usual procedures for questions on notice.

Before the questioning of witnesses commences, I remind Committee members that the Committee has previously authorised the broadcasting of all its public proceedings. Should it be considered that the broadcasting of these procedures be discontinued, somebody on the Committee will have to move accordingly. I now declare this meeting open to the public. I welcome the witnesses to this public hearing of General Purpose Standing Committee No. 3. I thank the commissioners and departmental officers for attending today. At the meeting today we will be examining the further proposed expenditure of the portfolio area of Police, Energy and Utilities. This first section, which will go for 1½ hours is just on Police and related bodies.

I point out that in accordance with the Legislative Council's *Guidelines for the Broadcast of Proceedings*, which are available from the attendants and the clerks, only members of the Committee and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, the media must take responsibility for what they publish or what interpretation they place of anything that is said before the Committee.

There is no provision for members to refer directly to their own staff while at the table. Members and their staff are advised that any messages should be delivered to the attendant on duty or the Committee's clerks. I declared the proposed expenditure open examination. Would any witness like to make an opening statement?

**Mr MORONEY:** No, not me, thank you.

**Mr BRADLEY:** I just raise one matter. Previously this Committee has directed the photographs of me may not be published. I would ask that the Committee continue that direction.

**CHAIR:** That earlier resolution of the Committee will remain in force for the supplementary hearing today. There are to be no images, photographs or footage whatever taken of Mr Bradley. I ask the clerks and the attendants to remind any representatives of the media who might arrive during the course of the hearing that that decision remains in force. Thank you for reminding me of that, Mr Bradley.

**Mr GRIFFIN:** For the record, I do not have any wish to make an opening statement.

**CHAIR:** We will now go to the first 20 minutes. We will do three lots of 20 minutes for questioning and three lots of 10 minutes for questioning for follow-up questions. We will go to the Opposition for questions now.

**The Hon. MICHAEL GALLACHER:** Gentlemen, welcome. Commissioner, yesterday it was announced that there would be six officers moving to Cronulla as a result of some decisions that have been made. Can you indicate to me where the six officers are coming from?

**Mr MORONEY:** Not, at this point in time. I am aware of a reported media statement. That is a discussion I need to have, obviously, with the deputy commissioner of field operations as to deployment, but among other things, it may well be that that allocation comes from the class that is to

be attested at the academy at Goulburn tomorrow week. But I will seek to provide a more detailed answer.

**The Hon. MICHAEL GALLACHER:** Given your answer, is it fair to assume that prior to that media statement you were not aware that that announcement was to be made?

**Mr MORONEY:** The day-to-day conduct of the operations of the NSW Police primarily rests with the deputy commissioner of field operations in whom I have faith, in whom I have reliance for the operations portfolio. In the normal sense of things, that would be a decision that he would make.

**The Hon. MICHAEL GALLACHER:** Given the sensitivity and most certainly the community interest in that matter, can you indicate to me why the deputy commissioner of operations was not involved in the announcement yesterday?

**Mr MORONEY:** I am not aware that he was precluded, but I would certainly seek to determine what the position is and report back.

**The Hon. MICHAEL GALLACHER:** Is it fair to assume that decisions made in relation to transfers such as that are made on operational factors?

**Mr MORONEY:** Yes, they are made on operational factors. They are also made on human factors as well. The request for transfer by individual officers to any location is considered on the basis of a particular human resource approach. It may well be related to a family issue. It may well be related to a promotional issue. It may well be related to operational requirements of NSW Police.

**The Hon. MICHAEL GALLACHER:** But in this case, you have already indicated it would probably come from the new graduating class rather than from pre-existing personnel?

**Mr MORONEY:** In the absence of data in front of me in terms of the allocation of that class to be attested tomorrow week, I would need to determine how many of that class are going to Cronulla and how many others might come from other resources.

**The Hon. MICHAEL GALLACHER:** Given that it was an operational decision—one would assume, one would hope, that it was an operational decision in relation to Cronulla yesterday—why was it that the Minister was in fact commenting or announcing an operational decision of the police service or the police force, and not the deputy commissioner of operations?

**Mr MORONEY:** I think it is within the purview of the minister of the day, in respect of the Police portfolio or, for that matter, perhaps any other portfolio, to make those sorts of announcements. That has been an historical approach. It is not an innovation.

**The Hon. MICHAEL GALLACHER:** Nothing to do with marginal seats in the shire?

**Mr MORONEY:** I am not aware of that. I am here to provide a policing function for the whole of the State.

**The Hon. MICHAEL GALLACHER:** Are you indicating to the committee that you have had no involvement at this stage with the decision that has been made to move six officers into the LAC?

**Mr MORONEY:** And nor would I normally on a day-to-day basis. Indeed, I rely on that level of decision making to be within the field operations portfolio, in consultation with the relevant commanders.

**The Hon. MICHAEL GALLACHER:** At this stage you have not asked any questions about it at all?

**Mr MORONEY:** No. I would need to confirm the nature of the announcement and the allocation, and where those allocations are to come from.

**The Hon. MICHAEL GALLACHER:** So at this stage it is nothing more than a political announcement by the minister that has not been signed off by you?

**Mr MORONEY:** It would normally not be signed off by me at all. It is a purely operational decision that would in the normal context of movement of human resources—police resources—rest with the Deputy Commissioner Field Operations and the relevant region and local area commanders.

**The Hon. MICHAEL GALLACHER:** An operational decision that is announced by the minister, not the deputy commissioner of operations. I found it quite remarkable that within a matter of hours of quite a considerable degree of public anger over the incident on the weekend, the minister went down there and made an announcement. You must have been the only one who was not talking about the issue and being upfront in saying something had to happen about it. I am quite surprised that you delegated that further down the line, given the real community concern in relation to this issue.

**Mr MORONEY:** Appropriate statements were made, 'appropriate' being that they were within the purview of the local area commander to make statements relevant to a particular incident. They were within the purview of the region commander and the Deputy Commissioner Field Operations. That is a daily occurrence.

**The Hon. MICHAEL GALLACHER:** What is also becoming a daily occurrence, Commissioner, is lack of confidence in the numbers of police to do the job. It is not just Cronulla beach that is coping it. No doubt you would have been briefed on yesterday's and today's media. This is widespread. Have you asked any questions in relation to the fact that the Miranda LAC is down 18 officers from what it was in 2003?

**Mr MORONEY:** That is not the statistical data I have, Mr Gallacher, in relation to the Miranda Local Area Command. The information I have is that at 31 October 2005—that is the latest HR data I am provided with—the authorised strength of the command was 132 and the actual strength was 129.

**The Hon. MICHAEL GALLACHER:** I might be able to assist you. In 2003, the Miranda LAC had 147 officers and now there are 129.

**Mr MORONEY:** If we are talking about actual strength vis a vis authorised strength, the New South Wales Police has been over authorised strength for some time. It has been a case of balancing our actual strength with our authorised strength.

**The Hon. MICHAEL GALLACHER:** As Commissioner of Police, what is the figure you are aiming for in terms of optimal strength?

**Mr MORONEY:** In one sense I do not think there is an answer to that because of the changing nature of not only the demographics of crime and social disorder, but equally the movement of population to a variety of locations. In that sense it is an issue that is continually being revised in terms of the authorised strength. That is an approach I have taken where I feel there is a requirement for additional police resources and historically it is one that my predecessors have taken to the minister of the day.

**The Hon. MICHAEL GALLACHER:** Commissioner, you indicated a few minutes ago the most up to date information you have. Would you be prepared to table that information?

**Mr MORONEY:** It is available on the Police intranet site as an individual breakdown of commands. It is documentation that is freely available now.

**The Hon. MICHAEL GALLACHER:** The information I have is that the October figures are not available on the web site.

**Mr MORONEY:** I understand they will be shortly. I do not know if that is the case.

**The Hon. MICHAEL GALLACHER:** You cannot have it both ways—you cannot say they are available and that they will be available shortly.

**Mr MORONEY:** If they are not available, I will make them available to you. I find it a little surprising that at this point in the calendar year the figures for October are not there.

**The Hon. MICHAEL GALLACHER:** We seem to be seeing a continuing trend where we are told something is available when it is not. I will come back to that a little later in Estimates and you might be in a position to answer my concerns. You said there was no one answer for an optimal figure. The Government is now preparing its 2006-07 Budget—the election budget. In that preparation, and given your responsibility as Commissioner, what is the figure you are seeking for the number you require to do the job in New South Wales?

**Mr MORONEY:** I think that is an issue that ought for the moment remain confidential to the minister and me. I am in the process of finalising a submission to the minister in terms of generalist and specialist requirements of the New South Wales Police. When I have completed that submission I will provide it to him.

**The Hon. MICHAEL GALLACHER:** When do you expect that to be completed, Commissioner?

**Mr MORONEY:** Certainly in the submission of the budget papers, which I would expect to have completed in the not foreseeable future.

**The Hon. MICHAEL GALLACHER:** When is that, Commissioner?

**Mr MORONEY:** I do not have an exact date, but I would expect it to be sooner than later.

**The Hon. MICHAEL GALLACHER:** Can you give me a rough idea, Commissioner?

**Mr MORONEY:** Of the numbers?

**The Hon. MICHAEL GALLACHER:** No, of when it is going to be available. Sooner or later this does not cut it here anymore, unfortunately. We have seen it too many times.

**CHAIR:** Order!

**The Hon. MICHAEL GALLACHER:** We are told things are coming and they do not arrive.

**CHAIR:** Order! I remind the Hon. Michael Gallacher that this is Budget Estimates. The witnesses are here to be questioned about matters in the Estimates, they are not here to be harangued by you. Please ask them questions and stop making statements.

**The Hon. MICHAEL GALLACHER:** Commissioner, can you indicate a more specific date or timeline when we can look forward to seeing this submission?

**Mr MORONEY:** No, I do not have a date. I have a reliance on departmental officers. As soon as that is completed I will provide it to the minister.

**The Hon. MICHAEL GALLACHER:** Your actual police strength at 30 September was 14 557; your authorised strength was 14 454; and operational strength was 12 591. Are those figures correct?

**Mr MORONEY:** I can indicate that as at 31 October, the authorised strength of the New South Wales Police was 14 454; the actual strength was 14 494—that is 50-plus; and that figure will be complemented tomorrow week when 349 police officers will be attested into the New South Wales Police.

**The Hon. MICHAEL GALLACHER:** Taking into consideration, that as some are walking in the door it is fair to say also that some are walking out the door?

**Mr MORONEY:** Yes, people are entitled to retire and to move on to other phases of their life.

**The Hon. MICHAEL GALLACHER:** Can we hope, commissioner, that as a result of the position you will take, that you will be working towards a return to the 2003 high-point figures?

**Mr MORONEY:** I will work to a figure that has, principally in my mind, the budget allocation to NSW Police. I am not authorised to exceed that budget allocation.

**The Hon. MICHAEL GALLACHER:** In your submission to the Minister, not wanting to know specifics, on the optimum number you are seeking, are you looking at working up to or over the 2003 high-point figures?

**Mr MORONEY:** I believe I said in my earlier response that the optimum figure I work to is a matter of confidentiality between the Minister and me at this time. It will be a figure that takes into account the requirements of NSW Police in terms of both its general policing response and its specialist policing response.

**The Hon. MICHAEL GALLACHER:** I am not after specifics, I would not want to breach any confidentiality. I am just after what this estimates hearing is all about: That is, to get a better understanding of your budgetary needs. All I am after is an indication of whether you are working towards a figure of returning to 15,168, which was the total police number in 2003, or are you aiming above that?

**Mr MORONEY:** I am working towards that figure. Any submissions I make will be the subject of discussions between myself and the Minister. It may be, and I stress may, that that figure is increased subject to those discussions.

**The Hon. MICHAEL GALLACHER:** I turn now to the issue of injured officers. Could you indicate how many officers have left so far this financial year because of medically unfit reasons?

**Mr MORONEY:** In this financial year, I can indicate the number of discharges up to 31 October. In the month of July 2005 there were 123, in the month of August there were 66, in the month of September there was 60, in the month of October that the were 64. I understand, verbally, that the figure for November is in the order of 60. Between November 2004 and October 2005, a total of 782 discharges, that averages out at about 65 per month. The nature of the discharges include retirements, dismissals, and officers discharged as medically unfit, either hurt on duty or not hurt on duty.

**The Hon. MICHAEL GALLACHER:** Are you in a position to give the Committee and indication of how many of the discharged officers were discharged because they were medically unfit?

**Mr MORONEY:** No, I will take that on notice, and I am happy to provide it.

**The Hon. MICHAEL GALLACHER:** Can you indicate how many police officers have notified NSW Police of their wish to be discharged as medically unfit, those who have not yet been discharged but are in the process?

**Mr MORONEY:** No, but I am able to provide that which we know. Many officers elect to seek medical discharge from NSW Police per medium of the Police Association of New South Wales and lodge their claims through that organisation, which they are entitled to do. I may not necessarily have those figures.

**The Hon. MICHAEL GALLACHER:** Would you be in a position to get them?

**Mr MORONEY:** Yes, I can certainly provide the departmental figures. Applications are lodged with the Police Association of New South Wales, which, as you know, is a body independent

of the NSW Police. I am certainly prepared to make the approach. If it is prepared to provide the figures, I am sure it will.

**The Hon. MICHAEL GALLACHER:** What are the current categories of duty? Obviously there are full operational duties, restricted duties, long-term sick. Do you still have light duties? Do you have a temporary restricted duty classification? Or has that all been simplified?

**Mr MORONEY:** No. The terminology "light duties", which you are used to in another environment, certainly faded out of the police terminology. But the ones you referred to are the main categories.

**The Hon. MICHAEL GALLACHER:** Is there a permanently restricted category?

**Mr MORONEY:** Yes, within each command there are a number of allocated positions to permanently restricted duty officers. These officers do not seek medical discharge from the NSW Police. They are able and capable of performing a range of police functions. Rather than lose that knowledge that they have gained over a substantial period, is seen as appropriate that they remain with us and they discharge a wide variety of very helpful duties.

**The Hon. MICHAEL GALLACHER:** How many officers are currently on permanent restricted duties?

**Mr MORONEY:** I will take that on notice. Subject to confirmation, I understand that is in the order of about 400 officers.

**The Hon. MICHAEL GALLACHER:** How many are on temporary restricted duties?

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

**The Hon. MICHAEL GALLACHER:** How many are on long-term sick leave, which would be serious issue?

**Mr MORONEY:** I will take that on notice as well. I do not have the statistics with me.

**The Hon. MICHAEL GALLACHER:** Do you have a rough idea of how many long-term sick?

**Mr MORONEY:** No. I do not seek a ballpark figure.

**The Hon. MICHAEL GALLACHER:** The information I have is that it is in excess of 400. Could that be right?

**Mr MORONEY:** No, I cannot confirm that one way or the other. I am not sure.

**The Hon. MICHAEL GALLACHER:** Does the NSW Police have a restricted duties co-ordination unit [RDCU] to assist officers who are suffering from injury?

**Mr MORONEY:** Yes, it has.

**The Hon. MICHAEL GALLACHER:** When was the RDCU established?

**Mr MORONEY:** I do not have that date. There is a range of human resource policies across the organisation. Primarily that matter of human resource management rests within the purview of each region commander. He has a dedicated resource in the form of a permanent human resource manager who manages the whole issue of restricted duties, permanent restricted duties, sick leave and all of those things that fit under the head of human resource management.

**The Hon. MICHAEL GALLACHER:** Do you know the total staff number for the RDCU?

**Mr MORONEY:** No, I do not have that.

**The Hon. MICHAEL GALLACHER:** Do you have an idea as to how many officers in the past financial year have been assisted by the RDCU?

**Mr MORONEY:** No, I will take that on notice.

**The Hon. MICHAEL GALLACHER:** How many officers have been returned to permanently restricted duties through the work of the RDCU?

**Mr MORONEY:** No, but I know that at a minimum each of the 80 local area commands has at least five officers on permanent restricted duties.

**The Hon. MICHAEL GALLACHER:** But not specialist areas?

**Mr MORONEY:** Yes, they would be. But they tend to be predominantly in the local area command situation.

**The Hon. MICHAEL GALLACHER:** My understanding is that specialist areas avoid having permanently restricted duties people.

**Mr MORONEY:** I am not aware that that is the case. If you have a specific example I am more than happy to examine it. I will provide the numbers across each of the specialist and generalist commands.

**The Hon. MICHAEL GALLACHER:** What is the budget for the RDCU?

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

**The Hon. MICHAEL GALLACHER:** Are you aware of frustration within the Police Association that the RDCU has not been taken seriously and that there is very little interest within the hierarchy of the police service to actually return police to some form of operational duty?

**Mr MORONEY:** Such an observation would come as a complete surprise to me for a number of reasons. Firstly, I meet with the executive of the Police Association at least once, and more often than not twice, a month. There is nothing in my memory from meetings over the past three to four years that I have held this position that they have raised that very issue. Indeed, the second part of the proposition in your question—that the executive of NSW Police has not necessarily taken an interest in the issue of our officers—I reject, on the basis that on my appointment as Commissioner of Police I moved to reverse the policy of my predecessor, which saw the retention of those officers who are capable and able to discharge a range of functional responsibilities but were not necessarily capable of discharging those duties on the street.

I sought to retain those officers where that has been possible. Clearly, that decision has been vindicated on the basis that they fulfil and have fulfilled and are fulfilling a wide range of supportive functions within local area and specialist commands.

**The Hon. MICHAEL GALLACHER:** I therefore take it that the RDCU is an important facility indeed in the mind of the commissioner's office in New South Wales?

**Mr MORONEY:** Yes, and there is nothing which would indicate otherwise. It is an important part of our human resource management strategies and policies.

**The Hon. MICHAEL GALLACHER:** On that last question, could you give some specifics of cases you are aware of that the RDCU has done in delivering exactly what you expect them to do?

**Mr MORONEY:** I am happy to take that question on notice. The mere indication that there are normally five officers at each of the 80 local area commands fulfilling worthwhile duties, but are not capable of fulfilling those duties on the street, I believe is an indication of the role and the function that the unit is performing in support of those officers and in support of our organisation.



**The Hon. PETER BREEN:** I want to address a question to Commissioner Bradley about the issue of confiscation of assets. I refer you to the annual report of the Crime Commission. Clause 2.89 on page 15 states:

The confiscation of assets remains one of the most effective methods of dealing with money laundering, although the amount recovered is a very small proportion of the total laundered each year. It is hoped that the forthcoming Commonwealth legislation will address the continuing concerns.

Will you indicate to the Committee what the legislation is that is contemplated by that provision?

**Mr BRADLEY:** At the time of writing this report the Commonwealth had proposed a range of new money laundering offences, which I think were within the Commonwealth Criminal Code.

**The Hon. PETER BREEN:** You would be exercising Commonwealth jurisdiction if you were to use that legislation, I assume?

**Mr BRADLEY:** If the commission were to investigate a matter that led to the prosecution of a person under that legislation, the prosecution would, subject to a few minor exceptions, be conducted by the Commonwealth Director of Public Prosecutions.

**The Hon. PETER BREEN:** Would there be any prospect of the additional assets confiscated finding their way into New South Wales coffers as a result of Commonwealth legislation?

**Mr BRADLEY:** There would be a prospect, yes.

**The Hon. PETER BREEN:** At page 19 of the annual report clause 3.1 suggests that an amount of \$3,950,146 was confiscated in the 2004-05 year. Clause 3.17 lists a separate item, which is described as an amount of \$16,845,100. Can you explain the difference in those two figures?

**Mr BRADLEY:** You will note that in clause 3.12 the reference is to "Assets Forfeiture Orders", which, as you know, under the legislation is a particular type of order, whereas "confiscation" is the generic expression used in clause 3.17, which covers both assets forfeiture orders and proceeds assessment orders.

**The Hon. PETER BREEN:** Does that mean that the bottom line is that you have recovered \$16,845,100 in confiscation of assets in the year to 2005?

**Mr BRADLEY:** Yes. That is what the report says.

**The Hon. PETER BREEN:** I notice from the budget estimates papers that the commission's projected expenses for the year 2005-06 are \$16.9 million. Does that mean that you break even? That the amount confiscated in assets is approximately, almost to the dollar, the amount that it costs to run the commission?

**Mr BRADLEY:** I think that the report to which you have just referred also refers to the fact that the proceeds of confiscation orders are paid into the Confiscated Proceeds Account, which is an account established under the Criminal Assets Recovery Act and, therefore, the amounts are distributed by the Treasurer in consultation with the police Minister in accordance with the specified purposes listed in the report. The fact that the total expenses for 2006 are \$16.9 million is really coincidental. In other words, the funds that are confiscated are not available to the commission; they are available to the Treasurer for specified purposes; and the funds referred to in the budget papers are the funds allocated by government, plus the revenue that we generate, and are available for expenditure by the commissioner independently of the Confiscated Proceeds Account.

**The Hon. PETER BREEN:** None of the money that is confiscated specifically comes back for the purposes of running the commission?

**Mr BRADLEY:** It could potentially, because I think there are 4 or 5 specified purposes to which the Confiscated Proceeds Account can be applied. They include the administration of the Act, and I understand that, as part of the budget process, the Government takes some money from the Confiscated Proceeds Account to meet the estimated costs of running the function. Also, in the orders

made by the court at the conclusion of the litigation in each case, an amount is commonly awarded to the commission, representing its costs of the conduct of the litigation.

**The Hon. PETER BREEN:** The budget estimates papers indicate that the amount of \$16.9 million, the projected cost of running the commission for 2005-06, represents an increase of 15 per cent on last year's budget allocation. I note from the commission's annual report, Page 22, clause 3.50:

Referrals from New South Wales Police reflect the additional resources applied in the current year to the NSW Police Asset Confiscation Branch and the healthy the relationship between that branch and the Commission.

That statement attempts to explain an apparent drop, and I would suggest a significant drop, in the number of matters referred to the commission from NSW Police. Since 2001-02 it seems to be generally in decline. In 2003-04, for example, only 76 matters were referred, compared with the high point in the 1990s of about 670. Can you explain that apparent decline in the number of referrals from NSW Police?

**Mr BRADLEY:** I think to give balance to your question and you should also refer to the fact that in 2004-05 the number was double that of the previous year.

**The Hon. PETER BREEN:** Yes.

**Mr BRADLEY:** The previous high numbers are due to probably two factors: Firstly, the Criminal Assets Recovery Act confiscation process commenced in 1990, as you have pointed out, but it had a relation-back period. Therefore, there was a large backlog of matters that needed to be looked at and it took some years to go through all of the matters caught by the relation-back period. You will see that although the numbers in 1990 were very small in terms of recovery, as time has progressed we have brought it all up-to-date and are now basically dealing with current matters. It is also worth noting that the commission tends to focus on larger matters and, whilst the overall trend in terms of amounts recovered remains fairly stable, the numbers of matters referred—if you were to draw a trend line—has reduced. That would indicate that each matter is of greater value. There are matters that are of smaller value dealt with under the Confiscation of Proceeds of Crime Act administered by the Director Of Public Prosecutions, and the branch referred to, the NSW Police Asset Confiscation Branch, also feeds into that process.

**The Hon. PETER BREEN:** There is no suggestion, is there, that the Crime Commission's work is diminishing and the work that the Crime Commission might otherwise have done is now being done by NSW Police?

**Mr BRADLEY:** No. Not that I am aware of.

**The Hon. PETER BREEN:** Those figures do not suggest a drop in demand for the Crime Commission's services, do they?

**Mr BRADLEY:** Not to me, they don't.

**The Hon. PETER BREEN:** They do not raise in your mind any questions that need to be answered, about the numbers of matters handled by the commission?

**Mr BRADLEY:** Not in my mind, no.

**The Hon. PETER BREEN:** I am not familiar with the operations of the Crime Commission but it does seem to me that those figures do represent overall a significant drop in the matters referred to the commission by NSW Police, suggesting that NSW Police are now doing things that the Crime Commission might have done some years ago.

**Mr BRADLEY:** What would you suggest they are doing that we are not doing?

**The Hon. PETER BREEN:** I have not got a clue. I do not know anything about the operations of the commission, but the figures would suggest that the amount of referrals from NSW Police have reduced considerably from what they used to be.

**Mr BRADLEY:** I think the figures suggest a volatility, as I pointed out to you earlier—as you did not mention it yourself—since last year. The previous year they doubled.

**The Hon. PETER BREEN:** Yes, but they doubled from a very low base of 74 compared with 700 in the 1990s.

**Mr BRADLEY:** I think 76 is the number.

**The Hon. PETER BREEN:** Sorry, 76, yes. That suggests to me a huge reduction in the number of matters referred—76 as opposed to 600.

**Mr BRADLEY:** I think I have explained that.

**The Hon. PETER BREEN:** This question about the new anti-terrorism powers, the Premier sought to ameliorate concerns in the community about the operation and the extent to which these new powers might affect people's rights. The Premier ameliorated those concerns by suggesting that police in New South Wales in exercising those powers were subject to the Police Integrity Commission. There is a question about the extent to which the Crime Commission is subject to the Police Integrity Commission. If the Crime Commission were to exercise these new powers, can you explain what sort of oversight there is in place in relation to police officers from the Crime Commission using those powers?

**Mr BRADLEY:** The Crime Commission does not have police officers.

**The Hon. PETER BREEN:** No, but you are the person in the Crime Commission who exercises those powers, you exercise them.

**Mr BRADLEY:** So, is the question whether I am overseen by the PIC?

**The Hon. PETER BREEN:** The question is whether the Crime Commission exercises its powers consistent with the anti-terrorism legislation, and if it does not who is responsible? Clearly, you are the one who exercises the powers. What if other people employed by the Crime Commission exercise those powers, are they responsible?

**Mr BRADLEY:** The powers are granted to agencies and individuals. The person who exercises the powers is accountable to the mechanism by which the power is given.

**The Hon. PETER BREEN:** Justice Wood, the Inspector of the Police Integrity Commission, is on record as saying that the Police Integrity Commission has no control over the operations of the Crime Commission. I understand that if a Crime Commission officer acts in an allegedly corrupt way, then the powers of the Police Integrity Commission would kick in.

**Mr BRADLEY:** I do not think that proposition is right, before you go on.

**The Hon. PETER BREEN:** You do not think that a corrupt officer in the Crime Commission or an allegedly corrupt officer is subject to the Police Integrity Commission?

**Mr BRADLEY:** Not usually, no.

**The Hon. PETER BREEN:** Can I ask Mr Griffin what he thinks of that proposition?

**Mr GRIFFIN:** I think you already know my answer. It is my view that if the person who is alleged to have acted corruptly is a police officer, then regardless of where the police officer is operating, including the Crime Commission, the Police Integrity Commission Act has power to deal with that officer. I think your question, though, although I do not recall it perfectly, asked about Crime Commission officers, and there needs to be a clear distinction between police officers who are working at the Crime Commission, using that as their geographical base, and people who are not police officers working at the Crime Commission. In relation to those people, the latter group, I do not think the Police Integrity Commission Act gives me any power to consider their behaviour.

**The Hon. PETER BREEN:** The reason I raise the question is that budget paper No. 3, volume 2, referring to the increase of 15 per cent over last year as the cost of running the commission, states:

This increase is primarily related to additional staffing as well as cost of telecommunication interception, arising from new areas of work including terrorism prevention through investigation.

My concern is if these anti-terrorism powers are being exercised by officers of the commission or police seconded to the commission from New South Wales, they are not going to be answerable for misuse of any anti-terrorism powers. I am simply asking the question whether or not any protocols are in place to make sure that those powers are exercised as contemplated by the legislation?

**Mr BRADLEY:** You are perfectly right to have those concerns. As I have told you on previous occasions, the oversight of the New South Wales Crime Commission comes not from the PIC, because we do not have police on staff, but from the ICAC, the Ombudsman, the processes we are involved in such as the Supreme Court, the District Court, in prosecutions, and where we exercise our coercive powers there is a right under the Act for aggrieved parties to go to the Supreme Court. As I explained to you on the last occasion, there is also a right for those people to be legally assisted in that process.

**The Hon. PETER BREEN:** But is it not a fact that you are the only person who can exercise those coercive powers?

**Mr BRADLEY:** Yes. Unless an assistant commissioner is appointed.

**The Hon. PETER BREEN:** And you cannot delegate those powers to seconded police officers, for example?

**Mr BRADLEY:** That is right.

**The Hon. PETER BREEN:** So, if a seconded police officer were to exceed the anti-terrorism powers in some way, the question is how would that person be accountable for doing that?

**Mr BRADLEY:** As I have explained previously, the police who work with us and not for us do so by an arrangement with the commissioner, Mr Moroney, under section 27A of our Act whereby the control, command and direction of those officers is retained by the Commissioner of Police, not by me. The extent to which some officer is engaged in some misconduct in relation to some matter in which he or she is involved with the New South Wales Crime Commission, that officer is subject to the command and control of the Commissioner of Police and to the Police Integrity Commission.

**The Hon. PETER BREEN:** When you say the Police Integrity Commission, if the Police Integrity Commission were to become involved in an allegation of corruption over a seconded police officer, it would be entirely appropriate for the Police Integrity Commission to be involved?

**Mr BRADLEY:** Yes, to the extent to which there was some allegation that the Crime Commission or its officers were in some way complicit, that would not in my view curtail the ambit of the PIC inquiry so as to restrict it from looking at the involvement of the Crime Commission personnel.

**The Hon. PETER BREEN:** The Crime Commission has a very small staff, I understand. Is that correct?

**Mr BRADLEY:** That is correct, on a relative basis, yes.

**The Hon. PETER BREEN:** How many people are we talking about?

**Mr BRADLEY:** It fluctuates and it depends on whether you take into account the persons who are employed on a casual basis. But, it is in the order of 110 effective full-time staff. The headcount, as they call it somewhat objectively, is in the order of 130 to 140. There are a number of people who are part-time, casuals, monitors, people like that. There is a way of calculating staff numbers. One way is to calculate the number of people who regard themselves as employed by the

Crime Commission. That is about 130 plus, but because they are not full-time, the EFT, or effective full-time, numbers are substantially less than that, down around 110 or something like that.

**The Hon. PETER BREEN:** How many police officers do you employ?

**Mr BRADLEY:** None.

**The Hon. PETER BREEN:** So, if there is an operation, a joint task force for example, you second people from NSW Police?

**Mr BRADLEY:** No.

**The Hon. PETER BREEN:** In what circumstances would you second people from NSW Police?

**Mr BRADLEY:** There is provision in the Act to do that but because of the relationship that exists between the commission and the police service it has never been necessary to do that since I have been there.

**The Hon. PETER BREEN:** So, if there are no police officers, the question is someone exercising powers under the anti-terrorism legislation in the Crime Commission is not going to be a police officer?

**Mr BRADLEY:** Can I suggest to you that the question implies a condition which does not exist.

**The Hon. PETER BREEN:** Which is what condition?

**Mr BRADLEY:** That someone who is exercising the powers as a police officer at the Crime Commission. The fact is that by the arrangements referred to by me earlier, under those arrangements, pursuant to section 27A, the commission usually has an arrangement with the commissioner whereby a task force of police officers is formed to work on matters that are the subject of references from the management committee. Those officers in that task force are subject to command and control of the Commissioner of Police and subject to the statutory provisions in the PIC Act, the Ombudsman Act and various other places.

**The Hon. PETER BREEN:** So, you are not a police officer?

**Mr BRADLEY:** I am not.

**The Hon. PETER BREEN:** And Assistant Commissioner Tim O'Connor is not a police officer?

**Mr BRADLEY:** He is not an assistant commissioner either.

**The Hon. PETER BREEN:** Assistant investigator?

**Mr BRADLEY:** He is not one of those either.

**The Hon. PETER BREEN:** Operations manager?

**Mr BRADLEY:** He is assistant director in the area of investigations.

**The Hon. PETER BREEN:** And he is not a police officer?

**Mr BRADLEY:** He is not.

**The Hon. PETER BREEN:** So, if you or Assistant Director O'Connor were to be involved in an investigation and you were to interrogate witnesses and you were to exceed either the powers in

the Crime Commission Act or the anti-terrorism legislation, the question is who would you be accountable to?

**Mr BRADLEY:** I think I have answered that.

**The Hon. PETER BREEN:** For my benefit, could you answer it again briefly? Do you think it would be—?

**Mr BRADLEY:** I do not mind answering it, but you and I have been over it several times in different contexts.

**The Hon. PETER BREEN:** I do not know whether I have some lack of understanding, but it is just never clear to me who you are accountable to.

**Mr BRADLEY:** Well, where would you like me to start?

**The Hon. PETER BREEN:** If you could explain in simple terms how you are accountable, I would be very happy not to ask the question again.

**Mr BRADLEY:** Tell me which part of this I have not done before: the ICAC, the Supreme Court, other courts, the Ombudsman, and the Management Committee of the New South Wales Crime Commission.

**The Hon. JAN BURNSWOODS:** And the parliamentary oversight committee?

**The Hon. PETER BREEN:** There is no parliamentary oversight committee. I think this is half the problem. If a parliamentary oversight committee were in place, would that assist the process of accountability in your opinion?

**Mr BRADLEY:** What I said on the last occasion when you raised this issue several times is that I think there are respectable arguments for a parliamentary oversight committee. What I am concerned about is that I never get to hear any.

**The Hon. PETER BREEN:** If such a committee were in place—in which matters that you might not otherwise be accountable for could be raised—do you not think that would be a good thing in terms of transparency and openness in what you are doing and how you operate?

**Mr BRADLEY:** Yes.

**The Hon. PETER BREEN:** So you would support generally the idea of the Crime Commission being accountable to a parliamentary oversight committee?

**Mr BRADLEY:** I have said there are respectable arguments in favour of an oversight committee.

**The Hon. PETER BREEN:** But you will not say whether you support the idea generally?

**Mr BRADLEY:** I would like to see a sensible debate.

**The Hon. MICHAEL GALLACHER:** Commissioner, following on from the last point you spoke about, that is the RDCU, you said you reversed the policy decision of your predecessor. Could you indicate to the Committee what other policy initiatives of your predecessor, Commissioner Ryan, you have scrapped or are considering scrapping?

**Mr MORONEY:** Each commissioner applies an application of the mandate of the NSW Police in terms of the protection of life and property. The initiatives that variously are developed are a matter, firstly, within the government's policy of the day, and certainly within the operating parameters of the law.

I have sought to introduce a number of initiatives since April 2002 in an operational context, which were either not in existence prior to that point in time or I have varied them. They primarily relate to the visibility of police on the street, and the allocation of police, based on intelligence, to the right hours of the day, the right days of the week and, where operating circumstances, history and intelligence systems tell us, where the police need to be deployed.

That is not to say that decisions made by any of my predecessors were necessarily wrong. It is a case that I apply a range of operational initiatives, as I am sure the person who follows me, the person who follows him or her, and the person who follows him or her again, will, of course, apply a range of operational strategies relevant to a particular point in time.

**The Hon. MICHAEL GALLACHER:** You raise an interesting point with regard to decisions to allocate police based on intelligence. Can you indicate, therefore, what was the intelligence factor behind the decision made in relation to Cronulla? Has it been the fact of the assault of the two or three lifesavers on the weekend, or has it been over the last two weeks in relation to, from what I have been told, officers finding it difficult to police beach areas as a result of gang activity?

**Mr MORONEY:** Applications for an increase in the authorised strength of any local area command rest within the purview of the local area commander through his or her region commander, to the deputy commissioner field operations. I do not know that they solely begin or turn on one moment in time.

Indeed, I would expect that any increase in strength, or any application for an increase in strength, is based on a range of issues, not the least of which is intelligence, the level of reported crime, and the level of social disorder or crime within that particular community. I do not know that in the case of Cronulla it solely turned on the issue of the events of last weekend. It may well be the case—but subject to confirmation that such an increase was already within the discussion parameters of the region commander and the deputy commissioner operations.

**CHAIR:** I take this opportunity to welcome to our estimates committee hearing today a delegation from the Gauteng Legislature, in South Africa, who are here to see how the New South Wales Parliament operates.

**The Hon. MICHAEL GALLACHER:** I can assume, therefore, that the vicious assault upon the lifesavers was not the catalyst for the six new personnel being shifted across to that command?

**Mr MORONEY:** There is no information before me that that was the case.

**The Hon. MICHAEL GALLACHER:** Is there any information before you as to what was the catalyst?

**Mr MORONEY:** I would well imagine, as I have said, that given the level of reported crime within that community, a range of issues which were the level of discussion between the local commander, the region commander and the deputy commissioner operations may well have led to that increase. I am happy to confirm that one way or the other.

**The Hon. MICHAEL GALLACHER:** Rather than generalising in terms of what may well have been a factor, it is right to assume that at this stage no information is before you as to what was the catalyst for the increased numbers?

**Mr MORONEY:** No, not before me. But I am happy to provide that.

**The Hon. MICHAEL GALLACHER:** Can you indicate to the long-suffering lifesavers of Cronulla and the police there, as well as the community, who have had a gutful, when they can expect to see these additional officers? When will they start?

**Mr MORONEY:** As I have indicated, I need to confirm how many of the allocation of the class of next week will go to Cronulla. I am happy to provide that information. I am happy to provide where those officers will be coming from, if they are from existing resources. It is normal, in the cycle

of transfers from one location to another, that it is done on a six-weekly roster cycle. It is normal to advise an officer that he is moving from one location to another, and to give him sufficient period of notice. It is not that, "You are starting there tomorrow morning at 8 o'clock."

**The Hon. MICHAEL GALLACHER:** I can assume, therefore, that there will not be any additional officers at Cronulla this weekend, other than if you parachute them in from somewhere else?

**Mr MORONEY:** I do not know that that is necessarily the case either. I will seek to consult with the deputy commissioner operations as to the starting date of these officers, in addition to other operations that may well be planned for that location in coming weeks and months, and particularly over the summer period.

**The Hon. MICHAEL GALLACHER:** For how long do probationary constables work on a buddy system, where they work with three officers in a vehicle rather than two? Does that still continue?

**Mr MORONEY:** Yes. It would be the first few months of their probationary period.

**The Hon. MICHAEL GALLACHER:** They are what is colloquially known by many officers as "seat covers", in the sense that they are an additional person in the car but at this stage they are most certainly under very, very close supervision?

**Mr MORONEY:** They are under close supervision. I would never regard any police officer as a "seat cover". They are attested to discharge the full functions and responsibilities of a constable of police. I expect them to discharge those responsibilities—cognisant, in the case of probationary constables, that they do not have the requisite level of operational knowledge, and that is an understandable fact.

**The Hon. MICHAEL GALLACHER:** You are right on that, commissioner. The concern of the senior officers in terms of the ability of these officers is that they are cognisant of their need to also protect themselves and members of the public, as well as the more inexperienced officer in the car. Would you agree with me that it adds another level of supervision to police in Cronulla, who are already having difficulties policing some areas?

**Mr MORONEY:** The disbursement and allocation of probationary constables across the State of New South Wales is done for a range of reasons, but principal amongst those reasons is the ability and capacity of qualified field training officers, in a buddy system or a joined-up system, to provide the level of tuition. It has ever been thus, and I suspect it will ever be thus in the future. These are officers who do not have the requisite operational knowledge, and they need guidance and tutoring to gain that level of knowledge.

**The Hon. MICHAEL GALLACHER:** Given what the community is confronting in Cronulla in terms of the degree of antisocial behaviour, and the preparedness of these hoodlums to confront authority, why are you sending inexperienced probationary constables to such a "hot" area when, quite simply, you should be looking at more senior, experienced street cops filling the role, and bringing in these younger, inexperienced constables as supplements to learn? Why are they now being thrown into the sharp end?

**Mr MORONEY:** No, I reject that proposition. In response to an earlier question I indicated that I needed to confirm how many probationary constables from the next class are going there. They were to be going there, in part, to complement the existing experience base that is already there. I indicated also that operations, such as Operation Vikings, was being put in place and would have been put in place prior to the events of last weekend when, traditionally, we know based on intelligence that there is a heightened level of activity in communities such as Cronulla.

**The Hon. MICHAEL GALLACHER:** These hoodlums, who now know that Operation Vikings is going to be down there on the weekend, move to Bondi or they move up to the Central Coast, as they often do on the weekend. What is your strategy to address that?



**Mr MORONEY:** Vikings is a State-based operation. It is fully funded by the Government over the next couple of years. It is there to complement existing police strategies. They are not an alternative to policing strategies on the local level. They are there to complement them. In addition to which there are a range of tactics deployed by local area commanders on a continual basis to address crime and reducing the fear of crime.

**The Hon. MICHAEL GALLACHER:** I would have thought that it was more appropriate, given the community concern at this stage about what is happening at Cronulla—Cronulla is New South Wales in people's minds, it is their backyard, it is their street—to send some old hardheads down to Cronulla this weekend and make sure there was a very strong visible presence that does not disappear like Vikings does at the end of the shift, that these guys will be down there permanently and Cronulla will be a no-go zone, as will any other spot. I am concerned that you are considering sending probationary constables—

**CHAIR:** Is there a question in there?

**The Hon. MICHAEL GALLACHER:** Yes, there is. I am concerned that you are sending probationary constables into this area, and it does not appear that your strategy is cognisant of that.

**Mr MORONEY:** Again, I stress the important point that of the effective operating strength of the local area command of some 130 officers, probationary constables make up but a small complement. These are persons who may, in one sense, be inexperienced in terms of their length of service, but, as I commented to another inquiry in this place in recent days, the average age is 28.5 years. They have a range of other life skills that certainly equip them then, in the context of commonsense and good judgement, to discharge their responsibilities. Again, I stress that local commanders, through the region, are able to deploy a whole range of resources. I am not going to flag necessarily in this place, in the public arena, particular operational tactics I intend to use in Cronulla or any other place. Suffice to say that the issue has been, is being and will be addressed.

**The Hon. MICHAEL GALLACHER:** We will not see it again this weekend on any of our beaches because you have a strategy in place to confront it straightaway?

**Mr MORONEY:** I think such a general question requires a response to the effect that I expect my police officers to be out there today and every other day discharging their duties irrespective of where it is that they work.

**The Hon. MICHAEL GALLACHER:** How many police officers currently within the New South Wales Police Force joined prior to 1988?

**Mr MORONEY:** I will take the question on notice. I think of the current authorised strength of 14,454 it is in the order of about 3,000.

**The Hon. MICHAEL GALLACHER:** How many of those officers are operational?

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

**The Hon. MICHAEL GALLACHER:** A number of questions have been asked in relation to police numbers across a broad spectrum of areas, and I see a new trend that has developed. The answer comes back in relation to police numbers in the following Police Force areas, and I have set out a list. The question was taken on notice and the answer provided on 29 November was, "New South Wales Police have advised me that the information requested is operationally sensitive, and its release could potentially jeopardise police operations." When did that policy come into place?

**Mr MORONEY:** If I could have the benefit of knowing what the question was?

**The Hon. MICHAEL GALLACHER:** Yes, I will shorten it. I asked a question in relation to actual police numbers in the following Police Force areas, for example advanced technology, aviation support, business and technology, communications group, crime scene operations and the list goes on. I recognise that there are some sensitive areas—undercover branch, Vikings, traffic services,

Piccadilly, Gain and the electronic evidence branch. When did the general policy come in of not releasing breakdowns of where police numbers are?

**Mr MORONEY:** The details of all our generalist commands, as I have indicated, have been or are on our intranet site, and they have been since Minister Costa put those in place. Understandably, some of the specialist areas, again with which you would be familiar such as undercover, counterterrorism command and a number of other specialist covert commands, are not listed for reasons of security either in terms of where those commands are located or, indeed, the numbers associated with those commands.

**The Hon. MICHAEL GALLACHER:** Police dogs are one of the sensitive areas?

**Mr MORONEY:** No, I would not believe so.

**The Hon. MICHAEL GALLACHER:** Can you indicate why I would have received notification in relation to an FOI on 18 November about the number of police dogs trained in the detection of explosives and firearms, with an answer that was exactly the same—because of certain sensitivities, no information would be released?

**Mr MORONEY:** They are determinations made by the FOI unit. In that sense I am not familiar with the particular application. If it indeed related, among other things, to counterterrorism, the number of dogs that are allocated to that particular task is a sensitive part of our operations and not one that I would seek to have in the public domain.

**The Hon. MICHAEL GALLACHER:** What it says here is, "Material released under the Act is unconditional and the agency is unable to impose any limitations on it when considering the potential damage that could be occasioned to the functions of this agency by the releasing of information. Accordingly I reject the document on the grounds of its confidentiality." There is a growing trend that the moment people start to ask questions about where exactly the numbers are the response will be, "Sorry, we can't tell you that" because in the current climate it is probably a little bit politically sensitive or sensitive in terms of police operations. Have you noticed a growing trend in that area?

**Mr MORONEY:** No, I have not. Any determination made in respect of rejection of an FOI application is "appealable" through the Office of the Ombudsman.

**The Hon. MICHAEL GALLACHER:** I find it amazing that on 18 November I get this letter telling me, "Sorry, you're not getting access to it because in the current climate it is sensitive in terms of operations of police and would potentially jeopardise police operations", yet on 28 November, 10 days later, I am very interested to read a press release from the Premier of New South Wales who, in fact, said the total number of police dogs for bomb detection have been taken up to 46. The exact question I am asked under FOI, but I am told, "No, sorry, you can't have that information." But 10 days later the Premier issued a press release saying, "Isn't it wonderful?" Can you please explain how that possibly came about?

**Mr MORONEY:** No, I cannot. I am sorry. I do not prepare or release the Premier's media releases.

**The Hon. MICHAEL GALLACHER:** But it is pretty obvious that he got highly sensitive information. Where would he get that sensitive information? If I am being told that sort of information is sensitive, where does the Premier get it?

**Mr MORONEY:** It is a specific case I am not aware, but I am happy to take it on notice and provide a response.

**The Hon. MICHAEL GALLACHER:** You would be surprised if you saw the level of answers that came in under questions on notice during the estimates. They were poor and they were an absolute joke, to say the least.

**CHAIR:** I have advised you before that this time is made available for questioning of the witnesses, not for you to give a running commentary on your views on other matters. If you have questions, please proceed. If you have not, we will give the Hon. Charlie Lynn a chance to ask some questions.

**The Hon. MICHAEL GALLACHER:** During the last hearing a number of questions were asked of various agencies about quantitative issues. On no fewer than six occasions the Committee was referred to annual reports by the Minister. Mr Tree, as Director General of the Ministry of Police, are you aware that the 2004-05 New South Wales Crime Commission report has not been released?

**Mr TREE:** It was tabled last week, or the week before.

**The Hon. MICHAEL GALLACHER:** It was not when we had our estimates hearings. It is a bit like the answer you gave earlier to the Commissioner in terms of—

**CHAIR:** Is there a question in that, or are you making a comment again?

**The Hon. MICHAEL GALLACHER:** I am trying to assist the witness.

**CHAIR:** I am sure the witnesses are quite capable, having reached the levels that they have, of answering their own questions.

**The Hon. MICHAEL GALLACHER:** Mr Tree, following on from that, are you aware that the Police Integrity Commission 2004-05 annual report was not released until 31 October, almost six weeks after the Minister told the Committee to refer to the annual report?

**Mr TREE:** My recollection was that the Minister said that those figures relating to 2005-06 would be contained in the annual reports of the agencies for that period.

**The Hon. MICHAEL GALLACHER:** I have the answers here. I am advised that these figures were published in the New South Wales Crime Commission's Annual Report, published six weeks after the answer. As the role of the ministry is to draft answers to parliamentary questions, why has the Committee been referred to annual reports that had not been produced at the time as a response?

**Mr TREE:** Because the annual report is the official statutory requirement of the agency and provides accurate figures as at that period. Under the Annual Reports Act my understanding is that they are not required to be tabled until on or about 31 October each year and therefore in normal practices you rely upon the agency's annual report.

**The Hon. MICHAEL GALLACHER:** It is just interesting though that you are telling us to look at annual reports that are not even publicly available at the time, well and truly before they are actually reported on. It does make it very, very difficult to get an understanding of what is occurring within the Ministry when that is in fact the case.

**CHAIR:** Is there a question in there?

**The Hon. MICHAEL GALLACHER:** It is an observation in terms of the fact that we are being told—

**CHAIR:** I have advised you before that you are here to ask questions, not to make observations—not unless there is a question that follows on from it.

**The Hon. MICHAEL GALLACHER:** In relation to it then, Mr Tree, in layman's terms why is it that on a number of occasions in the prepared answers taken on notice you have referred the Parliament—because that is where these notices go—to reports that have not even been tabled and made publicly available?

**Mr TREE:** The Minister's letter to the director of budget estimates was dated 25 October, and that contained the answers to the portfolio questions on notice in accordance with the standing

orders, and the annual reports of the various agencies, I understand, were tabled within a week of that date.

**CHAIR:** We will now go to Mr Breen for questions.

**The Hon. PETER BREEN:** Commissioner Bradley, in the projected figures for 2005-06 the increase of 15 per cent on last year's budget included an item, cost of telecommunications interception. I understood in the annual report on page 25 that the commission has engaged a project for more efficient delivery of telephone interception—that is at clause 4.40. Can you indicate what proportion of the increased costs that new system represents?

**Mr BRADLEY:** The final figures are not yet available as the project is not completed.

**The Hon. PETER BREEN:** Is it likely that the cost of additional staff, which is the other item that is projected, will be more than the projected cost for the new telephone interception equipment?

**Mr BRADLEY:** I am not sure that I understand the question.

**The Hon. PETER BREEN:** The projected increase in the budget is stated to relate to two items, one is the increased cost of staffing and the second item is, as well as the cost of telecommunications interception, this new equipment you are putting in. Are you able to say, in broad terms, what the relative costs are?

**Mr BRADLEY:** The staffing is not related to the telecommunications project specifically. The staffing is in a number of other areas and it is likely that the cost of the additional staffing will exceed the cost of the telecommunications project.

**The Hon. PETER BREEN:** Is that equipment that you are putting in equipment that will be available to other agencies or just to the crime commission?

**Mr BRADLEY:** It will be available to other agencies.

**The Hon. PETER BREEN:** Is there a general practice or protocol in place where other agencies use crime commission equipment?

**Mr BRADLEY:** There is a statutory provision in the Telecommunications Interception Act which enables agencies such as mine to provide technical telecommunications services for other declared agencies under the Act.

**The Hon. PETER BREEN:** Are you able to indicate to the Committee how many licences were granted for telecommunications interceptions in the period 2004-05?

**Mr BRADLEY:** Total telecommunications interception authorised by warrant—it is in the annual report. I can turn it up for you if you would like me to look for it.

**The Hon. PETER BREEN:** I was not able to find it quickly but I just wondered if you knew the figure off the top of your head.

**Mr BRADLEY:** It will be there somewhere. I can find it for you and let you know. If it is not in there it should be and, in any event, I will you know. There is a report made to the Commonwealth Attorney General, which is published every year, which has the precise numbers and also breaks down the warrants into offence categories and various other subcategories.

**The Hon. PETER BREEN:** Is there a subcategory of other agencies using the equipment?

**Mr BRADLEY:** Yes.

**The Hon. PETER BREEN:** Are you able to say broadly whether that is a large proportion of the equipment's use or does the crime commission use it mostly?

**Mr BRADLEY:** The crime commission uses it mostly.

**The Hon. PETER BREEN:** I notice in the Ombudsman's report on controlled operations, which has been published recently, there were two controlled operations from the crime commission involving terrorism. In the next year is there likely to be an increase in the number of controlled operations involving terrorism through the crime commission?

**Mr BRADLEY:** I could not answer that because I do not know.

**The Hon. PETER BREEN:** Is it something that is likely to be the result of new anti-terrorism laws if there is an increase in the number of controlled operations?

**Mr BRADLEY:** That would be a matter of pure speculation.

**The Hon. PETER BREEN:** Have there been any studies done in the crime commission as to what the anti-terrorism laws might involve in terms of additional resources, additional equipment being used and that type of thing?

**Mr BRADLEY:** Studies? No.

**The Hon. PETER BREEN:** In your opinion is it likely that the anti-terrorism laws will result in an increased workload for the crime commission?

**Mr BRADLEY:** In my opinion, yes.

**The Hon. PETER BREEN:** In your opinion would the crime commission take a more active role in anti-terrorism enforcement than NSW Police?

**Mr BRADLEY:** In my opinion, no.

**The Hon. PETER BREEN:** So if there were an increase in work can you explain the areas in which there would be an increase in work for the crime commission as a result of anti-terrorism laws?

**Mr BRADLEY:** There is, as most people are aware, an increased concern about the level of activity of persons who would seek to cause serious damage and/or injury through terrorist acts. The crime commission has had referred to it an investigation in relation to those matters. We work closely with the NSW Police. The NSW Police resources have been very substantially increased in those areas, proportionately much greater than the crime commission. By way of an example, the last operation, which was well-publicised I think, involved at its peak some 500 NSW Police officers. The crime commission contribution to that, obviously, was substantially less, having regard to what I said earlier about the overall numbers within the crime commission.

Increases in work within the crime commission will in part be generated by the level of activity of NSW Police and other agencies, particularly Commonwealth agencies with which we work in this area.

**The Hon. PETER BREEN:** Is there likely to be an increase in the amount of work that the crime commission has to do as a result of joint task forces?

**Mr BRADLEY:** Generally or in relation to—

**The Hon. PETER BREEN:** In the area of anti-terrorism?

**Mr BRADLEY:** It is a very difficult question to answer. I would say, speculating, yes.

**The Hon. PETER BREEN:** Is there likely to be an overlap in operations that you are already conducting in relation to other offences and the anti-terrorism legislation and its operation?

**Mr BRADLEY:** The reference in relation to the counter-terrorism operations specifically contemplates an overlap between criminal activity, which is not usually regarded as terrorism activity, and so I would say yes, there is a likelihood of an overlap.

**The Hon. PETER BREEN:** At the risk of treading on difficult ground again, if there were an overlap, would the powers exercised by the crime commission be those of the crime commission or would they be those of the NSW Police?

**Mr BRADLEY:** When I referred to "overlap" I was not intending to imply that there would be an overlap between the operational activity of the NSW Police and that of the crime commission. So to the extent to which your last question was predicated upon some misapprehension of what I intended to say, I would just seek to clarify it.

**The Hon. PETER BREEN:** Perhaps I could give you a hypothetical example. Let us say you are investigating a murder and the suspects come under the purview of NSW Police in the context of anti-terrorism legislation and its enforcement. Would you then take over the investigation of the terrorism allegations and do that investigation in conjunction with a murder investigation?

**Mr BRADLEY:** No.

**The Hon. PETER BREEN:** So you would set up a separate task force, would you?

**Mr BRADLEY:** Not necessarily.

**The Hon. PETER BREEN:** On the question of allocation of resources in the example I gave you, would you become responsible for the investigation and would the resources of the Crime Commission then be used for the investigation?

**Mr BRADLEY:** I think it is necessary to give you an understanding of how we react and relate to NSW Police. The commissioner, Mr Moroney, is a member of the management committee of the NSW Crime Commission. He and I collaborate on issues about allocation of resources and obviously one of the purposes of that is to avoid overlap. In my experience it is never the case that the Crime Commission purports to take over a particular matter. If the management committee—with the consent, and it is always as far as I am aware by consensus—thinks that the Crime Commission should be involved in a matter with NSW Police or involved in a matter in which NSW Police is already involved, that is done in a collaborative way and there are no issues about taking matters over.

**The Hon. PETER BREEN:** Can I just ask you one final question about this issue of compensation of assets? What happens when assets are confiscated and then sold? Do you have a real estate agent that works in the Crime Commission? Do you do the selling of the assets or does someone else do that?

**Mr BRADLEY:** The answer to your question is no, we do not have a real estate agent employed at the NSW Crime Commission. What typically happens, and because you have raised real estate I will use that as an example. The Crime Commission gets an order from the Supreme Court, which says a piece or pieces of real estate are to be confiscated and as part of that process, the real estate passes to the Public Trustee, who then is responsible for disposing of the real estate by public auction. We are rarely involved in that process. We usually value the confiscation order based on information available to us at the time of the investigation rather than at the time of disposal.

In a rising market, obviously the figures would be higher than our valuation. But our involvement essentially, not always but essentially stops at the point at which the order vests the property in the Public Trustee for disposal. There are variants of that where cash money is involved. For example, it might go directly to the confiscated proceeds account and not through the Public Trustee.

**The Hon. PETER BREEN:** When assets are confiscated, such as real estate, do you engage the services of a licensed valuer, for example, to value the property?

**Mr BRADLEY:** We have, yes.

**The Hon. PETER BREEN:** And you do that by tender or some other process, do you?

**Mr BRADLEY:** There are a range of methods. One of the things that commonly happens in relation to confiscation is that the matters are compromised prior to trial so that the defendant might put forward a proposition to the Crime Commission as plaintiff that the matter be settled on the basis that the defendant disgorges certain assets which may be in the form of cash or property or may raise money indeed, sometimes on security of the property in question and on the basis that that money, property or cash goes to the Government through the compensated proceeds account. So in the course of that process, we need to know what the value of the assets are, and there are a range of methods for determining that.

For example, if the defendant acquired the assets a short time before the negotiation and the transaction was, in our assessment, at arm's length, we would tend to take that as the actual value of the property. But if the property has been held for a long time—and sometimes a property could have been inherited so there is no real indication of the value of the property, we will engage a valuer and the level of inquiry by the valuer varies. Sometimes we have found in the recent market situation that a valuer will look at the property based on historical information and, therefore, tend to overvalue the property because, as you know, property prices are declining.

We also have access to databases, which are commercially available, which give you an indication of value but not specifically to the property. Usually they tend to be based on location, street, and type of premises. We also access that and sometimes we do things like kerbsides, as they are sometimes called, whereby a local real estate agent will make an assessment and give us an idea of whether what is being put to us as the actual value of the property is accurate or not. We have done that on several occasions of late because of the declining real estate market.

**CHAIR:** We will come to the final five minutes of Opposition questions.

**The Hon. MICHAEL GALLACHER:** Commissioner, can you indicate to the Committee the difference between the State protection group [SPG], the operation support group [OSG] and the new public order and riot squad?

**Mr MORONEY:** The State protection group and the public order and riot squad form part of the counterterrorism co-ordination command. As I indicated on the last occasion we were before this Committee, they are two distinct commands. Their similarities relate to where they sit in the command structure. The operation support group exists at local area commands and is a resource available to both the regional commander and/or the local commander to be able to respond to a variety of high-profile incidents. Each is specially trained and equipped to be able to respond in accordance with his or her charter.

**The Hon. MICHAEL GALLACHER:** They are like the old special weapons and operations squad officers spread about the place?

**Mr MORONEY:** The operation support group?

**The Hon. MICHAEL GALLACHER:** Yes?

**Mr MORONEY:** Yes, you could draw that similarity.

**The Hon. MICHAEL GALLACHER:** How many do you have?

**Mr MORONEY:** They are located in each of the 80 local area commands and their size depends upon their geography. Obviously, the operation support group at Broken Hill would not be numerically as large as that attach to a larger metropolitan location.

**The Hon. MICHAEL GALLACHER:** The operation support group therefore works in conjunction with the SPG on operations or do they work separately?

**Mr MORONEY:** Yes, the role and function of the operation support group, depending upon the nature of the incident to which they are responding, would be one of initial containment and response. More often than not, the knowledge and expertise available within that group see an easy resolution to matters. If, however, the incident escalates, which requires a higher level order of response, then that is in fact provided by the State protection group.

**The Hon. MICHAEL GALLACHER:** But the public order and riot squad are separate from the OSG?

**Mr MORONEY:** Correct.

**The Hon. MICHAEL GALLACHER:** The OSG officers are not, therefore, used in public order and riot squad operations?

**Mr MORONEY:** No. They can be utilised in a variety of high-profile demonstrations, as we saw them being utilised in a significant conference that was held here in Sydney, the Forbes conference, but it is not normal that they be used for that type of activity.

**The Hon. CHARLIE LYNN:** If there was a riot, say, in Macquarie Fields and a riot at Cronulla at the same time, does Vikings have the capacity to respond to both?

**Mr MORONEY:** I think we need to be cautious here in terms of the term "Vikings" and the public order and riot squad. The public order and riot squad will commence formal operations in January next year—a few short weeks to go. The processes of selection, recruitment and psychological testing of appointees to that command is currently underway, together with physical resources and accommodation issues. Operation Vikings was put in place in April 2002. It was fully funded. It is independent; it is financially independent from the police service budget in as much as there was an allocation of money provided for Vikings.

Vikings is provided in each of the commands across the State of New South Wales. Application for the funding of Vikings is made through the local area commander. He or she can utilise their own human resources to focus on a particular operation. If the commander, however, feels that those resources need to be complemented because of a particular operation or particular intelligence that they may have, then that can be complemented from the main Vikings group here in Sydney. So if there were an incident in Sydney—particularly arising out of the Macquarie Fields incident—and the establishment, as indicated in another place here in recent days, and introduction of the major incident response teams, public order training and other physical resourcing of commands, I am satisfied that they would be able to respond in such situations.

**The Hon. MICHAEL GALLACHER:** The public order and riot squad comprises about 46 officers, is that correct?

**Mr MORONEY:** Correct.

**The Hon. MICHAEL GALLACHER:** On any given day how many of those 46 officers will be on duty?

**Mr MORONEY:** The whole 46 will not be sitting in a room waiting for a riot to happen. Fortuitously, in that sense I would hope that they are not called out to respond to such a situation. But, subject to their appointment, they will be subject to the normal rostering and deployment arrangements as happens in any command.

**The Hon. MICHAEL GALLACHER:** How many will be on per shift on any given day?

**Mr MORONEY:** They are issues currently being worked through by the commander, Chief Superintendent Cullen, in terms of how he will deploy and how the deployment arrangements and the tasking arrangements will complement the work being done by the local area commands.

**The Hon. MICHAEL GALLACHER:** With 46 officers, it is pretty unlikely that there would be more than a handful on duty on any shift on any day.



**Mr MORONEY:** You have to bear in mind that they are providing a 24 by seven response.

**The Hon. MICHAEL GALLACHER:** That is right—statewide.

**Mr MORONEY:** But they are not the sole responding unit. The work undertaken consequent to Macquarie Field in terms of commander level training and officer level training, which is designed to complement our strategies on public order response, I believe is sufficient to be able to respond.

**CHAIR:** We will have one last question from Mr Lynn.

**The Hon. CHARLIE LYNN:** You may take the first part of this question on notice. What is your training budget for each financial year from 1999-2000 to now? Can you give a breakdown of the training budget into recruit training, executive leadership training and operational training? The second part of the question is in regard to the separation of powers. Do you have executive authority over the budget for 2004-05 and 2005-06 or does the director general of the Police Ministry have any power of veto over any aspect of your police budget—training, for example?

**Mr MORONEY:** Part A, in terms of the training budget, I will take on notice and provide that level of response. In terms of the budget, I submit a budget paper—as does every other CEO across the public sector—and a budget is allocated to the organisation. The allocation of that budget is then provided. The Police Ministry is a separate entity to NSW Police. They have their own standalone budget—I am sure Mr Tree can respond to that if necessary. Our budgets are allocated to our commands—specialist or generalist—on the basis of established need and other projections.

**The Hon. CHARLIE LYNN:** Thank you.

**CHAIR:** Thank you. That concludes the time allocated for questions on the police portfolio. Thank you very much for your attendance today. I remind you that the secretariat will contact you with any questions that were taken on notice and you will have 35 days to response to them.

**(The witnesses withdrew)**

**(Short adjournment)**

**CHAIR:** I declare the expenditure for Sydney Water and Energy, Utilities and Sustainability open. Do you wish to make an opening statement?

**Mr EVANS:** No, not unless you require one.

**Mr NEMTZOW:** I want to comment on one issue. I thank the Chair and the Committee for flexibility with timing. The reason I asked to reschedule is that just moments ago the Premier and Minister Scully made a very important announcement. If it would please the Chair, I would like to give an outline of what the Premier and Minister Scully have just announced on electricity.

**CHAIR:** Yes please.

**Mr NEMTZOW:** They have announced two new power stations for New South Wales—very important. One will be privately funded by TRUenergy, which is a subsidiary of China Light and Power at Tallawarra. As you may know, Tallawarra is a formerly government owned site. It is a very attractive site. It is central casting's idea of a good site for a power plant. It has good gas supplies. It has transmission supplies. It is on the South Coast, and the community has worked hard for this power plant. It will be privately funded by True Energy. This will be a peaking power plant. As you know, as we use more airconditioning in New South Wales our system becomes more what we call peakier, which means that on those hot summer days the demand for power grows more quickly than on an average autumn day. So this new peaking plant will provide over 300 megawatts of power. We know from forecasts and by my department and by the National Electricity Market Company [NEMCO] that we will need new supplies starting no later than the summer of 2008-09 and this plant will be up and running long before that.

Additionally, the Premier and the Minister announced that Delta Energy, the State-owned company, will go forward at Munmorah with a new peaking power plant to further supplement our demand as it grows year after year. In addition to that, as we know, it is not just about generation. It is not just about getting the power produced but getting it to homes, getting it from the power plant to the power point, in a reliable and secure way. They announced new reliability standards for the three State-owned companies—EnergyAustralia, Integral Energy and Country Energy—that will result in \$1.6 billion in new investment in protecting the reliability of our system. We have a very good system. It is one of the best in the world. I have looked at many systems around the world. New South Wales and eastern Australia have one of the most reliable systems in the world. It will get better. It is not good enough. It is never good enough. It is continuous improvement, and this new announcement will require further improvements.

That is on top of the \$5 billion that the Government is already committed to in improving the distribution system, the poles and wires. This is another \$1.6 billion on top of it. So this announcement today is very significant. It further promotes a reliable, secure, affordable and sustainable electricity system for New South Wales. Again, I thank you for your patience on timing but I think these decisions are very difficult. They are trying to balance the issues that you are very familiar with. I think the Government is very fortunate to be able to announce what it did this morning.

**The Hon. GREG PEARCE:** I am very interested in that announcement. However, I am concerned that we seem to be just proceeding with a patchwork of solutions here and there and we still do not have a white paper on energy. When will the white paper on energy be released? How can anyone make confident investments in New South Wales energy without knowing what our policy will be, whether we have carbon taxes and all the rest of it?

**Mr NEMTZOW:** With all due respect, I think if you asked the shareholders of China Light and Power they would say, "We have confidence and we are investing hundreds of millions of dollars in the Tallawarra right now." What I can say is that they have said publicly that they need assurance that the Government will not undercut them. I think we are cognisant of what happened in Queensland, when the Queensland Government said, "Private sector, build new power plants for Queensland." What happened? The Queensland Government signed a contract for Kogan Creek for 750 or 790 megawatts, then the private sector said, "Thanks very much." We will not do that. We will not undercut them.

We are not going to do that; we will not undercut them. True Energy and China Light and Power want an assurance that if they build this power plant and invest their money they do not want protection from any other private competitors, from Babcock and Brown, a developer, or from AGL. They just want to know that the Government will not come in and undercut them. The Government is confident that, if they build it, there will be no need for the Government to do anything special. If they do not build it the Government has to provide power at the end of the day. So they are confident. The proof is in the pudding.

Referring to your original question about the white paper, the Premier was just asked that question at the press event. If I may quote him, he said, "We are working through those issues and it will be released as soon as those issues are done." He was asked that question in about four different ways from four different reporters and he gave the same answer. So, again, he will make that decision. Minister Scully is advising him, as are other Ministers. But obviously they want to make sure that all the issues are dealt with rather than release it prematurely.

**The Hon. GREG PEARCE:** So what you are saying is that in the absence of a white paper policy you are happy to do special deals and to give special guarantees to get the private sector in there. That is what you just said. You said that you had to give a special guarantee to China Light and Power to make sure that it would be comfortable to do the project.

**Mr NEMTZOW:** I am sorry, I did not mean to imply it was a special guarantee.

**The Hon. GREG PEARCE:** Was it a guarantee that was given to anybody else?

**Mr NEMTZOW:** Yes. It goes to everybody.

**The Hon. GREG PEARCE:** It goes to everybody in the private sector?

**Mr NEMTZOW:** Yes, to Babcock and Brown, AGL, Origin, or International Power. It goes to any of the players. The Government is not going to pick winners among the private sector. There is no contract here. They already had the development application for the site, so there are no planning issues, no contract and no special anything whatsoever. It was not asked for and it would not have been delivered. It was just an assurance that if there is private sector investment from anyone they would have a chance to do that, to make their money, to make a return for their investors and that would be it. If they do not then the Government will have to build. We said in the green paper and we have said in many forums that we would prefer private sector investment in new generation. However, if private sector investment fails to come forward then the Government will be the investor of last resort. That is why the announcement was just that, to go forward.

**The Hon. GREG PEARCE:** What sort of assurance has the Government given to China Light and Power if it is not in a contract or on a piece of paper?

**Mr NEMTZOW:** The Government is good on its word on this. They are investing hundreds of millions of dollars, so they are confident that the Government will do that. We have been very clear on this. I think the Government's record is good. We did not need to learn but everybody in Australia learned from what Queensland did.

**The Hon. GREG PEARCE:** In the absence of a white paper and a policy, if you are going to get the private sector in you have agreed that whoever it is in the private sector will be given an undertaking or guarantee that you can believe this Government and that there will not be anything done in the policy that will in any way adversely impact on the investment?

**Mr NEMTZOW:** I think that is a fair reading of it. But again, just to be accurate, I do not want to use the word "guarantee". I do not think you meant it in a legal sense.

**The Hon. GREG PEARCE:** That is exactly what I meant. That is what I understood you to say.

**Mr NEMTZOW:** There is no legal guarantee; there is no contract. It is a commitment by Government.

**The Hon. GREG PEARCE:** Are they going to have a licence to operate?

**Mr NEMTZOW:** Eventually they will need a licence to operate.

**The Hon. GREG PEARCE:** They will need some sort of contract, or are they just going to sell into the grid?

**Mr NEMTZOW:** That is right. They will sell into the grid as a merchant plant. If you look at the price figures you will see that, because of growth and demand, unfortunately the price of electricity for consumers was higher in the last year than it was in the previous year, so it is more profitable. We would expect that in the market anyway. As demand goes up over time the price will go up. So they are willing to take their chances in the marketplace and that works for us.

**The Hon. GREG PEARCE:** Who has the carriage of the preparation of the white paper?

**Mr NEMTZOW:** The Premier. There is Cabinet and he takes advice from all sorts of places. But certainly Minister Scully, as the Minister for Utilities, is the centre of that debate.

**The Hon. GREG PEARCE:** Will the Country Towns Water Supply and Sewerage Program receive any funding from your department in the next financial year?

**Mr NEMTZOW:** Yes, absolutely.

**The Hon. GREG PEARCE:** How much?

**Mr NEMTZOW:** When you say next financial year do you mean 2006-07?

**The Hon. GREG PEARCE:** Yes.

**Mr NEMTZOW:** I think that is \$302 million. I am not sure of the exact figure, but I will get back to you.

**The Hon. GREG PEARCE:** Will you take that question on notice?

**Mr NEMTZOW:** I will take that question on notice. We have forward estimates and in our forward estimates from Treasury it will receive funding.

**The Hon. GREG PEARCE:** How many backlog projects are meant to be funded by that program?

**Mr NEMTZOW:** There are a total, roughly, of 200 projects that we know about. In my own mind I can think of two lists. There is a list of projects about which we have been formally informed by councils and local water utilities that have formally requested funding. I think that figure is 182, but I will give you a precise figure. On top of that there are always new projects. By now there are not many surprises. We are very familiar with the needs, but there are always more that come in every month that we did not know about. But we know about just under 200, so we assume there are probably 200 out there in total.

**The Hon. GREG PEARCE:** Can you give me the actual amount that has been spent in the last 10 years on the program?

**Mr NEMTZOW:** I can.

**The Hon. GREG PEARCE:** We have been given different figures.

**Mr NEMTZOW:** I will get you the exact number. It is of the order of \$600 million. Do you require figures by government or in total?

**The Hon. GREG PEARCE:** Both.

**Mr NEMTZOW:** I will get you both numbers. We provide a subsidy, a formula and the local water utility provides the rest of the money.

**CHAIR:** Are you seeking that in a year-by-year breakdown or as a total for the 10 years?

**The Hon. GREG PEARCE:** I wanted the total, but if the witness takes the question notice it would be just as easy for him to give figures year by year.

**Mr NEMTZOW:** So year by year for government and non-government?

**The Hon. GREG PEARCE:** Yes. Are you familiar with the desalination plant at Broken Hill?

**Mr NEMTZOW:** A little bit.

**The Hon. GREG PEARCE:** Can you tell us a little about that?

**Mr NEMTZOW:** I am sorry, but I do not know much about it. I will certainly get you as much information as you would like. But I understand that it is a mobile plant and it was purchased several years ago. I think currently it is in Broken Hill, but one of its advantages is that it is mobile. That makes the engineering a little harder. It gives some flexibility for communities in the west. I am afraid that I do not know much more than that.

**The Hon. GREG PEARCE:** Do you know whether the Country Towns Water Supply and Sewerage Program funded it?

**Mr NEMTZOW:** I am sorry; I do not the answer to that. I will take that question on notice.

**The Hon. GREG PEARCE:** Do you know who owns it?

**Mr NEMTZOW:** I do not.

**The Hon. GREG PEARCE:** Perhaps your advisers have some answers.

**Mr NEMTZOW:** I assume it would be the Broken Hill utility which, as you may know, was part of Australian Inland Renewable Energy. That has now been merged with Country Energy. So Country Energy, the electric company, also runs the water business for Broken Hill. I believe that is right. My colleague advises me that it is planned by Country Energy, so when they acquire gas, it was off Australian Inland that they acquired that asset, too, and it was not funded by the Country Towns Water Program.

**The Hon. GREG PEARCE:** It was not?

**Mr NEMTZOW:** It was no funded, no.

**The Hon. GREG PEARCE:** Do you have any idea how you actually have a mobile desalination plant?

**Mr NEMTZOW:** My understanding—and I have not seen it personally, so it is always hard to answer that.

**The Hon. GREG PEARCE:** We might have to take a trip out and have a look at it. It fascinates me.

**Mr NEMTZOW:** No, it is interesting. Hopefully the drought is breaking, but with the drought throughout the State, especially in the west, I think the intention is a good one—that you can have it for different communities based on their needs. It is expensive to operate when it is a mobile one, and it has a small scale. You do not get those economies of scale, but I think it is the size of a shipping container, a 40 foot standard or maybe a 20 foot standard shipping container, that you can put on the back of the truck or a train bed. But to tell you the truth, I have that image in my head, and as I have not seen it, I would not want to give you poor advice. But if that is something you want to see, I have no doubt that the folks at Country Energy would show you that. In fact my predecessor, the former director-general of the department, now runs the water business in Broken Hill for Country Energy, and I would be happy to set up any arrangement you would like to learn more about it.

**The Hon. GREG PEARCE:** It is just interesting.

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

**The Hon. GREG PEARCE:** To think that you can stick it on the back of a truck and take it around.

**Mr NEMTZOW:** As we know, over the last few years with the drought, we have all learned a lot more about water than I think we knew three of four years ago, and this is part of it.

**The Hon. GREG PEARCE:** I understand there was a \$2 million subsidy paid to Australian Inland Energy and Water by the Government last year. Do you know what that was used for?

**Mr NEMTZOW:** I do not know. I would not be surprised. I do not know the exact number and that is something between Australian Inland, now Country Energy, and Treasury. But I would not be surprised because of the low population there. It is very hard to keep electric rates affordable and perhaps is the same with water. It is very difficult to keep rates affordable with that low economy of scale. You do not get the economies of scale that you get, for example, in Sydney Water and Energy

Australia, so I would imagine it was to help support that and keep rates affordable. I do not know that is specifically delineated or whether it is just a general-purpose subsidy to help the community.

**The Hon. GREG PEARCE:** So you are not consulted on those sorts of payments?

**Mr NEMTZOW:** That is right. They had been around for a long time.

**The Hon. GREG PEARCE:** You do not have to advise on that. Treasury just deals with it?

**Mr NEMTZOW:** I do not believe there is any formal advice that is sought from the department, but one of the jobs of a department in a system such as ours, State-owned utilities—the Minister for Utilities in his portfolio has 10 State-owned corporations, three on the water side and seven on the energy side—is that the department provides advice. There are different kinds of advice. There is formal advice, where we have to tick a box or not tick a box, and then there is professional advice that can be formal or informal. So in this case there is no formal advice needed, but often we are involved in those issues and sometimes we are not. Especially for funding of an energy or water issue per se, if it is about natural resources or support for a community, our expertise in energy and water is less relevant.

**The Hon. GREG PEARCE:** I am just interested. I would have thought that with any of those sorts of requests, for Treasury to be able to deal with them, they would have wanted some sort of support from your department as to whether what was being asked for was sensible and achievable.

**Mr NEMTZOW:** If it is about energy or water, that is right, and that is the case. Country towns are a perfect example. Nothing happens in country towns. Let us look at Goulburn. The community was probably the worst hit of all of Australia, never mind in the State, and it is seeking Federal support and State support. It is at a very high level. The Premier is involved and who knows who in Canberra, yet that will still go through the Country Towns Program run by a department. So when it comes to local water utilities, once you get outside of Sydney Water and Hunter Water, we are intimately involved, and then it just depends.

If it is energy or water related—natural gas or sustainability—we are 95 times out of 100 directly involved. But if it is about social issues or again about keeping rates down for the community but not particularly about an energy or water investment, again our expertise does not shed as much light on the issues. We feel like we have enough work on, and for the other ones, we do not always stick our hand up, if we do not have some new data or analysis to contribute to it.

**The Hon. GREG PEARCE:** Can you just run through for me the gas-fired power stations that have gained planning approval at this stage? Tallawarra obviously is one of them.

**Mr NEMTZOW:** Yes, and Tallawarra has had development approval [DA]. There is Munmorah at Delta. There is one power plant which goes by a different name. Uranquinty is the proper name but it is often called Wagga because Uranquinty is just outside Wagga Wagga. That is the one that is developed by Babcock & Brown and other private developers that Premier Carr announced the planning approval for half a year ago. If there are others, I am forgetting them, but there are at least those and potentially others. There are also quite a few other plants.

One thing that I think is easy to forget—it is easy for me to forget and I think for others—is how many power plants there are at different stages of development. For example, there are quite a few wind farms that already have DA approval and they are now looking for investors and are trying to find the right opportunity. So you can have every permutation of power plants: there are those that have a DA but not finance, or they have finance and not a DA. For example, with Tallawarra, just last week, True Energy went out to do a contract to buy turbines, so there are all these stages of development, and they are each at different stages. Part of it, to be honest with you, I think is part of the poker game. It is one grid.

**The Hon. GREG PEARCE:** Yes.

**Mr NEMTZOW:** And while the location does matter, basically it is not like a store; you do not care where you are located as much as you do with other businesses. So if you can get into the grid

and sell your power, you can make money. So part of it is the poker game—trying to be a first mover, trying to show the world, not just to make those investments and to get the planning approval, but also to show the world you are in front and that there is no reason in competing with you. That is okay. That is what the private sector does. That is what the big end of town does.

**The Hon. GREG PEARCE:** How do you monitor where they are up to? You said earlier that it is clear we need extra power by at least 2008-09. Unless you count the Government taking on Munmorah, how do you monitor whether those projects are going to proceed in time and add the extra power?

**Mr NEMTZOW:** There is both a science and an art to it. The science of it is looking at the formal approvals. The DA approval is clearly a clear bright line. It is something that on our spreadsheets we show a tick or no tick on that. Others just require professional judgment. It is just what myself and my colleagues have used from years and decades of being in the business to say, "This one is getting up", "This one is not getting up". I am not saying we get it right 100 per cent of the time but there is every mix there. Or, for example, some of these might be developed by International Power, which is a British-based firm. They are probably at this point I would think the largest private power developer in all of Australia in terms of total megawatts. If International Power is behind something, you know they have the heft, the sophistication, the engineering and the finance to get it up. There is no guarantee and I guess that is the art part of it.

We are aware, at the department, of over several thousand megawatts of power plants at some stage of development—much more than we need. We are growing at a few hundred per annum but we know that several thousand of them will not get up. We know that many of them will not, so what we have to think about is the front end of that distribution curve, the ones that will get up. Tallawarra is a beautiful site. It is a perfect site. True Energy is a global player, a serious player. I am not going to lose too much sleep over that one.

**The Hon. GREG PEARCE:** Did you not say it was a Government-owned site?

**Mr NEMTZOW:** It had been.

**The Hon. GREG PEARCE:** And it has been transferred.

**Mr NEMTZOW:** It was transferred, I believe—forgive me, I do not know my New South Wales history—but it was the Greiner Government that I believe transferred it.

**The Hon. GREG PEARCE:** So with the DA, there is nothing really to stop them proceeding?

**Mr NEMTZOW:** I am sorry?

**The Hon. GREG PEARCE:** Given that they have a DA, there is nothing to stop them proceeding.

**Mr NEMTZOW:** That is my understanding, and it is near transmission lines as well as access to gas. There is more gas south of Sydney than there is north, so that is advantageous.

**The Hon. GREG PEARCE:** So from what you have said, Tallawarra, although it has now been announced, nothing has actually happened. No work has actually commenced yet?

**Mr NEMTZOW:** No, but it will commence quite soon. I do not know the exact schedule and I will leave it up to True Energy because we will hold them to that schedule. But at the end of the day, it is their schedule. They will announce that. But the plant will be up and operating and delivering power into the grid by 2008.

**The Hon. GREG PEARCE:** What is the program for Munmorah?

**Mr NEMTZOW:** Munmorah is on a 2009 schedule, so that is a little more time, and that is fine.

**The Hon. GREG PEARCE:** So when does Delta actually start work? Does Delta have a DA for it?

**Mr NEMTZOW:** I think so. I am sorry, I am forgetting right now. Let me get back to you.

**The Hon. GREG PEARCE:** You have just been with the Premier and the Minister announcing it.

**Mr NEMTZOW:** I know. I apologise. I have too many spreadsheets in my head and I am just not remembering that. But Delta can proceed. One of the nice things about gas peaking plants is that they are gas turbines. Really, they are jet engines bolted to the ground. You buy them basically off an assembly line, either in Germany or the United States of America, or a couple of other places. You order them. They put them on a boat, and you bolt them down. So you can get a plant going in 18 to 24 months, and that is what is nice. It is more modular technology than a full base load coal-fired plant which has to be built on it and specifications added on-site. They can move very quickly, and 18 months is typical; 24 months is a little safer. It is well within the comfort zone. It is not a race to the finish. It is done the way the engineers want us to do it.

**The Hon. CHARLIE LYNN:** Given prior indications of the need for more base load power in New South Wales between 2010 and 2020, do you agree it is better to err on the side of caution and have the power station possibly built a year or two earlier, thus negating crippling blackouts, especially as Queensland, from whom we are currently importing power, is experiencing higher than expected growth in electricity demand?

**Mr NEMTZOW:** Yes, I recommend that. You want to go sooner than later. It is a trade-off. It is a goldilocks situation: you do not want it to be too hot, you do not want it to be too cold. If you go too soon, you are spending money on things you do not need. If you build a power plant too early, capital is locked up in steel and concrete doing nothing. That has happened many times—certainly in the US; in New South Wales it happened in the 1970s and 1980s when plants were overbuilt and they were not needed. But if you go too late, the consequences are bigger. The lights go out, or people have a fear they will go out, and decisions are made based on that fear, reasonable or otherwise.

So given that choice, you go a little early—not very early—and that is exactly what this announcement was about today. It was about getting plants up years before they are needed. On top of what was announced today there are upgrades to existing power plants, which will provide at least 350mW and probably 600mW of power. You have to stay ahead of the posse, as it were. We do modelling; I think I can say fairly my department does the best modelling in this State on these issues. We look at what is called one-in-10 weather patterns. That means you do not assume it is a typical summer. You assume it is the hottest summer of the decade. We do that every year. We assume that 2005 is the hottest summer, 2006 is the hottest summer. You have to model conservatively and be assured you are ahead of the demand. It usually works if you get it right. But yes, the short answer is it is better to stay ahead.

**The Hon. PETER BREEN:** I want to ask Mr Evans a question about the purity of Sydney Harbour. An issue was raised during the week about whether prawns in the Harbour were safe to eat. Were you surprised by that given the amount of money that has been spent on cleaning up the Harbour and the treatment works at North Head?

**Mr EVANS:** Yes. It is my understanding that that matter relates to residual industrial contamination, not to the sewerage system. As you suggest, two important things have happened in relation to marine pollution under the auspices of Sydney Water. First, the long ocean outfalls and associated investments have taken the effluent to a higher level of treatment and way offshore, so it does not have such an impact. Second, there has been substantial expenditure, around \$500 million, on what is called the Northside Storage Tunnel to catch wet weather overflows and avoid their being discharged into the Harbour. Our expectation is that sewerage would have less of an impact, and I believe that is the case.

**The Hon. PETER BREEN:** The long ocean outfalls are, I think, at Warriewood, Bondi, Malabar—



**Mr EVANS:** The three major ones are North Head, Bondi and Malabar.

**The Hon. PETER BREEN:** I think there is one at Warriewood and one at Cronulla.

**Mr EVANS:** Yes, there is a smaller one at Cronulla.

**The Hon. PETER BREEN:** I think Cronulla is the latest.

**Mr EVANS:** That is correct. I should say for the purposes of completeness there is an Illawarra system.

**The Hon. PETER BREEN:** I am thinking about the cost of putting all this sewage into the ocean, particularly from the outfall at Cronulla, which apparently treats the sewerage to such a high degree that it reduces coliforms from, I think, one million coliforms per part to 150, which is almost drinking quality water going into the ocean. Do you have any view about that?

**Mr EVANS:** First, you want the level of treatment to be commensurate with minimising the environmental impact. The distinction between the major outfalls—North Head, Bondi and Malabar—and Cronulla is that the major outfalls go further into the ocean. You have a horses for courses approach to the level of treatment you develop, based on the sensitivity of the receiving environment. In the coastal areas, where there are long ocean outfalls and a very robust Pacific Ocean with rapidly moving currents and the like, the longer the outfall the less you can justify community resources being spent on high level treatment. The shorter the outfall, as at Cronulla, the greater the justification for the higher level of treatment. It becomes even more stark when you contrast the difference between the coast and what we call the inland receiving waters. The Pacific Ocean is an incredibly robust body of water—the single largest thing on earth. Inland rivers, especially in Australia, are far more sensitive because of low flow rates, algal problems and things like that. The level of treatment developed for inland plants, particularly over the last 15 years, is far greater and involves what we call tertiary treatment, whereas the ocean outfall is predominantly primary treatment. We have to try to get the right balance between the sensitivity of the receiving environment and the social cost of achieving the outcome.

**The Hon. PETER BREEN:** So the two best outfalls in Sydney, in terms of quality, would be Cronulla and Warriewood?

**Mr EVANS:** That is correct.

**The Hon. PETER BREEN:** Is it conceivable that the water that is coming out—I suppose it is not called effluent, is it? What is it called?

**Mr EVANS:** It is all technically called effluent. Without going into detail, the convention is the stuff that comes in is influent, and you treat it, and the stuff that goes out is effluent.

**The Hon. PETER BREEN:** So it would not take very much further treatment to bring this effluent that is going into the ocean from Cronulla and Warriewood to drinking quality?

**Mr EVANS:** It would take a significant amount. I think we have to be very careful when we say 'almost to drinking water quality'. In Australia, Europe and the United States we operate under very stringent drinking water quality guidelines set by the National Health and Medical Research Council and there is a big difference between 'almost' and 'there'. It goes to the issue of not only applying technology, but of doing so in a quality accredited way so there is no risk of failure. The extra work you would have to do is pretty substantial—I would have to get you numbers to be precise—but fairly obviously it relates to removing pollutants, faecal coliforms and other things that might potentially make you ill.

**The Hon. PETER BREEN:** Yes, but the faecal coliforms have been reduced from one million to 150.

**Mr EVANS:** But not to drinking water quality.

**The Hon. PETER BREEN:** What is drinking water quality?

**Mr EVANS:** Drinking water quality is a lot higher than that.

**The Hon. PETER BREEN:** Are you able to say what the numbers are?

**Mr EVANS:** It is based on a methodology of sampling so that you do not get repeat events over your distribution system. It is a statistically based outcome, but it is much higher than that level. More profoundly, in a sense, you still have to desalinate effluent as well. The waste stream from our bodies, homes and factories has a salt content, so as well as disinfecting to get higher quality for health—this is practised worldwide—you have to strain the salt out of it as well. Those things come at a cost, of course, and there is the additional issue of community and regulator acceptance.

**The Hon. PETER BREEN:** Desalinating the effluent that comes out of Cronulla and Warriewood would be far cheaper than desalinating ocean water, would it not?

**Mr EVANS:** Yes, in the first instance. However, two distinctions have to be made. In order to deliver drinking water you have to treat it and then introduce it to the distribution system. There is a factory issue and a distribution and blending issue. When you are looking at costs, putting aside the question of community acceptance and lead times to achieve that acceptance and all the world-wide experience that has developed on that, you have to measure your factory costs of moving to a higher level of treatment. Then you have to allocate your distribution costs. The expectation is that if you were to move to introduce highly treated effluent into the drinking water supply—this has not been done in Australia—

**The Hon. PETER BREEN:** It has been done in other parts of the world.

**Mr EVANS:** Yes, there are examples elsewhere, and I can go into the percentages in a moment. But to be clear about the technical aspects, the very strong expectation is that having treated the water you then have to reintroduce it to the other surface water supplies.

**The Hon. PETER BREEN:** You are not talking about taking it to Warragamba Dam?

**Mr EVANS:** In all probability you would have to blend it back through Warragamba. That is where the distribution and other aspects of it have to be considered in terms of costing.

**The Hon. PETER BREEN:** Are there not other reservoirs in the metropolitan area where it could be distributed, rather than taking it all the way back to Warragamba?

**Mr EVANS:** That is a question of health risk assessment. I make the distinction between reservoirs and dams. A reservoir is a metal or cement tank, basically, that has almost an instantaneous turnover. Water is pumped in, it sits there for maybe six hours, and it flies back out.

**The Hon. PETER BREEN:** Is it processed at all while it is there?

**Mr EVANS:** No. How the water supply system works is that it is harvested, usually uphill, in the dams. Water is usually held in there for years, which helps blend and purify. It is then run down through a water filtration plant, which is at Prospect, it is then distributed virtually on a just-in-time basis to the customer base. There is almost no treatment, apart from some post-addition of chlorine in some cases after it leaves the filtration plant.

**The Hon. PETER BREEN:** Could you run it from the filtration plant, if there were one in Sydney, to Prospect Reservoir?

**Mr EVANS:** You sort of climb a scale of what we call detention time. If you inject it straight into a local reservoir you would achieve almost no detention time and no blending or shandying. You would have a very high premium on your quality control and other aspects. To take the other end of the scale, if you were to reintroduce it to Warragamba you would have much higher detention time, a matter of years, and you would have a much higher diversion rate because it would be able to blend

with the ebbs and flows of currents and the like in the dam. In a sense it would blend in with the natural surface water. It would have time to be treated further by the sun and all the things that go on. Then the water would be run back down through the treatment plant.

The view that I hold is that if at a future time we were to move to what we call potable reuse, we would have to do several things. The money would have to be spent on doing all the above and a level of community comfort would need to be achieved about what is being done. That would be a long-term activity. There would have to be health-risk assessments, et cetera. The community would have to agree. The lessons from overseas have been that if we want to do that sort of thing we have to take the community along with us in a very considered long-term journey.

**The Hon. PETER BREEN:** You were doing that back in 1999. You were conducting an experiment at Granville in treating sewage effluent and turning it into potable water. What happened to that?

**Mr EVANS:** I have been the organisation for only 20 months, I would have to take that on notice to give you that detail. I suppose the underlying point I make is that in order to achieve these things, the preparatory work needs to be done, the preparatory health-risk assessments, and then we have to be clear about our relative costs compared with other sources.

**The Hon. PETER BREEN:** If water was taken from the outfalls at Cronulla and Warriewood and treated further at those places and piped it back to Warragamba Dam to be put into the general supply would that not be far, far cheaper than setting up a desalination plant?

**Mr EVANS:** That is unlikely to be the case. I just preface this statement: clearly, our forebears were reasonably well informed and they generated sources of water from surface storages where gravity brought it down to where it could be used. In fact, for many years, until the mid-1990s, water was not treated at Prospect. There was a system where the water came through and was chlorinated. They did all that because that was the most cost-effective thing to do. Technological change has introduced other options, the things you have referred to, what we call membrane technology has become a lot better. That is what has to be used to purify either effluent or sea water. You bring onto your radar screen—given that your supplementary surface water storages are getting more expensive as well, and there is uncertainty about climate and all the goes with it—the opportunity for what I call factory-based water production.

That is not relying only on rainfall but also having a manufactured option. In answer to your question about what is most cost effective, and putting aside the question of community acceptance—which is hard to put aside, but it is important to acknowledge—the bottom line is that highly treated effluent is, as you say, less expensive to desalinate because it does not have as much salt in the first place. At the factory door, if you like, desalinated effluent is cheaper than desalinated salt water, because sea water is salty. However, if you add transport costs and energy costs for pumping it back uphill, and all that goes with it, the relativity reverses.

**The Hon. PETER BREEN:** But it is still five or six times more expensive to desalinate sea water, is it not?

**Mr EVANS:** No, not at all. What is often overlooked is that the water industry really can be best thought of as not just about storing and treating water and waste water, but essentially it is a transport activity. Nearly all our assets are buried below the ground, in pipes. A significant cost of most of what we do lies in the transporting of a high-bulk, low-value, product, that is water and waste water. As I said, the cost at the factory door may be lower for treating already highly treated effluent, if you add the cost of the transport system, the energy, and all that goes with it, to push it back to where it has to be blended, that is where the equation is different.

**The Hon. PETER BREEN:** There are authorities that suggest that it is not necessary to send it back to Warragamba Dam. It could be treated sufficiently to be put into the reservoirs we have, such as Prospect. There is a reasonable reservoir in the city, in Reservoir Street, which is either not used or underused. Could you tell us about that?

**Mr EVANS:** As I said, you have to differentiate between dams, which have high volume, high detention, et cetera, and distribution reservoirs. The distribution reservoirs, as I said earlier, are very small and have almost no detention time and no blending capacity. There is a fundamental difference.

**The Hon. PETER BREEN:** You would not agree with the proposition of putting treated water into reservoirs? It has to go back to Warragamba Dam, you suggest?

**Mr EVANS:** Yes, that is our expectation. In the ultimate, as the community has this debate over the next 20 years or however long it is, and as technology may or may not improve, and levels of acceptance may move either way, it is important to remember that it was only in 1998 that we had a substantial degree of community concern about a water contamination incident at Warragamba.

**The Hon. PETER BREEN:** That was the cryptosporidium scare?

**Mr EVANS:** Yes. I think that showed us that when you are supplying a product like we do to 100 percent of the community, you have to have that community having a high level of faith in the quality assurance et cetera. What we find with this sort of issue is that there are some members of the community who are, for want of a better term, risk averse—like in all aspects of life—and there are others who are risk takers. What we have to manage—water authorities around the world have to manage this—is that you cannot deliver a different product to the risk averse person than you do to the risk taker. You have to have a strong level of consensus about what you are doing. International experience has shown us that achieving that consensus is a difficult thing and has to be addressed very, very carefully.

For example, in Singapore, which is a society perhaps that accept certain things slightly more differently than we may, a lot of energy has been put into this matter because they have many of the difficulties we have—rapidly growing population, more wealthy community, not wishing to rely on transfers from Malaysia fully, et cetera. Even there the reintroduction of wastewater after many years of consideration I think is something like 1 per cent of the total drinking water supply. I will stand corrected here, but I think that by 2010-11 they are hoping to increase that to 3 per cent or a figure of that sort. What that tells us is that, yes, you may be able to tread these routes but you have to be realistic about the technology, the cost and community acceptance, and society would have to evolve its expectations in such a way that it was happy to take the journey.

**The Hon. PETER BREEN:** You mentioned Singapore. How does Singapore compare with Paris, for example?

**Mr EVANS:** In what sense, sorry?

**The Hon. PETER BREEN:** I understand that the water supply in Paris is almost entirely treated effluent. Similarly, in parts of London it is almost entirely treated effluent.

**Mr EVANS:** Yes. There are two different issues around the world here. One of them is where you reintroduce the effluent into the system; the other is where the effluent is highly treated, it returns to the environment, blends with the natural flow of the river, flows down the river, is extracted, say, from a ground water pump or whatever and is retreated. One is called "incidental" and the other is explicit, if you see what I mean? Around the world there are very few examples of the, for want of a better term, exclusive, but there are, to varying degrees, many examples of the incidental. They are not only different in perception; they are different in reality the sense that the incidental is introduced to the water system, supplemented by natural flows, the sun shines on it and it is diluted in its detention time. It is a different concept from physically injecting effluent into the system.

None of this is technically impossible; it is a question of relative costs and energy consumption, community acceptance and the extent to which technologies evolve over time to change those relativities and the community's faith in the technologies. I keep saying, if you examine the research from all around the world, we all have to deal with the reality that once you put the water in the pipes everybody gets it. Some people might be quite keen on effluent and some not. The balance you have to follow in a public utility is to make sure you take virtually everyone with you. That is what it comes down to.

**The Hon. CHARLIE LYNN:** What was the total cost of the desalination feasibility study, both of Sydney Water and the fee paid to GHD and Fitzner?

**Mr EVANS:** I will have to take on notice a question of the fee paid to GHD and Fitzner, but the total cost of the study, I believe, was \$4 million. That was the initial feasibility study.

**The Hon. CHARLIE LYNN:** Do you consider that that money was well spent in view of the fact that a 500-megalitre per day desalination plant was estimated to cost \$1.75 billion, but blew out to \$2.6 billion in the space of just three or four months?

**Mr EVANS:** Taking your questions sequentially, the necessity to do the feasibility study arose from the Metropolitan Water Plan, which required us to say: What would we have as an option in the event of sustained or ongoing drought or climate change? I believe very strongly that it was very much justified to spend that sum of money to be able to establish what the options were. Your second question was: Was that worth spending, given variations in the costing? I am glad you asked me this question because it is a really important point to clarify. The feasibility study was based on what we call raw engineering costs, that is, the cost of delivering the infrastructure and the treatment processes in the dollars of the day that it would cost you to do the engineering work. It is the nature of initial estimating. You do it based on that concept.

As you then move from a basic idea through to something you may implement, we follow a practice of making three adjustments to the raw engineering costs. The first is to allow for information over a potential construction period. Say you have a five-year construction period and construction costs were going up by 7 per cent or 8 per cent a year, you add in the cost of the inflation and, from memory, that accounts for a couple of hundred million. The second thing you do is say that during the construction time the State will be incurring what we call capitalised interest costs, which is the cost of having money on loan whilst you are constructing. Say you have a four-year construction period and you are building something worth, say, \$100 million, in the last year of operations, say your cost of capital was 10 per cent, then you have \$10 million as your capitalised interest cost. So you add that in as well.

The third thing you do is you go through what we call a formal risk analysis and you work out the risk that might arise in terms of delay or contingency or whatever. You do that in a structured way and then allocate a potential value to that risk. Each of those exercises was done after that first past feasibility. You will remember it was a feasibility study to determine if the exercise could be undertaken: Are there sites? Is it technically possible? What would the lead times be? Could the water quality be delivered to a standard that would be adequate? Could you dispose of the concentrated saltwater without unduly impacting on the environment? Is it technically feasible to reintroduce the water into the supply in a reasonable way?

That was your objective. Your objective was not to come up with a final estimated financial cost, allowing for inflation, risk allocation and capitalised interest. What you will find is that the underlying raw costings have not deviated significantly from the outcome of the study you referred to, but what we have done is added these which are essentially accounting and risk adjustments. In no sense do I think the need to make those adjustments as a project matures in any way detracts from the usefulness of a study to determine whether something can be done. They are two different exercises.

**The Hon. CHARLIE LYNN:** Is that \$2.6 billion the final cost of the desalination plant?

**Mr EVANS:** Supposing you build something and finished it in 2009, for the sake of the argument, that is an estimate after allowing for capitalised interest, inflation and everything else, of how much money you would have paid out. It is a different concept from your raw engineering costs, which are set in there just to make sure that you have a handle on what you could build and how you could do it. They are two different concepts.

**The Hon. CHARLIE LYNN:** I refer to your comments and a water forum held by Engineers Australia that the go-ahead for a desalination plant would only be given if Sydney was experiencing an extreme drought, which would lead to drops in the dam capacity of around 10 per cent a year. Can you confirm that the decision to go ahead with the desalination plant, drought or no drought, was a

political decision made by the State Government against the advice of Sydney Water, in your own the advice.

**Mr EVANS:** The first thing there is that those comments were in the context of a discussion about drought and capacity to deal with drought. The decision the Government took was to deal with desalination as part of a drought and non-drought response. There is a clear differentiation between the two circumstances. The relationship to drought being sustained was a concept based on how much time you would have if drought was your only motivation in order to get a plant in place. But if your objective is to diversify supply—a bit along the lines of the discussion we had about recycling, et cetera—you have, if you like, a different decision criteria and, across a wide range of activities it is acknowledged that governments make such decisions based on their capacity to represent the community's attitude or the degree of protection they might want to give the community against risk.

I have mentioned a few of them today. Back in the late 1980s and early 1990s decisions were taken to build water filtration capacity at Prospect, even though it had not been there before. Decisions were taken during the 1990s to build the Northside Storage Tunnel in order to reduce sewer overflows to the harbour.

**The Hon. CHARLIE LYNN:** That blew out tremendously and was against the technical advice of the day, as I recall.

**Mr EVANS:** I do not know the background to that. The point I am trying to make is that governments position themselves in areas like this to make decisions about community welfare. As far as we are concerned at Sydney Water once such a decision is made we accept that and get on with it because our job is to provide the service to the standard that is required by our regulators and the Government. That is true across a whole range of issues—drinking water quality, sewer transport, et cetera. As the community has got wealthier and bigger it has been demonstrated, if you look back over the past 40 or 50 years, that periodically such investments are made.

**The Hon. CHARLIE LYNN:** Is that a decision you would have made?

**Mr EVANS:** As I said, my role is to provide the services. It is not my role to make risk judgments on behalf of the broader community. If that was my role, I would not be in the position I am in. Our job at the organisation is across a whole range of activities if you look at it—drinking water quality, recycling, all sorts of things and to get on with the job—and that is what we are doing.

**The Hon. CHARLIE LYNN:** We are hearing a lot of adverse feedback from people against the desalination plant. It is out in the community everyday. Can you advise the Committee of any independent water experts who support your desalination plant proposals?

**Mr EVANS:** The question of support or otherwise, I think, is not all that relevant, to be quite honest. What is relevant is the capacity of governments to make decisions, as I said earlier, to manage the risk the community faces. Accordingly, we have the feasibility study that we were asked to do. We have shown that it is feasible and government has decided that based on that it wishes to proceed, and that is where it begins and ends for us.

**The Hon. CHARLIE LYNN:** Do you know if the Government sought information from these other independent—

**Mr EVANS:** I am not in a position to say what advice the Government may or may not have got. You have to appreciate we are a corporatised utility providing services and our predominant function when asked is to do your feasibility study or to get on with service delivery. We are not, if you like, a policy advising entity. We have a commercial board, et cetera.

**The Hon. CHARLIE LYNN:** Given your comments to the water forum, where you talked about capacity and when it drops 10 per cent a year that is when you do it, and they have gone on with the drought and no drought, a lot of independent water experts seem to have been ignored. You would have to agree it is a political decision to go ahead with it?

**Mr EVANS:** I have explained that it is a decision made by the Government and that is about all I can say. I reiterate, though, that the notion of 10 per cent was just a measure of how you might define a severe drought proceeding. It was not some mathematical decision that had to be followed absolutely. It was in the context of what is a severe drought. If you look back over history, how might you measure severity?

**The Hon. GREG PEARCE:** Just to summarise that, then, has your professional view changed since August when you expressed the view that you would not proceed with a desalination plant unless Sydney was experiencing extreme drought, and you used that definition of dam levels dropping by about 10 per cent a year?

**Mr EVANS:** I think I have answered that already.

**The Hon. GREG PEARCE:** No, you have not. Has your view changed, or not?

**Mr EVANS:** The comments I was making were if you are setting a response to this particular drought as your criteria for proceeding, and in that situation there is a view that around 10 per cent would have taken you to your point of no return. That is a different consideration from when government says that is interesting but we want to diversify the supply. You have to appreciate that the technology and other things have changed to the point now where many parts of the world, including Sydney, are moving away from a water supply system based on a dam-only type option to water supply systems where you pursue a high level of recycling in order to substitute drinking water that is otherwise used for industrial purposes, and the like. There is a lot of it going on and I can talk to that in a moment. You have the technological option of the desalination. So, I think we have to accept that we are in a situation of making an intergenerational change to a diversification strategy and that is the sense in which the decision followed from the particular comment I was making about the drought.

**The Hon. GREG PEARCE:** Has Sydney Water—have you—made a recommendation to the Government that it should have adopted a diversification strategy for the project?

**Mr EVANS:** It is important to put this in context. As I said earlier, Sydney Water is the utility provider, the owner of the pipes and pumps on behalf of the State, for the provision of water services. It is not a policymaker. You may recall that organisations like Sydney Water and the power generators have been corporatised and placed in a commercial environment to get on with the service delivery function, and the policymaking exists predominantly elsewhere in government. That is quite a conscious decision under regimes introduced by Premier Greiner at the time and followed through to separate out what we call regulations from service delivery. So, we are a service deliverer predominantly, and a range of agencies bring forward policy advice. That is an important distinction to recall. It is not in the remit of Sydney Water to say you must do this and you must do that. We can provide input; when asked we do feasibility studies; when asked we construct things, et cetera, but we are not a policymaking entity.

**The Hon. GREG PEARCE:** So do you have the view that you could supply Sydney's water needs into the future without a desalination plant?

**Mr EVANS:** You could technically supply Sydney's water needs through a variety of means—desalination, demand management, improving the performance of your existing dams through accessing deep storage, et cetera, and pumping from the Shoalhaven at higher rates. I think the important insight is that you have all those instruments at your disposal in the modern era, and given drought and climatic uncertainty and the converging of the technologies, the opportunity to recycle, et cetera, the rational thing is not to set up a contest between solution A and solution B but to adopt the appropriate mix of the solutions, because you could—

**The Hon. GREG PEARCE:** There is going to be a separate inquiry into the desalination plant. I think, given what you have said to us, they are going to have quite a bit of fun with you on that. In relation to the metropolitan water plan and looking at options for the supply of water, how many households could be retrofitted with dual piping reticulation of recycled water for non-potable uses, like Rouse Hill, for say \$1.3 billion?

**Mr EVANS:** I would have to take that on notice as a specific question. But the distinction that is important to draw out here is that the retrofitting for what you have called non-potable reuse is far more expensive in built-up or existing suburbs than it is in new suburbs. So, just taking the forward-looking view, the opportunity to pursue more of the Rouse Hill-type outcomes, as per the basic requirements for new houses to be 40 per cent more water efficient, will roll out as new suburbs are developed.

In that situation, as I am sure you will appreciate, you would have to provide dual pipe systems for the system and for the householder as well. It is not just a matter of dropping it to their door; you have to bring it up through their yard and into their house. The financial costs of doing that retrospectively, together with the community dislocation and so on, are infinitely higher than doing it prospectively, and therefore the objective of basics, as I understand it, is to encourage people to do it prospectively. But I can do further analysis for you and get back to you on your query.

**The Hon. GREG PEARCE:** Your annual report shows that Sydney Water recycled less water last financial year than in 2003-05: it fell from around 14,300 megalitres to 12,700 megalitres. Can you explain that?

**Mr EVANS:** Yes. No single recycling initiative went backwards, as it were. It is largely reflective of the water conservation effort put into areas such as Rouse Hill and the like, where, even though people have effluent, we have encouraged them to use less. There was also, as I understand it—I will have to take confirmation of this—recycled water that was done as part of the Sydney Olympic Park Authority that was not included in the numbers you referred to.

**The Hon. GREG PEARCE:** In either year, or in the second year?

**Mr EVANS:** In the second year. That is my understanding, but I will confirm that. The third issue was that some of the recycled water we use is in our own sewerage treatment plants and the like. And we have worked very hard to minimise the amount of that water that is used, in part to, if you like, set the example for the community so you are not accused of overusing. So it is a combination of those three factors.

But there has not been a reduction in the recycling effort. In fact, work has proceeded on development of areas of Hoxton Park and the like to allow the basic recycling to occur, and a major recycling scheme has been developed, the biggest one in Australia, for Bluescope Steel at Wollongong. So the effort has gone in, and over the next few years we will more than double the amount of recycling, and by 2010 we would be recycling more than a 125-megalitre desalination plant.

I think that is a really important insight. It is not an either/or question in modern water management; it is a question of how you use the available technologies and instruments in the right places. So if you have a steelworks such as that at Wollongong, and you have a sewerage treatment plant adjacent, in which you can do the things that I was asked about earlier—in a sense, highly treat the effluent and then desalinate it, and push it across the fence to the big industrial user—you go for it with your ears back because that is a terrific outcome.

It is not an either/or world we live in; it is a world of getting more out of surface storage, more out of water inefficiency, demand management, appliance subsidies, and all those sorts of things, and more out of available technologies.

**The Hon. GREG PEARCE:** Your annual report shows that Capex has fallen over the last four years and your debt equity ratio has almost doubled over the last five years. What is the implication of that in terms of paying future dividends to the Government?

**Mr EVANS:** Two things. First, the capital expenditure program for the next five years is up to \$500 million or \$600 million a year; it is at a much higher level, and that will be sustained across a range of water and sewer initiatives. The organisation is carrying more debt than it previously carried, but it is a comfortable level of debt. Dividends are paid out of profits, and clearly the higher your interest payments are, the lower is your pre-tax profit. So, as you carry more debt, you will earn less profit.



**The Hon. PETER BREEN:** Mr Evans, earlier that you mentioned the cryptosporidium scare at Warragamba Dam. That happened at about the same time as the Granville project was under way, that is, the water mining project, which converted effluent into water. In your response to the Committee about that project, can you indicate whether there was any connection between the—

**Mr EVANS:** You will appreciate that that is before my time, and I would have to research the question.

**The Hon. PETER BREEN:** Could you indicate the connection between that cryptosporidium scare and the closing down of that project? It seems to me that if the project had continued, we would be much further advanced today on the various technologies of converting recycled water into potable water.

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

**The Hon. PETER BREEN:** Are you aware of any other similar projects or other experiments going at Sydney Water?

**Mr EVANS:** There is no experiment, in the sense of a live pilot plant or something of that nature.

**The Hon. PETER BREEN:** In response to a question from Mr Pearce about industrial water use, you used the comparison of having the treated water going across the fence and the water being used for industrial purposes. I am interested in the fact that private operators seem to be able to get access to industrial water but they have never been able to get access to sewerage water for the purposes of undertaking the kind of treatment I have been referring to. What is the reason for that? Why does Sydney Water want to hang onto the sewerage?

**Mr EVANS:** It does not. Sydney Water stands ready, and has stood ready, to make the influent available to people, free of cost, if people want to access it and then treat it. That is not a problem, and it never has been a problem—not in my time, anyway. The issue is that the marketplace has to believe that, having done that, it can incur the cost of treatment—all the things that you and I have talked about today—and then get it to the customer at a price that the customer finds attractive, vis-a-vis the price of water they can get from the tap.

One reason why we have moved in recent decades, and particularly in the last few years, to increase the user-pays component of the water bill is to make that sort of proposition more attractive for the marketplace. At the end of the day, how prepared people are to use recycled water and incur the cost of sewer mining and treatment, or whatever it is, whether it is us or the private sector doing it, is heavily influenced by how much they know they have to pay for drinking water if they turn the tap on.

With regard to sewer mining, it has not been an issue of it not being available; I think it is more profoundly a State financial or economic question. Plus, there are issues that need to be gone through in terms of, whether it be a golf course, an industrial application or whatever. There are degrees of uncertainty that decision makers may have about the industrial relations or other implications of taking a recycled product into their premises.

So a range of factors drive the outcomes. The other thing that is important to remember is that recycling for industrial uses works best where you have a city with a significant industrial or heavy industry base. And what we have increasingly seen in Sydney is that it has turned into more of a service sector type economy and there are not a lot of headline large industrial users: our use is dominated by domestic consumption. That is why if you are looking to increase recycling in Sydney structurally over time, which we are, you have got to seize your industrial opportunities when they are there, like at BlueScope Steel, but your big game lies in harnessing the reuse that can come with the growth of the city with the new suburbs—the Rouse Hills, the Hoxton Parks and the like—stimulated by basics and stimulated by the cost of drinking water going up, you create, if you like, a market demand over time for recycling in a new generation way, not the old heavy industry way. I think that sort of intergenerational switch is something we are seeing occur in front of us and we have

got to be alive to that; we cannot rely on just the big industrial type schemes if that proportion of the economy is getting less.

**The Hon. PETER BREEN:** So Sydney Water is not averse to private contractors approaching and putting up proposals to use recycled sewerage?

**Mr EVANS:** No, not at all. And, I suppose, there are two little observations I would make about that: one is—and David Nemtsov can talk about this—there is a water savings fund that has been created by the Government, which exists to provide assistance to schemes of that and similar water saving types, and there has also been the Government's announcement only last week about formally creating an access regime, which would mean that people could not only access the effluent or influent to do the sewer mining but there would also be defined rules for them to use our pipes to transmit that to customers because the transport cost is high.

So those developments are all part of this opening out and diversifying, which is what we need, given an extra million people living in the city, the climate of uncertainty, the potential climate change and all that goes with it. I would hate to be too repetitive here but we have to learn to manage the diversity of our opportunities and not just stick with one project or another.

**The Hon. PETER BREEN:** On the question of the feasibility for the desalination plant, is it fair to say that the project has taken on a different form since Premier Carr resigned? For example, on my understanding, when he was Premier the desalination plant was an option—if you like, a fallback position—and suddenly it seems to have taken on a new life under Premier Iemma of being the only option?

**Mr EVANS:** I think I answered that in what I said a minute ago. Nothing is the only option. If you look at the Metropolitan Water Plan which is being implemented by the Sydney Catchment Authority and ourselves, the things that are actually happening are the recycling we have talked of today—

**The Hon. PETER BREEN:** But you have got no project on foot.

**Mr EVANS:** Well, there are two things: there is the BlueScope Steel one I just referred to; there is the expression of interest that was announced last week or the week before last for something to be done at Camellia; and then there are the projects emerging out of basics and associated activities, which will mean the new growth will be taken up by recycled water. So there are three very definite things.

**The Hon. PETER BREEN:** No pilot project.

**Mr EVANS:** That goes to the question of drinking water, which is the longer-term issue, but this is recycling where you can do it and get the runs on the board. The Metropolitan Water Plan also includes exploring for groundwater, which is being done by the SCA; it includes accessing what is called the deep storages in the dams which are below the existing offtake point—and a great deal of money is being spent on that, and that will come onstream in August; and it also includes transporting additional water from the Shoalhaven up over the ridge to top up Warragamba. So the point I keep trying to make is that it is about a multifaceted approach now that technologies and the like allow you to pursue it.

I think it is a great mistake for any of us anywhere in Australia to say there is only one answer for anything; there is a combination of things which have the effect of minimising your risk profile and allowing you to manage climatic diversity and climatic change. We have moved from an area where you only had one choice, which was to throw a wall across the nearest dam, to an area where these recycling, desalination demand management activities can all make a contribution.

**CHAIR:** Thank you very much for that. The time for the hearing has run out. I would like to thank you for attending today's hearing. I would like to advise you that the Committee secretariat will contact you in writing in relation to any questions that you took on notice and you will have 35 days to respond to those questions.

**(The witnesses withdrew)**

**(The Committee adjourned at 1.07 p.m.)**