

UNCORRECTED PROOF

GENERAL PURPOSE STANDING COMMITTEE NO. 1

Monday 8 October 2012

Examination of proposed expenditure for the portfolio areas

FINANCE AND SERVICES, THE ILLAWARRA

The Committee met at 9.00 a.m.

MEMBERS

Reverend the Hon. F. J. Nile (Chair)

The Hon. C. Cusack
The Hon. G. Donnelly
Dr J. Kaye
The Hon. M. R. Mason-Cox
The Hon. S. Moselmane

The Hon. M. J. Pavey (Deputy-Chair)
The Hon. L. Foley
The Hon. A. Searle
The Hon. W. Secord
Mr D. Shoebridge

PRESENT

The Hon. Greg Pearce, *Minister for Finance and Services, and Minister for the Illawarra*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

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

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

CHAIR: I declare this hearing of the inquiry into the budget estimates 2012-13 open to the public. I welcome Minister Greg Pearce and accompanying officials to this hearing. This morning the Committee will examine the proposed expenditure for the portfolios of Finance and Services, and the Illawarra. Before we commence, as required I will make some comments about procedural matters. In accordance with the Legislative Council guidelines for broadcast of proceedings, only committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee, you must take responsibility for what you publish or any interpretation you place on anything said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door.

Any messages from advisers or members' staff seated in the public gallery should be delivered through the Chamber or support staff or the committee clerks. Minister, I remind you and the officers accompanying you that you are free to pass notes and to refer directly to your advisers seated at the table behind you. Transcripts of this hearing will be available on the web from tomorrow morning. Minister, the House has resolved that answers to questions on notice must be provided within 21 days and the Committee has agreed to that. I remind everyone to turn off their mobile telephones. All witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. Minister, I remind you that you do not need to be sworn because you have already sworn an oath to your office as a member of Parliament. However, Mr Coutts-Trotter, I ask you to state your full name, job title and the agency you represent and to swear an oath or make an affirmation.

MICHAEL COUTTS-TROTTER, Director General, Department of Finance and Services, sworn and examined:

CHAIR: Under the terms of reference for the estimate committees, there is no provision for opening statements. However, I am prepared to allow the Minister to clarify any recent changes to his portfolio responsibilities or any other matter during my allocated time.

The Hon. GREG PEARCE: Thank you. It is a pleasure to see you back in the chair. We missed you last year when you were unwell. I will obviously answer questions on policy matters and Mr Coutts-Trotter will answer questions relating to the administration of the department.

The Hon. LUKE FOLEY: I refer first to the appropriations for Sydney Water. The capital budget for Sydney Water has been reduced from \$707 million to \$653 million this financial year, has it not?

The Hon. GREG PEARCE: Sydney Water will spend more than \$650 million on infrastructure over the next financial year on key projects, new urban growth and renewing critical infrastructure. Yes, that is a reduction of about \$57 million from last year. The decrease in overall spend relates to many projects being completed, the Independent Pricing and Regulatory Tribunal requirement for Sydney Water to find savings and the need to drive down consumer prices. Sydney Water will spend about \$380 million maintaining, renewing and upgrading water, wastewater and stormwater systems across its area of operation. That is an increase of \$20 million on last year. The Government's priority for 2012-13 is to improve the current and existing infrastructure while catering for expanding areas. More than \$32 million will be spent fast-tracking key projects under the Priority Sewerage Program, which will give almost 3,000 families in north and south-west Sydney the basic services that they have been waiting years to receive. The \$380 million will be spent maintaining more than 45,000 kilometres of water and wastewater pipes, more than 800 pumping stations, 265 reservoirs and 38 treatment and recycling plants.

This investment comprises about \$105 million for water distribution systems, more than \$140 million for sewer network upgrades and to reduce the frequency of overflows, \$70 million to upgrade wastewater treatment plants, \$54 million to repair critical water mains and \$5 million for stormwater asset renewals. The more than \$100 million allocated for essential water and wastewater services will help to unlock the development potential in the north-west and south-west growth centres. In addition, \$48 million has been allocated for sewerage services as part of the Government's Priority Sewage Program, including the \$32 million I have already mentioned, to fast-track sewer services to eight villages for the following schemes: Bargo, \$11.8 million; Buxton, \$7.5 million; Cowan, \$4 million; Douglas Park, \$2.2 million; Galston, \$1.2 million; Glenorie, \$1 million; West Hoxton, \$1.6 million; and Wilton, \$4.3 million.

There are major program differences. In relation to the critical water mains program, in 2011-12 the allocation was \$33 million and in 2012-13 the forecast spend will be \$54 million. That program is split into four-year work periods and it is prioritised based on risk. In 2011-12, 8.5 kilometres of critical water mains were on track to be renewed and in 2012-13 it is proposed to renew 12 kilometres of mains based on the most recent condition assessment and risk modelling. The budget allocation for the Recycled Water Program in 2011-12 was \$29 million and in 2012-13 the forecast spend is \$13 million. Substantial construction work was completed at Hoxton Park in 2011-13, with \$13.1 million required to complete the scheme in 2012-13. That does not include the \$3.6 million forecast for the Western Sydney Recycled Water Initiative. That was a very good question. In relation to growth works to service urban development, major program differences were that in 2011-12 the allocation was \$145 million and in 2012-13 the forecast spend will be \$100 million. Growth schemes are proceeding in 2012-13. However, some major schemes, for example, the Warriewood Wastewater Treatment Plant amplification and water trunk main amplifications, will be completed in 2012-13 given the substantial construction work that occurred in 2011-12. That gives the member in comprehensive detail the reasons for the different schemes.

The Hon. LUKE FOLEY: I would like some more comprehensive detail. How many customers of Sydney Water receive estimated bills?

The Hon. GREG PEARCE: I will take that question on notice.

The Hon. LUKE FOLEY: It is 3 per cent, is it not?

The Hon. GREG PEARCE: I said I would take that question on notice and provide the detail.

The Hon. LUKE FOLEY: Minister, are you familiar with the detailed review of Sydney Water's operating and capital expenditure? Have you read that document?

The Hon. GREG PEARCE: No, I have not.

The Hon. LUKE FOLEY: It tells us that the major reason for customer complaints to Sydney Water is the accuracy of billing, does it not?

The Hon. GREG PEARCE: I just said I have not read that document.

The Hon. LUKE FOLEY: Are you not aware that the biggest source of complaints from customers of Sydney Water is the accuracy of billing?

The Hon. CATHERINE CUSACK: Point of order: The Minister has answered that question. The Leader of the Opposition is asking the same question again.

CHAIR: The Leader of the Opposition is trying to get clarification.

The Hon. LUKE FOLEY: Are you not aware of that?

The Hon. GREG PEARCE: I have already said I have not read that document but Mr Coutts-Trotter has some information on it.

Mr COUTTS-TROTTER: As I understand it, Mr Foley, Sydney Water issued 6.6 million bills in 2011-12 and it had concerns from customers in respect of less than one-quarter of one per cent of those bills.

The Hon. LUKE FOLEY: Minister, the detailed review and audit discloses the biggest source of complaints is the accuracy of billing and found that Sydney Water Corporation was 36 per cent behind its own target for water meter replacements, did it not?

The Hon. GREG PEARCE: If you would like to quote the paragraph in the report I can perhaps get some more detailed information for you.

The Hon. LUKE FOLEY: On page 220 Sydney Water reports that 3 per cent of customers currently receive estimated bills, replacement of damaged, faulty and broken meters is an essential activity in order for Sydney Water to correctly bill customers for usage charges and maximise revenue. The accuracy of billing, including usage charges, is the biggest source of customer complaint. Would 3 per cent of customers be approximately 51,000 dwellings?

The Hon. GREG PEARCE: I have already indicated to you that I have not yet read that report. I read virtually everything that comes across my desk—

The Hon. LUKE FOLEY: Except a detailed audit of the corporation.

The Hon. GREG PEARCE: The Leader of the Opposition is not going to get anywhere by continually asking questions about something I have told him I have not read.

The Hon. LUKE FOLEY: Minister, why have you cut the budget of the meter replacement program of Sydney Water by 20 per cent in this year's budget?

The Hon. GREG PEARCE: That is a matter I will ask Mr Coutts-Trotter to address.

Mr COUTTS-TROTTER: I will take that question on notice.

The Hon. LUKE FOLEY: It is called a hospital pass, Mr Coutts-Trotter.

Mr COUTTS-TROTTER: I do know that in the 2011-12 financial year the Sydney Water meter replacement target was 50,000 meters and it replaced 46,000.

The Hon. LUKE FOLEY: That is not true. The detailed audit discloses that the forecast variance next to its target was minus 36 per cent—that is, it fell 153,843 meters under the corporation's target for replacing broken, faulty and damaged meters did it not?

Mr COUTTS-TROTTER: I cannot comment.

The Hon. LUKE FOLEY: Have you read the audit Mr Coutts-Trotter?

Mr COUTTS-TROTTER: No, I have not but I do have advice from Sydney Water that last year it was targeting a replacement of 50,000 meters and it replaced 46,000.

The Hon. LUKE FOLEY: That is just dead wrong, Mr Coutts-Trotter, because the detailed audit discloses the target—that is, to replace 426,000 meters—and the audit found that it had fallen 153,843 short. Minister, the appropriations for which you are responsible as portfolio Minister show that the water meter replacement program budget has fallen from \$11.6 million to \$9.5 million this financial year. Why has the Minister cut the program by 20 per cent when the biggest source of customer complaint is the inaccuracy of billing?

The Hon. GREG PEARCE: The water meter replacement program started in 1995 and is due for completion in 2023 so it is quite a significant program that was conducted for a long time under previous Labor Ministers.

The Hon. LUKE FOLEY: You are the first one to cut it by 20 per cent. Why?

The Hon. GREG PEARCE: The program has a total estimated cost of \$250 million from 1995 to 2023 and the estimated expenditure to 30 June 2012 was \$106,214,000. The allocation for 2012-13 is, in fact, \$9.5 million—

The Hon. LUKE FOLEY: Down \$2 million, is it not?

The Hon. GREG PEARCE: Would you mind not interrupting? You are sounding a little rude again.

The Hon. LUKE FOLEY: You can play for time—slow it right down, just play to the clock.

The Hon. MELINDA PAVEY: Point of order: Mr Chair, would you ensure that the Leader of the Opposition does not continue with these theatrics for the rest of the hearing and that he asks questions in an orderly way and receives the answers?

CHAIR: I will allow the Minister to give his answer.

The Hon. GREG PEARCE: The allocated expenditure for 2011-12 was \$11.6 million but actual expenditure was only \$7.05 million in 2011-12. Accurate water meters are essential to correctly bill customers and the water meter replacement program consists of several components: preventative meter replacement for meters on residential properties—replacement for most meters is triggered at 15 to 20 years service or 3,600 to 4,100 kilolitres of water used to maximise meter life, while ensuring accuracy—faulty meter replacement; and new meter installation. One of the drivers, I guess, of meter installation might be the number of new dwellings being constructed. As we all know, under Labor the number of new dwellings constructed fell consistently to the point where it was the lowest on record. One reason for the slowdown in meter installation is the competence of Labor's governments over the past 16 years and their failure to build new housing. There is also meter replacement for accuracy testing. Sydney Water conducts a preventative meter replacement program each year. The program is based on maximising the useful life of the meter in terms of providing an accurate and reliable measure of water consumption. In 2011-12 the target for preventative replacement was 50,000 replacements, as indicated by Mr Coutts-Trotter.

The Hon. LUKE FOLEY: Wrong.

The Hon. GREG PEARCE: And more than 46,000 meters were replaced.

The Hon. LUKE FOLEY: Read your own audit, Minister.

The Hon. GREG PEARCE: The number of meters installed, maintained and replaced was 71,000. Sydney Water will spend 9.5 million to replace, maintain, and fit approximately 68,600 metres in 2012-13. That is the nub of it—an increase in the number of meters being replaced. Last year the target was 50,000 and in 2012-13 it is 68,600 meters—a very significant increase in the number of meters under the program.

The Hon. LUKE FOLEY: That is not what the audit discloses.

The Hon. GREG PEARCE: Mr Foley, please do not get too excited about the water meter replacement program. The \$4 million underspend between allocated expenditure and actual expenditure in 2011 was caused by the deferral and review of a metering project, delay at work due to contractor difficulty in attracting and retaining skilled staff, and the reduction of meter stock levels to reduce inventory costs.

The Hon. LUKE FOLEY: I refer to a household without a water meter. That household is charged water usage that is based on average household consumption across Sydney Water's customer base, is it not?

The Hon. GREG PEARCE: I will refer that question to Sydney Water. I am not on the ground replacing water meters myself; I am actually the Minister.

The Hon. LUKE FOLEY: Do you know what the policy is for the 51,000 households that receive estimated bills?

The Hon. GREG PEARCE: I said I will take that question on notice and provide a very detailed answer.

The Hon. LUKE FOLEY: I advise that they are charged based on average consumption. Is it not the case that people who use less than average water consumption are paying over the odds for water usage?

The Hon. GREG PEARCE: I do not see that that follows, Mr Foley.

The Hon. LUKE FOLEY: I will explain it to the Minister. If somebody uses less than average household water consumption and they are charged average household water consumption, they are overcharged, are they not?

The Hon. GREG PEARCE: That is your assertion.

The Hon. LUKE FOLEY: A one- or two-person inner-city household apartment gets an estimated bill?

The Hon. GREG PEARCE: I am a two-person household in an apartment.

The Hon. LUKE FOLEY: You are probably paying over the odds.

The Hon. GREG PEARCE: I will have to ask Sydney Water to have a look at it.

The Hon. LUKE FOLEY: There is no incentive for people to save on water usage, is there, given that no matter how much they cut their water consumption they will get an average bill from Sydney Water?

The Hon. GREG PEARCE: I am one of those typical people—

The Hon. LUKE FOLEY: I would never call you "typical".

The Hon. GREG PEARCE: I spend a lot of my time thinking about ways that I can save water.

The Hon. LUKE FOLEY: Maybe turning off your tap at Parliament House rather than flooding two floors for a start, Minister.

The Hon. MELINDA PAVEY: Point of order: The theatrics are appalling and beyond belief. Mr Chair, would you please stop the interjections.

CHAIR: I ask for serious questions.

The Hon. GREG PEARCE: I will finish answering the question. I, like most households in New South Wales, look for ways to save water because the community in New South Wales is very responsible in relation to making sure that they do not waste precious resources like water. We are also seeing electricity users doing their best, through replacing light globes with more efficient light globes and all sorts of other mechanisms, to reduce unnecessary consumption. I applaud the people of New South Wales for being so responsible in relation to their water consumption but also being responsible in relation to electricity consumption, and generally in terms of use of natural resources. Mr Foley, it would be very good of you to join in that sort of praise for the community.

The Hon. LUKE FOLEY: You referred to the Priority Sewerage Program rollout for Bargo and Buxton. I have here the Liberal Party of Australia, New South Wales, sewerage connections election policy, which tells us that Bargo and Buxton will be delivered under a Liberal-Nationals government by 2013-14, in both cases. Why does this year's budget put that back to 2015?

The Hon. GREG PEARCE: The reason we have a Priority Sewerage Program, and the reason the Liberal Party so responsibly referred to it, is because under 16 years of Labor you failed to deliver sewerage services to those communities.

The Hon. LUKE FOLEY: Only to 25 villages.

The Hon. GREG PEARCE: The Labor Party failed for 16 years to deliver to those villages.

The Hon. LUKE FOLEY: Only 24 villages, Minister.

The Hon. GREG PEARCE: "Only 24 villages" says Mr Foley.

The Hon. LUKE FOLEY: Tell us about Bargo and Buxton, Minister. Why have you broken your promise to sewer those villages by 2013-14?

The Hon. GREG PEARCE: Let us look at what the promise has delivered for the people of those communities who were left out by Labor for 16 years. We are delivering on our election commitment to fast track key projects under the Priority Sewerage Program. In 2012-13 more than \$32 million will be spent delivering fast-tracked key projects under the Priority Sewerage Program—

The Hon. LUKE FOLEY: What is the target for Bargo and Buxton?

The Hon. GREG PEARCE: —which will give almost 3,000 families in north and south-west Sydney the basic services that they have been waiting years to receive. This includes the suburbs of Bargo, Cowan, Buxton, Douglas Park, West Hoxton, Glenorie, Galston and Wilton.

The Hon. LUKE FOLEY: What is the target for Bargo and Buxton?

The Hon. GREG PEARCE: In November last year I announced that the New South Wales Government had made changes to Sydney Water's operating licence and doubled the subsidy that Sydney Water receives to ensure this program can be delivered. In addition, over \$16 million is allocated to schemes under stage two of the Priority Sewerage Program. Connections are already available in Agnes Banks, Londonderry, Appin, Glossodia, Freemans Reach, Wilberforce, Yellow Rock and Hawkesbury Heights. After 18 months of construction the Appin Wastewater Scheme has been completed on time and on budget. Those connecting can now enjoy the benefits of a new wastewater system rather than relying on septic tanks and a pump-out service. The Priority Sewerage Program is being delivered by an alliance between Sydney Water, MWH Australia Pty Ltd, John Holland Group Pty Ltd—

The Hon. LUKE FOLEY: Why have you broken your promise to 6,000 residents on the south-western outskirts of Sydney on your promise to deliver sewerage by 2013 and you are not going to deliver it until 2015?

The Hon. GREG PEARCE: Mr Foley, please do not interrupt me.

The Hon. MATTHEW MASON-COX: Point of order—

The Hon. LUKE FOLEY: Why have you broken that promise, Minister?

CHAIR: Mr Foley, a point of order has been taken.

The Hon. LUKE FOLEY: He is just running down the clock.

The Hon. MATTHEW MASON-COX: My point of order is that the member is not giving the Minister the opportunity to answer the question.

The Hon. LUKE FOLEY: He is hiding from the question.

The Hon. MATTHEW MASON-COX: He is badgering the Minister and he is interrupting when he should be listening to what the Minister is saying—

The Hon. LUKE FOLEY: Because he has lied to 6,000 people in south-western Sydney who took the promise in good faith that the Government would sewer those villages and you have betrayed them.

The Hon. MATTHEW MASON-COX: Mr Chair, I ask that it be drawn to the member's notice that unruly behaviour is not becoming of him.

CHAIR: Committee members are not to engage in debate. We are here to question the Minister.

The Hon. LUKE FOLEY: I am but he will not give me an answer about Bargo, Buxton, Wilton, Douglas Park and Yanderra.

CHAIR: It is time for Dr John Kaye to ask questions.

Dr JOHN KAYE: I begin by asking about the water for demand forecast of Hunter Water, which was submitted to the Independent Pricing and Regulatory Authority. Is it correct that there has been a change of the model being used by Hunter Water?

The Hon. GREG PEARCE: This matter is under constant review obviously and Hunter Water does a great deal of work with various consultants to ensure that at all times its forecasting is as up to date as can possibly be the case—

Dr JOHN KAYE: Thank you for that, but my question was has it not changed its model.

The Hon. GREG PEARCE: Dr Kaye, if you are going to ask me questions please do not be like Mr Foley. If you are going to ask me questions then please let me answer them.

Dr JOHN KAYE: Minister, please continue.

The Hon. GREG PEARCE: Hunter Water is presently cooperating in the early stages of the preparation of the Lower Hunter Water Plan, which will test water usage forecasts in the Lower Hunter. That plan is due to be completed by the end of next year, 2013. There will be considerable public consultation and all of the studies and forecasts will be made available for review by the community and yourself. I look forward to seeing that process progress over the next year and a bit.

Dr JOHN KAYE: As do I, but my question related to Hunter Water's submission to the Independent Pricing and Regulatory Authority dated September 2012, last month, in which it specifically talks about having adopted "the integrated supply-demand planning model for forecasting future water demand". Are you aware of this change?

The Hon. GREG PEARCE: That is Hunter Water's submission; it is not my submission. Yes, I am aware of the submission and I am aware of its content. I do not direct Hunter Water as to how it writes its submissions or what its practices and procedures are.

Dr JOHN KAYE: Are you aware that Hunter Water has changed its water demand forecasting model?

The Hon. GREG PEARCE: Yes. As I have said, it is in the context also of that forecasting model being tested in the preparation of the Lower Hunter Water Plan.

Dr JOHN KAYE: You would also be aware that Hunter Water's forecast compared with its previous model has dropped by 4,000 megalitres per year. That is about an 8 per cent or 7.6 per cent reduction in total demand. Are you aware of that, Minister?

The Hon. GREG PEARCE: I have not got the exact finish figure in front of me, but if that is the figure that you have quoted, and if that is correct. I am aware that—

Dr JOHN KAYE: Are you aware that the more updated model—which is not just based on a spreadsheet but on modern water principles—is actually dropping demand by Hunter Water's customers for water by a substantial amount: 7.6 per cent?

The Hon. GREG PEARCE: It is my understanding that that trend is common in other water usage areas as well, and includes Sydney Water. The trend is because of responsible recycling and other practices customers are reducing the demand on water supply.

Dr JOHN KAYE: That is true but that is not what I am talking about here.

The Hon. GREG PEARCE: That is what you just said.

Dr JOHN KAYE: This is different. There are two phenomena: one is an actual reduction in the use of water and the other is a change of modelling technique that has produced substantially lower forecasts than were previously used by Hunter Water.

The Hon. GREG PEARCE: And your question is?

Dr JOHN KAYE: Would you not expect that would have a substantial impact on the way Hunter Water should be planning its future capital needs, its future infrastructure needs?

The Hon. GREG PEARCE: That is why it is in the submission to the Independent Pricing and Regulatory Authority.

Dr JOHN KAYE: Would that not substantially change the need for new large-scale supply projects in the Hunter?

The Hon. GREG PEARCE: Dr Kaye, that is a question for the Independent Pricing and Regulatory Authority first and then it is a question for the Lower Hunter Water Plan. So I encourage you to make submissions to both of those inquiries. I look forward to seeing the work as it progresses over the next 14 or 15 months and we will see responses and answers to that very question.

Dr JOHN KAYE: If that is the case and I understand your position—it is probably a sensible position—why did the Infrastructure NSW report start talking about the need for new dams, new large-scale supply projects for the Hunter?

The Hon. GREG PEARCE: I cannot answer for Infrastructure NSW but what I can say is that Infrastructure NSW produced a very thoughtful, detailed set of proposals and arguments. At the end of the day the Government has not yet had an opportunity to review all of that very detailed and very useful work. We are going to do that and by the end of the year, hopefully, we will have a very detailed response to all of the propositions put forward in that report of Infrastructure NSW. I am very pleased that you have had a look at the Infrastructure NSW report and I would encourage you to put forward your views on the propositions that are in that report.

Dr JOHN KAYE: Again I thank you for your encouragement, Minister. Is the Lower Hunter water planning process therefore compromised by Infrastructure NSW?

The Hon. GREG PEARCE: No, that is a ridiculous thing to suggest.

Dr JOHN KAYE: How is it not, if the chairman of Infrastructure NSW, a former Premier of New South Wales, a man who presumably carries some weight with the current Government and for whom we have paid a substantial sum of money to produce an infrastructure plan, says, "We need new infrastructure in New South Wales, we need another large-scale supply project in the Hunter"? Every time I have asked you a question about this over the past 12 months you have quite rightly said, "Well, there is a process happening" and you do not seek to intervene in it. Yet, clearly, Infrastructure NSW has sought to second-guess the planning process for the Lower Hunter that you set up?

The Hon. GREG PEARCE: Dr Kaye, I know that that is your opinion; it is not my opinion.

Dr JOHN KAYE: Why is it not so? Why is it that when Infrastructure NSW says we need a new supply project you say there needs to be an independent process? Can you resolve that clear contradiction?

The Hon. GREG PEARCE: There is no contradiction, Dr Kaye, except perhaps in your mind. The fact is that one body has produced a very important body of work based on their interpretation of a whole series of data. As you started questioning me today, organisations change their modelling, change their approaches, when different views are put. That is perfectly normal. In fact, I would encourage people to have different views because the only way we get to good outcomes, frankly, is to test the propositions that are put forward, to test the information that is put forward. Things change, so sometimes you have to be flexible enough to change the way you are looking at things. As I have indicated to you many times, and you acknowledge, I see the process for the Lower Hunter as one that is a proper process to be followed through the next 14 or 15 months and I not only very much welcome Infrastructure New South Wales's input but I also welcome yours.

Dr JOHN KAYE: Thank you, Minister. The Managing Director of Hunter Water, Kim Wood, a week or so ago told the *Newcastle Herald* on the record that he foresaw that the Lower Hunter would not need another large-scale supply option at least for the next two decades. Quite sensibly he saw issues of water conservation, increased amounts of recycling and water efficiency as being more appropriate targets for the Lower Hunter. Minister, who are you going to believe, Nick Greiner or Kim Wood, because they are telling you different things?

The Hon. GREG PEARCE: Thank you, Dr Kaye. The CEO of Hunter Water is an excellent CEO. He has views and his views will be tested, the same as everyone else's views.

Dr JOHN KAYE: Minister, can you explain why Hunter Water holds a lot of purchase land in the vicinity of Mamie Johnson Creek?

The Hon. GREG PEARCE: I will take that on notice. I do not know the full history of every land purchased by Hunter Water.

Dr JOHN KAYE: Can we move to Sydney Water Corporation now. During the last election your leader promised to not privatise Sydney Water Corporation. It was a matter of debate during the election and one of the issues that came up, raised by both the Labor Party and The Greens, was the threat that the Coalition Government would privatise the Sydney Water Corporation. Is it not true that in the last 12 months 335 jobs have been axed and 135 of those jobs come out of mechanical and electrical services? Is it not true that there is a move at Sydney Water to transfer important critical maintenance work out of the day labour of Sydney Water and into the hands of contractors?

The Hon. GREG PEARCE: The Government has not done and does not have any plans to privatise Sydney Water, so I reject the implication or the suggestion that that is the Government's plan or the Government has done anything in that regard. In terms of the day-to-day operation of Sydney Water, its obligation is to ensure that there is a safe and secure supply of water throughout its area of business activity, that it is efficient, that it is properly maintained, and that the capital spend is appropriate and to cater for new growth and obviously not to do it inefficiently and not to waste money. I have hope that Sydney Water will continue to take whatever measures it thinks are operationally sensible to deliver on those outcomes.

CHAIR: Just some general questions. In the budget papers under the Finance and Services cluster performance report there are a number of targets. Can you advise how close you are to achieving those targets?

One was to provide potential for 72,000 dwellings through new zonings, proposed zonings and development approvals. What progress are you making in achieving that target?

Mr COUTTS-TROTTER: Reverend Nile, I will have to take that on notice and take it to the Department of Planning and Infrastructure and ask them to provide the information.

The Hon. GREG PEARCE: In relation to the housing supply, we will get you the detailed numbers as at the moment. It is a major priority of this Government to try to rectify the 16 years of failure by the previous Government to ensure delivery of appropriate and affordable housing in Sydney. One of the initiatives taken by the Premier was to elevate the housing supply issue right to the centre of government. He has established a subcommittee of Cabinet which comprises a number of Ministers chaired by the Minister for Planning and Infrastructure, Brad Hazzard, and includes myself. That subcommittee of Cabinet has been working directly with the agencies and directly with developers and all of the other stakeholders in housing delivery to accelerate the delivery of housing because we see it as a very significant problem. We are working across a range of policy areas, but directly. Certainly under Labor there was never any direct involvement by the Ministers in trying to rectify these sorts of problems.

CHAIR: So you will take on notice as to how close you are to achieving that target?

Mr COUTTS-TROTTER: I have actually referred to my notes and it tells me that this is reported from the Department of Planning that they have provided potential for 72,000 dwellings through new zonings, so the potential is there. The issues the Minister raises are what are the impediments to actually delivering those houses. Some of them are local infrastructure, the connection of local roads or utility headworks, which is why the budget identifies a bit over \$500 million of expenditure for that sort of enabling infrastructure to make it possible for those houses to come onto the ground. But the planning work, as I understand it, has been done.

CHAIR: I understand that; I am just asking as to what progress you are making in achieving the target. Have you reached 30,000, 40,000, 50,000?

Mr COUTTS-TROTTER: I will get that information from Planning for you.

CHAIR: You will take that on notice?

Mr COUTTS-TROTTER: Yes.

CHAIR: There is a lot of concern in the community about some of the poor building requirements in strata developments and in the budget papers there was a commitment to review strata and community title laws by developing options to reform those laws. What progress has been made in that review?

The Hon. GREG PEARCE: Thank you, Chair. The discussion paper for that review has recently been released by the Minister for Fair Trading and there has been significant discussion already and, I think, a significant positive discussion and commentary from all sorts of stakeholders in that area. There is still provision and time for submissions to be made on that discussion paper and once that is completed we will move into the next phase of that review. I do not know if you want to add anything, Mr Coutts-Trotter?

Mr COUTTS-TROTTER: The discussion paper attracted a very significant engagement from the community. There were a lot of submissions. It will lead to a further paper which will in turn lead to proposed legislative change I think in early 2014.

CHAIR: Is that the timetable—2014?

Mr COUTTS-TROTTER: From recollection, but I will confirm that for the Committee.

CHAIR: There is a degree of urgency required, is there not?

Mr COUTTS-TROTTER: There is a degree of urgency to it, but they are contested and complex issues. There are five pieces of legislation that govern the area. Some of the issues have been dealt with in some reforms to the Home Building Act last year, but there remains a considerable amount of work to be done to get this right. This is the most major review of the legislation since strata was introduced in the 1960s, so it is a very significant piece of work.

CHAIR: In regard to the housing issue, there was also a commitment to deploy a team of what the budget papers call release area delivery managers in north-west and south-west Sydney. How many of those managers have been appointed?

Mr COUTTS-TROTTER: They are staff within the Department of Planning and Infrastructure. I will confirm that with the department and report back to the Committee, so I will take it on notice.

CHAIR: At this stage you are not sure how many?

Mr COUTTS-TROTTER: No.

The Hon. GREG PEARCE: They are not our department, so we will have to ask the Department of Planning for that precise information for you.

CHAIR: But it comes under Finance and Services.

The Hon. GREG PEARCE: Housing is such a broad issue that a number of Ministers are involved in delivery. As I mentioned, we are all working together on a subcommittee and it intersects in several places with my agency, including Sydney Water as the water supply authority.

CHAIR: You also aimed in the budget papers to facilitate the delivery of 25,000 new dwellings per year. Are you on target to achieve that?

The Hon. GREG PEARCE: We are on target to achieve that, compared to the Labor Party where the supply of new dwellings hit record lows. We are in fact directly involved in ensuring that each of the projects that can deliver those is being best managed and that the Government is not allowing impediments or delays—for my part, for example, West Dapto in the Illawarra. In the budget we included \$161 million for a housing expedition of delivery program, which included 10 specific project areas which we identified, and in West Dapto we accelerated a water and sewerage project to ensure that additional lots were available in that area. We are doing that all around the State.

CHAIR: There is another area where the Government has extended stamp duty concessions to what the budget papers call empty-nesters over 55 years of age. What is the definition of an empty-nester and what has been the response to that concession?

The Hon. GREG PEARCE: Reverend Nile, you and I probably would qualify if we wanted to. It is essentially picking up parents who are still occupying large homes after their children have moved out. The intention is to facilitate them moving to smaller homes and to then allow the larger homes to be used for larger families. The concession I think is a good one. I would have to get the detailed numbers; I do not have those with me, unless Mr Coutts-Trotter has them?

Mr COUTTS-TROTTER: No, I do not.

CHAIR: And that would only apply if they buy a new unit? There are some restrictions to it.

The Hon. GREG PEARCE: A new property, that is right. All of our policies are aimed at supporting construction of new and affordable housing, because that is where the key problem is. Some of the mechanisms that have been used in the past have not promoted construction of new properties. Instead, the concessions and bonuses have often simply added to the price of properties. We are directing our efforts to ensuring that we encourage the development and building of new properties, both high-rise and single dwellings.

The Hon. MELINDA PAVEY: We will forego our questions to enhance the delivery of the budget estimates timetable, so that we can finish 20 minutes early on this round of questioning.

The Hon. WALT SECORD: We have not taken into consideration the Hon. Adam Searle who is in another committee.

The Hon. GREG DONNELLY: He will not be available until 11 o'clock.

Dr JOHN KAYE: Likewise, Mr Shoebridge will not be here until 12 o'clock. Does that mean I should try to get him here earlier?

CHAIR: Yes.

The Hon. GREG DONNELLY: With regard to the workers compensation reform in New South Wales this year, I will go through a chronology of timelines so that we are all clear that we are talking about the same dates. The joint select committee was established on 2 May this year, as I appreciate. The joint select committee report deliberative meeting was on 11 June. The joint select committee report was tabled in the Legislative Council on 13 June, that is, two days later. The following week, on Tuesday 19 June, debate on the bill got underway in the Legislative Assembly. The debate concluded that evening and the legislation passed through that House at about 10.45 p.m. The following day, 20 June, debate got underway in the Legislative Council and that debate went until 2.50 the following morning, 21 June 2012. The next day—

The Hon. CATHERINE CUSACK: Point of order: Is it possible for Mr Donnelly to get to the question?

The Hon. WALT SECORD: He is giving an important chronology.

The Hon. CATHERINE CUSACK: He is giving a speech.

The Hon. GREG DONNELLY: On 21 June—

The Hon. CATHERINE CUSACK: With respect, I am taking a point of order and I am asking the Chair to rule on my point of order.

The Hon. GREG DONNELLY: I am just going through a series of dates. If you want us to take up your time we will.

The Hon. CATHERINE CUSACK: Can I ask that the member address the Chair?

CHAIR: I will allow the member to give that information as background to the question he is going to ask, but ask him if he could to speed it up.

The Hon. GREG DONNELLY: On 21 June debate resumed in the Legislative Council and the bills as amended passed the following day, 22 June, just after 2.00 a.m. Within a couple of hours, on 22 June the bills as amended were passed through the Legislative Assembly. Is that your understanding of the chronology of the process of the legislation? A simple yes or no: Was that the process from committee to passing through the House?

The Hon. GREG PEARCE: I do congratulate the committee for its very responsible and efficient handling of what was a very important—

The Hon. WALT SECORD: It is a yes or no question.

The Hon. GREG DONNELLY: Point of order: I asked the Minister was that the chronology and the answer should be a yes or no.

The Hon. CATHERINE CUSACK: That is not a point of order. The Minister is entitled to answer the question.

CHAIR: The Minister is endeavouring to answer the question. Obviously, he does not have the chronology in front of him to confirm the dates. It would be irresponsible to say yes to a whole series of dates and times—which are probably are correct.

The Hon. GREG PEARCE: Very sage, Chair. I do not have a chronology in front of me but I am committed to ensuring that this Government acts responsibly. Employers and workers are entitled to expect a workers compensation system that is efficient and cost-effective and offers fair, timely assistance to employers and workers. When it became clear that with a \$4.1 billion deficit the workers compensation scheme was unsustainable and required urgent reform the Government was prepared to step up to the mark, unlike the

previous Labor governments. Without changes to the scheme New South Wales businesses were facing large workers compensation premium increases, which would have stifled business and jobs growth in these very difficult financial times. The Government needed to act quickly to improve the scheme—

The Hon. GREG DONNELLY: Point of order—

The Hon. GREG PEARCE: —which was not fulfilling its core responsibilities well enough.

The Hon. GREG DONNELLY: The question was about the chronology. If the Minister does not know if that is the chronology can he just simply say, "I don't know"? I want to move onto my next question.

CHAIR: The Minister has indicated he does not have the chronology in front of him, so it is best you move to your next question.

The Hon. GREG DONNELLY: Submission 131 to the inquiry from the NSW Self Insurance Corporation, which is the Treasury, makes the following recommendation:

Our main recommendation is that the Committee seek to have the impact of any proposed reforms scenario tested and actuarially costed to understand the implications on the TMF [Treasury Managed Fund] before deciding on the package of reforms to be implemented.

Why did you not accept that recommendation from Treasury?

The Hon. GREG PEARCE: With respect, Mr Donnelly, I think you are confusing some roles and responsibilities. You are quoting from a submission to the committee. I was not part of the committee. The committee considered submissions to it and I think they did a very good job in a relatively compressed time frame. I think that was the point you were trying to make with your chronology. Yes, we had a very significant problem to deal with and we had a very short time frame in which we could deal with that problem without those premium increases occurring, which would have had a very detrimental impact on the entire New South Wales economy. In relation to the particular submission you say you are quoting from, I do not have ministerial responsibility for that body so I have no role in the preparation or approval of their submission. So I cannot deal with a submission by that body.

The Hon. GREG DONNELLY: From Treasury. I have a series of questions. Did the Minister speak to any members of the joint select committee about what would be in the committee's report, including its recommendations, before its deliberative meeting held on 11 June 2012 to settle the report and, if so, who?

The Hon. GREG PEARCE: I did not have any formal discussions with anybody. My recollection is that several members of the committee were members of the Legislative Council and most of them are good friends so I am sure I spoke to them on lots of things. Several of the other members were members of the lower House, some of whom are members of the Liberal Party and I know them very well.

The Hon. GREG DONNELLY: Is that a yes or a no?

The Hon. GREG PEARCE: I can assure you that we had many hard, difficult conversations on our side of politics about the issues that we were facing in relation to workers compensation. None of the issues was easy, and I know you know that, but we were faced with a very significant set of problems and we got on responsibly with dealing with those problems in the interests of the New South Wales community and the economy.

The Hon. GREG DONNELLY: Did the Minister speak to any members of the joint select committee about what would be in the committee's report, including its recommendations, on 11 June 2012? That is the day on which the report was settled.

The Hon. GREG PEARCE: I have already answered the question.

The Hon. GREG DONNELLY: Is that a yes or a no?

The Hon. GREG PEARCE: I have already answered the question.

The Hon. GREG DONNELLY: You said in your answer you spoke to a number of people, so the answer is yes.

The Hon. GREG PEARCE: I spoke to a number of people about—I spoke to many people, not just members of the committee—

The Hon. GREG DONNELLY: The question is about the committee members.

The Hon. GREG PEARCE: —every day during this process because many people were concerned about the issues we faced in workers compensation. I spoke to many, many people—anyone who wanted to speak to me.

The Hon. GREG DONNELLY: Did the Director General speak to any member of the joint select committee about what would be in the committee's report, including its recommendations, before its deliberative meeting held on 11 June 2012 to settle the report and, if so, who?

Mr COUTTS-TROTTER: No.

The Hon. GREG DONNELLY: Did the Director General speak to any members of the joint select committee about what would be in the committee's report, including its recommendations, on 11 June 2012 and, if so, who?

Mr COUTTS-TROTTER: No.

The Hon. GREG DONNELLY: Minister, did you ask any member of your staff to speak to any member of the joint select committee or their staff about what would be in the committee's report, including its recommendations, before its deliberative meeting held on 11 June 2012 and, if so, who?

The Hon. GREG PEARCE: I take it from the three or four questions you have now asked that you are trying to get to a proposition as to whether there was any direct discussion about the recommendations in the final report and whether those discussions took place just before the issue of the report. Is that what you are after?

The Hon. GREG DONNELLY: No, I am asking a series of questions—

The Hon. GREG PEARCE: If that is what you are asking I can probably answer that, but—

The Hon. GREG DONNELLY: No, I am not asking that question. I am asking you specific questions about speaking to certain people in regard to the inquiry.

The Hon. GREG PEARCE: I have already answered that on several occasions now and the answer remains that we had lots of discussions because there were lots of people who were interested in this matter, and indeed I had lots of questions during question time, as you might recall, including from you probably.

The Hon. GREG DONNELLY: Did the Minister ask any member of his staff to speak to any member of the joint select committee or their staff about what would be in the committee's report, including its recommendations, on 11 June 2012 and, if so, who, reminding you that that is the day that the deliberative meeting took place to settle the report?

The Hon. GREG PEARCE: I do not recall what day the deliberative meeting took place because I was not at the deliberative meeting and none of my staff were at the deliberative meeting. In relation to discussions, comments and questions and queries, yes there were lots and lots of them from all sorts of people. If the question is whether anybody directed any of the committee—

The Hon. GREG DONNELLY: That is not my question.

The Hon. GREG PEARCE: —as to their recommendations the answer to that is no.

The Hon. GREG DONNELLY: Director General, did you ask any member of your staff to speak to any member of the joint select committee or their staff about what would be in the committee's report, including its recommendations, before its deliberative meeting held on 11 June 2012 to settle the report and, if so, who?

Mr COUTTS-TROTTER: No.

The Hon. GREG DONNELLY: Did the Director General ask any member of his staff to speak to any member of the joint select committee or their staff about what would be in the committee report, including its recommendations, on 11 June 2012 and, if so, who, reminding you that that is the day on which the report was settled?

Mr COUTTS-TROTTER: Again, no.

The Hon. GREG DONNELLY: Minister, did any persons speak to you about what were the recommendations finalised in the joint select committee report before it was tabled in the Legislative Council on 13 June 2012 and, if so, who was that person or persons?

The Hon. GREG PEARCE: The first time I knew of the recommendations in the report was when the report was given to me.

The Hon. GREG DONNELLY: So the answer is no.

The Hon. CATHERINE CUSACK: You have had the answer.

The Hon. GREG PEARCE: You have had my answer. You would think it would be quite logical that I would get to know the recommendations when I was given the report.

The Hon. GREG DONNELLY: When it was tabled in the House?

The Hon. GREG PEARCE: No, when I was given the report.

The Hon. GREG DONNELLY: When was that, Minister?

The Hon. GREG PEARCE: I do not recall.

The Hon. GREG DONNELLY: If it was tabled in the House on the thirteenth, when the members of the House got to see the report, how is it that you got a copy of the report before it was tabled in the House?

The Hon. GREG PEARCE: I think I tabled it, did I not? So I probably had it before I walked in and tabled it.

The Hon. GREG DONNELLY: Director General, did any persons speak to you about what was in the committee's report, including the recommendations finalised in the joint select committee report, before it was tabled in the Legislative Council on 13 June 2012 and, if so, who was that person or persons?

Mr COUTTS-TROTTER: No.

The Hon. GREG PEARCE: Mr Chair, I think I made a mistake just a moment ago when I said I thought I had tabled the report. Of course, the Chair of the Committee, Mr Borsak, tabled the report. I did not see the report until it was given to me, which would have been after it was tabled.

The Hon. GREG DONNELLY: I move on to my next question about the New South Wales Government Ministerial Handbook. I want to take the Minister specifically to a part of the handbook. I have a copy for the Minister.

The Hon. CATHERINE CUSACK: What year?

The Hon. GREG DONNELLY: It is the current one, dated June 2011. Minister, are you familiar with that handbook, in general terms?

The Hon. GREG PEARCE: Yes.

The Hon. GREG DONNELLY: I take you to an appendix towards the back. It is appendix E4.

The Hon. GREG PEARCE: You could if you gave it to me, but you did not give it to me.

The Hon. GREG DONNELLY: Yes, you have got "Financial Impact".

The Hon. MELINDA PAVEY: What page?

The Hon. GREG DONNELLY: "Financial Impact".

The Hon. GREG DONNELLY: Have you got point five there?

The Hon. GREG PEARCE: You will have to improve your photocopying ability.

The Hon. GREG DONNELLY: It is the first page and it has got "Financial Impact".

The Hon. WALT SECORD: Is this time-wasting?

The Hon. GREG PEARCE: It is the trouble with these theatrics, Greg. You want to do the theatrics you have to go get your game straight.

The Hon. GREG PEARCE: That is probably the same as the report that Mr Foley was purported to quote from.

The Hon. WALT SECORD: Wait until Foley leaves.

The Hon. GREG DONNELLY: Point of order: the Minister is wasting my time. I said this is on the first page and they are pretending they cannot find it.

The Hon. CATHERINE CUSACK: You are wasting your own time.

The Hon. GREG PEARCE: The first page is the cover. The second page is "Approval to introduce bill minutes".

The Hon. MELINDA PAVEY: Take what you have got over to him, Greg.

Dr JOHN KAYE: Lend him yours.

The Hon. GREG PEARCE: Ask the question.

The Hon. WALT SECORD: I think we will have to move for an extension of time.

The Hon. GREG PEARCE: That is what I am saying. Ask the question.

The Hon. GREG DONNELLY: I have said it is the first page. Here it is, point 5.

The Hon. Walt Secord: Look at that.

The Hon. GREG DONNELLY: That is exactly what I have been asking. I would ask for an extension of time, because at least three minutes has been wasted.

The Hon. GREG PEARCE: You referred to appendix E.

The Hon. GREG DONNELLY: Yes, if you look down the bottom of the page, it has got page E4, Minister. That is what I said three minutes ago. You have wasted three minutes.

The Hon. GREG PEARCE: I cannot read that print.

The Hon. GREG DONNELLY: Can I pause for a moment?

CHAIR: Will you comment on what it says.

Dr JOHN KAYE: We have no idea what you are talking about, Greg.

The Hon. CATHERINE CUSACK: Point of order: What is wasting time is the circular and cryptic approach—

The Hon. GREG DONNELLY: It is not cryptic.

The Hon. CATHERINE CUSACK: — that Mr Greg Donnelly is taking to this. He has read out a chronology. He has given a document to the Minister in an attempt to hijack it, and now he is saying that we are somehow wasting his time.

The Hon. GREG DONNELLY: You are taking up my time. That is not fair.

The Hon. CATHERINE CUSACK: This entire thing is a complete waste of time.

The Hon. GREG DONNELLY: You are taking up my time. The Minister has wasted three minutes. "Financial Impact", point 5.

The Hon. CATHERINE CUSACK: Greg, come to the point more quickly.

CHAIR: Frame the question.

The Hon. GREG DONNELLY: The two paragraphs, "All Cabinet Ministers must include a section summarising the financial impacts."

The Hon. GREG PEARCE: In what?

The Hon. GREG DONNELLY: "Apart from detailing" —

The Hon. GREG PEARCE: In what?

The Hon. GREG DONNELLY: "Apart from detailing additional cost and/or revenue to the proponent agency, these sections questions must fully explore and identify any flow-on costs for other agencies as well as any indirect costs and offsets. How impacts will be funded and the scale of cost will also be included in the section." In the next paragraph I take you to the second sentence, "While Treasury will review the financial impact of the proposal, the primary responsibility for the accuracy of the information provided in the Cabinet minute, including the estimated financial impact, rests with the submitting Minister." Minister, over the page you will see a table, and that is the table which is the pro forma for a budget minute.

The Hon. GREG PEARCE: Sorry, is that two pages on? Is that what you are looking at?

The Hon. GREG DONNELLY: When you turn over the page, Minister—

The Hon. GREG PEARCE: Two pages on.

The Hon. GREG DONNELLY: You will see that that is the framework for submitting the details about the cost impact with respect to your legislation. My question to you is: Did you provide advice to Cabinet based on Treasury information about the cost impact of the legislation?

The Hon. CATHERINE CUSACK: That is out of order. That is clearly out of order.

The Hon. GREG PEARCE: Mr Donnelly, I know you were not in one of the many, many, many, many, many Labor Cabinets, but I do also know that you are fully aware that the contents of Cabinet minutes are confidential.

The Hon. GREG DONNELLY: Yes.

The Hon. GREG PEARCE: And we cannot discuss them.

The Hon. GREG DONNELLY: My question was not over the detail; my question was: Did the Minister seek, in accordance with—as he has acknowledged—the Ministerial Handbook, the obligation he has to obtain advice from Treasury about the financial impact of his proposal and that that information is required to form part of the budget minute? Did he obtain that information from Treasury? That is the question.

The Hon. GREG PEARCE: The member would know that I would be breaching my duties as a Cabinet Minister if I was to disclose what was disclosed in a Cabinet minute.

The Hon. GREG DONNELLY: I did not ask you to tell me the detail. In accordance with the document—which he has acknowledged he observes, as I understand his comment—the very explicit requirement to obtain advice from Treasury in regard to a piece of legislation to be brought before the Parliament is required to be obtained and forms part of the budget minute. My question is: Did you obtain that advice from Treasury?

The Hon. GREG PEARCE: My answer is the same as it was the first two times you asked the question.

The Hon. GREG DONNELLY: Did you obtain the advice from Treasury?

The Hon. GREG PEARCE: My answer is the same as it was the first three times.

The Hon. CATHERINE CUSACK: He has answered the question.

The Hon. GREG PEARCE: If you were not paying attention, I am sorry about that.

The Hon. CATHERINE CUSACK: If you were not listening, get the transcript later on.

The Hon. GREG DONNELLY: Mr Chair, I would ask you to rule on this matter.

The Hon. GREG PEARCE: Rule on what?

The Hon. CATHERINE CUSACK: What is your point of order?

The Hon. GREG DONNELLY: Would you just let me finish? I have asked the Minister an explicit question: whether or not, in accordance with the New South Wales Government Ministerial Handbook, with respect to appendix E, which lays out the details about the financial impact with respect to legislation, he, in accordance with this, obtained the advice from Treasury before proceeding with the legislation.

The Hon. CATHERINE CUSACK: Mr Chair, the member knows that that is not a point of order, and he is exploiting the standing rule by using a point of order to make a speech. I put it to you that the Minister has answered the question three times and the member is the one who is abusing the proceeding of this Committee by repeatedly asking the same question. It has been asked, answered; asked, answered; asked, answered.

The Hon. GREG DONNELLY: To the point of order: It has not been answered.

The Hon. CATHERINE CUSACK: That is not a point of order and you know it.

CHAIR: Does the Minister wish to add anything in response to that question?

The Hon. GREG PEARCE: No, Mr Chair. The member might not like the answer, but I have answered the question three times already.

CHAIR: That is as far as you are going to get an answer.

The Hon. MELINDA PAVEY: Mr Donnelly, you were given some extra time to participate in that line of questioning.

The Hon. GREG DONNELLY: I have no further questions at this stage.

Dr JOHN KAYE: My question relates to the 2010 Sydney Metropolitan Water Plan.

The Hon. GREG PEARCE: For 2010?

Dr JOHN KAYE: The document that is labelled. Am I correct in saying that that is currently under review?

The Hon. GREG PEARCE: Not precisely. As you know, there have been several metropolitan water plans. The one that is currently in existence is the 2010 water plan, so water management is continuing under that plan, which was concluded under the previous Government, and we have initiated a regular and normal review of the plan, and work has commenced on that, so that we will have—

Dr JOHN KAYE: So it is only a review?

The Hon. GREG PEARCE: It is not the plan that is under review; it is work for a new plan.

Dr JOHN KAYE: So you will be getting to work on the next plan?

The Hon. GREG PEARCE: We are working on the next plan.

Dr JOHN KAYE: I am wrong and you are right. Are you commencing work on the 2013 plan or the 2014 plan?

The Hon. GREG PEARCE: It will probably not be through until 2014 or 2015 given that the 2010 plan is not very old.

Dr JOHN KAYE: The turn-on and turn-off levels for the desalination plant with regard to water storage levels were established in the 2010 Metropolitan Water Plan.

The Hon. GREG PEARCE: Yes, and in the desalination plant operating rules and all the rest of it.

Dr JOHN KAYE: But the originating point for the 70/80 per cent arrangement was the 2010 Metropolitan Water Plan.

The Hon. GREG PEARCE: Yes.

Dr JOHN KAYE: Will it be possible to change the numbers in the next water plan—and we understand work has commenced on that plan—or are they cemented into the long-term lease between the desalination plant and the New South Wales Government?

The Hon. GREG PEARCE: They were cemented in under the Labor Government's water plan and the contracts to construct and operate the plant.

Dr JOHN KAYE: I would like to go back one step. You said that they are cemented in under the water plan. However, as we know, they are changed every five or six years. Nothing is cemented in; that was for the life of that water plan. You also said that they were cemented in under the contract to build the plant.

The Hon. GREG PEARCE: The contract and the operating arrangements for the desalination plant.

Dr JOHN KAYE: The contract or the arrangements?

The Hon. GREG PEARCE: The desalination plant was built by the Labor Government under a regime that included those operating arrangements.

Dr JOHN KAYE: Are you saying that the 70/80 per cent arrangement was in the original contract, not in the water plan that came out substantially after the contract was signed?

The Hon. GREG PEARCE: I do not want to get into semantics. We all know that they were the operating arrangements. I do not have those documents in front of me. If you want me to state which paragraph—

Dr JOHN KAYE: This is a serious matter because the issue I am pursuing is whether it is possible to change that 70/80 per cent arrangement. Many people argue that it is absurdly high and that it gives a huge advantage to the desalination plant over other much cheaper water sources in Sydney. Given that the plant was operating and Warragamba Dam overflowed, surely there is an argument that that is too high and that it should be more like 30 per cent/40 per cent or 20 per cent/30 per cent? Are you saying that those two numbers are set by the Sydney Metropolitan Water Plan, which is of course fungible—it can be changed from time to time—or set in the contract, in which case there would be a financial penalty? If they are set in the contract, which contract is it—the contract you signed for the lease of the plant or the contract that your predecessors signed for the construction and operation of the plant? I do not think this is a semantic matter; it is serious.

The Hon. GREG PEARCE: As you know, the 2010 Metropolitan Water Plan cemented in the 70/80 regime and I am advised that that was following hydrological and economic modelling. As you would recall, at that time you and I were both very sceptical about the proposal. I am told now that alternative approaches were also examined—a 30/40 regime and an 80/90 regime. I am also told now that they did not produce optimal water supply and economic outcomes. I was not the Minister at the time.

Dr JOHN KAYE: I know.

The Hon. GREG PEARCE: I can only tell you what I am now told was the rationale.

Dr JOHN KAYE: I am not interested in the rationale; I am interested in the contractual arrangements.

The Hon. GREG PEARCE: We have what we were given.

Dr JOHN KAYE: But what were you given?

The Hon. GREG PEARCE: The 70/80 regime manages operating costs while reducing the probability of triggering further capital intensive investment in a future severe drought. The regime also preserves space in the dams to allow for the capture of rainfall, which of course is the cheapest source of drinking water. As you know, given that storages are well above 80 per cent the plant has been shut down since 1 July. It will commence operating again if storages fall below the 70 per cent level.

Dr JOHN KAYE: My question is not about the rationale; it is about the possibility of change. Is the 70/80 arrangement locked in by a contract? From what you have said, it was not locked into a contract signed by the Labor Government. Has it been locked into a contract signed by your Government? Did you lock in the 70/80 arrangement in the 50-year lease or is it still open to change as a result of the revision of the water plan?

The Hon. GREG PEARCE: I see where you are going. I am sure you do not expect me to have the documents with me and I do not. If you want me to find the clauses I am happy to do so. The operating provisions which we were given and which continue include the 70/80 arrangement. If you want that tested in the next review, I encourage you to make a submission and see what comes of it.

Dr JOHN KAYE: I would not want to waste my time making a submission if the Government has signed a contract with the lessees of the desalination plant that locks in the 70/80 arrangement. It is reasonable for us to ask that question. Will you take it notice?

The Hon. GREG PEARCE: I will get the clauses subject to commercial confidentiality.

Dr JOHN KAYE: I refer to the Claymore housing estate. You would be aware that the Labor Government began renovating that estate, that an allegation was made on *Four Corners* that a number of dwellings there have been shut down or sealed off and that your Government has withdrawn funding for the redevelopment. Can you enlighten the Committee about what has happened? Is it true that the redevelopment has been stopped because of a lack of funding?

The Hon. GREG PEARCE: We inherited that situation from the Labor Government, which did some planning for the redevelopment of Claymore but failed to fund—

The Hon. WALT SECORD: It was June 2010.

The Hon. GREG PEARCE: The Labor Government failed to fund that program. The local community has indeed been informed that due to funding constraints that project and other projects are currently under review. Some maintenance was deferred pending the redevelopment and the catch-up work that may be required. The Government is very concerned about the fact that under the Labor Government demolition and other work commenced without proper funding. This Government is examining whether additional maintenance is required and, if so, over what period. We are committed to the development of social housing and that is clearly demonstrated by other projects which are being planned or which are already underway, including at Airds, Bradbury and Minto. I am very disappointed that the work at Claymore commenced under the Labor Government without funding being allocated.

Dr JOHN KAYE: How many dwellings are currently unoccupied or unable to be occupied—that is, closed up? How many are in that condition because of the redevelopment? [*Time expired.*]

The Hon. GREG PEARCE: I have been advised that it is about 100, but I will provide the precise number because I am also very interested in this issue.

CHAIR: The budget papers contain a proposal to extend the scoping study to include a long-term lease of Port Kembla. Advisers indicate that leasing the port could add substantial value in the transaction. What progress has been made in regard to Port Kembla?

The Hon. GREG PEARCE: Thank you for that important question, Mr Chair. I need to go back one step. The budget also indicated that we would be looking at a long-term lease of Port Botany. I understand that in the course of the early work on Port Botany the expert advisers came to the view and recommended to the Government that it would also make sense to look at a long-term lease of Port Kembla, primarily because of synergies with the internal transport arrangements and the intermodal facilities that can be utilised by both ports.

Rational thinking going forward is to continue the development of Port Kembla, and to ensure the business at Port Kembla we needed two things, one of which is extra capital, which the Government does not have in the foreseeable future. A second issue is what would happen to the eventual overflow of container traffic, which is a major part of the Port Botany business when eventually through natural growth and the growth of the businesses those containers cannot be accommodated in port Botany? Where will they go? The suggestion was that Port Kembla would be the ideal place to do that.

The Government has proceeded to work up the business case and has engaged consultants—the Treasurer is running the process—to look at the potential to have a long-term lease at both of those ports. One of the key deliverables out of that process is that if Port Kembla is taken over by the private sector through one of those transactions \$100 million of the proceeds will be directly reinvested back into the Illawarra. It is a very significant reinvestment that comes out of these projects. Whatever we think about the desalination plant, we have already seen that its long-term lease has provided more than \$300 million in cash that was not previously available, plus retiring a couple of billion dollars of debt. This will enable us, subject to our other lending parameters, to borrow to build other infrastructure that is required. It is a very positive process and we expect that the port process will be concluded early to mid next year.

CHAIR: Is it possible for one operator to lease both ports as a more attractive option than just one?

The Hon. GREG PEARCE: We will wait and see. Certainly the possibility of one operator leasing both of them is, as I understand it, quite desirable because it will allow the management of an interconnection of the two ports and obviously it will allow for additional infrastructure spending and capital spending to be programmed for both ports. Clearly, if an organisation buys both of them they are going to be spending a lot of money and they are going to have a very significant incentive to make sure they grow those businesses.

CHAIR: You mentioned earlier that \$100 million could be invested in the Illawarra and that will be guided by Infrastructure NSW. Is there a proposal as to where that money will be spent: for example, on roads or buildings?

The Hon. GREG PEARCE: As Minister for the Illawarra, Mr Chair, I can assure you there are plenty of proposals as to where that money can be spent. We have not formalised a process to decide on where that

money will be spent but I have already assured local councils and business communities that we will take into account their views and have a good discussion about where it is best to spend that money. At the end of the day part of the approach of Infrastructure NSW is to prioritise which spend will best contribute to the overall development and prosperity of the community, so that element is very important. We do not want to make decisions based on electoral matters as other governments have done; we want to make sure that the decisions actually are the best in terms of the overall development for the community.

CHAIR: The budget papers also state under the Finance and Services cluster that its role is to align the government property portfolio to support agency service delivery. I refer to the Cronulla Fisheries—a centre of excellence—site, if and when it closes. Obviously, that property will be transferred from Primary Industries to your department, and Primary Industries will have no role in that property? What will happen to the property when it ceases to be under Primary Industries?

Mr COUTTS-TROTTER: Within the portfolio there is an organisation called the State Property Authority that has two functions: to own the Government's office accommodation and manage it appropriately and act as an internal landlord, and to, at the request of agencies, handle the purchase or sale of properties. So it acts to undertake a transaction based on the instructions provided to it by the agency that owns the property. Property sales come under policies controlled by the Treasurer. Those policies aim to ensure that it is a competitive process and that government agencies get full value when they sell properties. If you wanted to put constraints on the sale of the property, or take a property and provide it as parkland, or in some other way not capture the value of the property, the Treasurer's approval is needed to do that. Our agency has a transactional function, and it takes place within a framework partly governed by the Treasurer and his policies and partly by the preference and instructions of the agencies that hand on the property to us.

CHAIR: The basis of my question is that the Minister for Primary Industries gives an assurance that the property will not be sold. Once the Minister for Primary Industries no longer has responsibility for that property she has no more control over its future. It will then depend on the State Property Authority?

Mr COUTTS-TROTTER: We do not have the power to take that property from her. She would have to decide to give it to us. If she has given undertakings that the property will not be sold there is nothing we do that would in any way threaten that.

CHAIR: Once the Department of Primary Industries has no role in the property after it is closed will it automatically become an unused property and be transferred to another department?

Mr COUTTS-TROTTER: Lots of agencies hold lots of properties that may be surplus to their needs at the moment. They do not automatically transfer to the State Property Authority; it is done by consent. The determining Minister and agency would be the Minister for Primary Industries and her agency.

CHAIR: I note in the budget papers the review of 31 potential housing sites to identify appropriate locations for adequate service, et cetera. What progress has been made with that review?

Mr COUTTS-TROTTER: Will you provide me a reference?

CHAIR: The 2012 Budget Papers, Performance Report page 5-4 under key initiatives.

Mr COUTTS-TROTTER: I do not have that in front of me. I will take the question on notice.

The Hon. WALT SECORD: I refer to Claymore. Did you see the ABC *Four Corners* documentary entitled "Growing Up Poor" on 24 September?

The Hon. GREG PEARCE: No, I did not see it. I think I had an engagement. The next day I saw part of it.

The Hon. WALT SECORD: It was devastating, was it not?

The Hon. GREG PEARCE: Absolutely.

The Hon. WALT SECORD: Please continue.

The Hon. GREG PEARCE: It is a devastating judgement on the Labor Party's neglect over the past 16 years.

The Hon. WALT SECORD: Okay, Greg.

The Hon. GREG PEARCE: I thought you wanted me to go on with that. You should be ashamed—

The Hon. WALT SECORD: If that is the way you want to be, Greg. Here we go—

The Hon. GREG PEARCE: —you were there with the Premiers.

The Hon. WALT SECORD: Why did you scrap it, Greg?

The Hon. GREG PEARCE: Why did you start it—

The Hon. WALT SECORD: I was going to be civil.

The Hon. GREG PEARCE: —without providing the funding?

The Hon. WALT SECORD: Greg, I was going to be civil. I was going to ask you sensible questions but you had to get into the gutter.

The Hon. GREG PEARCE: No, I got into the Labor Party. If you say the Labor Party and the gutter are the same, I agree with you.

The Hon. WALT SECORD: On what day did you decide to break the State-Federal agreement where the then Housing Minister Tanya Plibersek—you might be aware of her?

The Hon. GREG PEARCE: Yes.

The Hon. WALT SECORD: And State Housing Minister Frank Terenzini agreed to provide \$43 million and \$12.96 million respectively. What day did you decide to scrap that agreement?

The Hon. GREG PEARCE: Let us have a look at this, because I was not the Minister.

The Hon. WALT SECORD: You are the Minister who scrapped it.

The Hon. GREG PEARCE: A succession of Labor Party failures led to this disastrous situation in Claymore and have failed public housing tenants not just there but around the State.

The Hon. WALT SECORD: Minister, you scrapped the project.

The Hon. GREG PEARCE: I have been given some background material. In 2009 and earlier the Claymore estate was identified by Housing NSW—

The Hon. WALT SECORD: Point of order: My question was simple: What day did the Minister decide to scrap the State-Federal agreement?

The Hon. CATHERINE CUSACK: To the point of order: The member knows that is not a point of order.

The Hon. WALT SECORD: It is a point of order: it goes to relevance.

The Hon. CATHERINE CUSACK: The member is abusing the standing orders and is making a debating point.

The Hon. WALT SECORD: My question was very simple. I asked: What day did the Minister decide to scrap the agreement on Claymore?

The Hon. CATHERINE CUSACK: Further to the point of order: The member is now making a second debating point; he is not taking a point of order. It is an abuse of the procedures of this Committee.

The Hon. GREG PEARCE: It is typical of those tactics whereby you put forward some outrageous proposition which is untrue and because you keep repeating it you think that people are going to believe it. I have not scrapped any agreement.

The Hon. WALT SECORD: So the comment provided by the Department of Housing to *Four Corners* is incorrect?

The Hon. GREG PEARCE: I do not know; you tell me. I do not know what you are talking about.

CHAIR: The Minister said he had not seen the program.

The Hon. WALT SECORD: He said he saw parts of it the next day.

The Hon. GREG PEARCE: That is right. So are you interested in what happened or not? I can tell you that in 2009 and earlier the Claymore estate was identified by Housing NSW as one of the most deprived estates, with high incidences of vandalism, crime, graffiti and residents reporting feeling unsafe. That was in 2009. Do you remember who was in government then, Walt?

The Hon. WALT SECORD: So why did you then scrap the project?

The Hon. GREG PEARCE: Landcom was engaged to prepare a master plan for the Claymore estate to produce private and public housing and to improve public spaces, road access and streetscapes. I am also advised that in November 2009 the Commonwealth Government called for expressions of interest for funding under round two of the Housing Affordability Fund. In January 2010 an application was made to the Commonwealth Government for funds under the Housing Affordability Fund to undertake some master planning—master planning—and some early infrastructure work in order to transform the estate. So the Labor Government asked for some master planning money and some infrastructure work.

The Hon. SHAOQUETT MOSELMANE: Minister, you have been in government now for two years. What have you done about it?

The Hon. CATHERINE CUSACK: He has not been in government for two years. When you lead with your chins this is what happens.

CHAIR: The Minister is completing his answer to the first question from Mr Secord.

The Hon. GREG PEARCE: The plan, I am told, involved the demolition of properties and changing the layout of some roads on the estate, as well as other infrastructure works. The proposal was estimated, I am told, to cost \$109 million, which would largely be recouped from the sale of properties on the estate but did not involve the replacement of the housing stock that was sold. In June 2010 the Commonwealth informed New South Wales that it would approve \$12.9 million, so hardly \$109 million—

The Hon. WALT SECORD: You are trying to wind down the clock, Greg. Come on, speed it up.

The Hon. CATHERINE CUSACK: You are a disgrace, Walt.

The Hon. GREG PEARCE: I was not there, Mr Secord, so I did not have the opportunity to manage—

The Hon. WALT SECORD: You are the man who scrapped the project. I cannot believe you are sitting there and trying to run down the clock—

The Hon. CATHERINE CUSACK: Point of order: The purpose of estimates is to ask questions; not to debate the Minister—we do that in Parliament.

The Hon. WALT SECORD: The Minister is not answering the question.

The Hon. CATHERINE CUSACK: That is not a submission on a point of order, Walt.

The Hon. WALT SECORD: He is winding down the clock to avoid answering the question.

The Hon. CATHERINE CUSACK: You are wasting your own time.

The Hon. WALT SECORD: The Minister will be allowed to conclude his answer.

The Hon. GREG PEARCE: The other important thing for the Committee to understand is that the Claymore project has now been costed and the estimate for the Claymore project that has been provided to me is \$560 million, not the \$109 million that Labor did not fund. This project is a Labor catastrophe. It is a disgrace that they undertook to start this project without the funding and they then did nothing about Claymore, having identified what a problem it was from 2009 and earlier. They should be ashamed of themselves.

The Hon. WALT SECORD: Can I move to my next question?

CHAIR: Yes.

The Hon. WALT SECORD: I refer you in your capacity as Minister for the Illawarra and Minister for Housing to Warrawong public housing. What are you doing about the shocking report about burnt out cars, lawlessness, elderly people living in fear, crime on the streets and people wanting to leave the public housing estate down there in Wollongong?

The Hon. CATHERINE CUSACK: Point of order—

The Hon. WALT SECORD: It is within his double portfolio.

The Hon. CATHERINE CUSACK: I am asking you to cite the source of your reports.

The Hon. WALT SECORD: Are we going to that? Cut it out, Catherine. You know the conventions. Minister, do you not want to answer the question?

The Hon. CATHERINE CUSACK: I do know the conventions: to cite the reports.

CHAIR: The Minister will be allowed to consider his answer.

The Hon. WALT SECORD: Go ahead and avoid the question; it is up to you.

The Hon. GREG PEARCE: I often tell people about the housing portfolio because I held the shadow portfolio—

The Hon. WALT SECORD: On *A Current Affair* on 2 October the housing department was quoted.

The Hon. CATHERINE CUSACK: Instead of watching television, can you cite the report?

The Hon. GREG PEARCE: When we were in opposition we saw the absolute abject failure of Labor Minister and Labor Government after Labor Minister and Labor Government to deal with public housing, social housing in New South Wales. We saw many, many estates that declined. Maintenance was not done and these sorts of social issues arose. The crime and the lack of care developed under 16 years of Labor. As a government we have attempted to come up with some solutions—

The Hon. WALT SECORD: By cutting the programs.

The Hon. GREG PEARCE: —to drive some policies which will allow us on the one hand to better look after the public housing tenants. Under Labor if you were a social housing tenant you had to be assessed by the Department of Housing. If you then had some mental illness issues you had to be assessed again. If you had a disabled child that was done in a different part of government. If you had truancy issues that was done in a different part of government. So one of the things we are trying to do is to look after all these issues through one agency.

The Hon. SHAOQUETT MOSELMANE: Point of order: Time is running out and I have got a couple of questions to ask.

The Hon. CATHERINE CUSACK: Take it up with Walt.

The Hon. WALT SECORD: He is not answering the question.

The Hon. CATHERINE CUSACK: It is Walt who is using up your time.

The Hon. SHAOQUETT MOSELMANE: He is not answering the question; he is just waffling on.

The Hon. CATHERINE CUSACK: It is not a point of order.

The Hon. GREG PEARCE: You do not listen so you do not understand what is happening. The management of those clients has been relocated into the Department of Community Services to try to give them a much better outcome in terms of all of their contacts and issues with State government. The management of the properties has been transferred over to me with the Land and Housing Corporation. In the course of that transfer we have discovered that under Labor not only was the estate going backwards, not only was maintenance a problem, but under their policies they were selling and demolishing properties without the funding for additional and new properties.

The Hon. SHAOQUETT MOSELMANE: Point of order: I would like to ask a question. We have heard the Minister.

CHAIR: Will the Minister get back to the point that was made in the question about that particular location?

The Hon. GREG PEARCE: And that particular location is one of the many that have been allowed under 16 years of Labor to become an absolute problem.

The Hon. SHAOQUETT MOSELMANE: In relation to public housing in Bomaderry, on ABC radio Illawarra on Friday 5 October Kiama MP Gareth Ward attacked you for your failure to make progress on the unfinished public housing projects in Bomaderry. What have you done about it since then?

The Hon. GREG PEARCE: You see again, that is an own goal there.

The Hon. WALT SECORD: He is your own member.

The Hon. SHAOQUETT MOSELMANE: He said, "Mr Pearce needs to resolve these matters." These are his words.

The Hon. GREG PEARCE: This project was one that was mismanaged by your Government.

The Hon. SHAOQUETT MOSELMANE: Your own member says you have been dragging your feet about this matter.

The Hon. MATTHEW MASON-COX: Let the Minister answer.

The Hon. SHAOQUETT MOSELMANE: Well he is not answering.

The Hon. MATTHEW MASON-COX: Let him answer.

The Hon. GREG PEARCE: You mismanaged it to such an extent that the construction company that was engaged to do this project several years ago failed. We were then left with trying to recommence this project and a number of others because of your Government's incompetence, because of Labor's incompetence on these matters and as you know we have been working very hard to finalise those projects that were your failures.

The Hon. SHAOQUETT MOSELMANE: What have you done about this particular project, Minister?

The Hon. GREG PEARCE: A number of them have already been finished.

The Hon. SHAOQUETT MOSELMANE: Have you responded to your own member in this respect?

The Hon. MELINDA PAVEY: Let him answer.

The Hon. SHAOQUETT MOSELMANE: Well, he is not answering.

The Hon. MELINDA PAVEY: He is, Shaoquett.

The Hon. CATHERINE CUSACK: Point of order: He is interjecting on the Minister. No wonder the Minister is finding it difficult to answer questions when the Opposition will not stop interjecting on him.

The Hon. SHAOQUETT MOSELMANE: The question was pretty specific.

The Hon. CATHERINE CUSACK: Are you going to speak on the point of order or are you going to make another speech?

The Hon. SHAOQUETT MOSELMANE: To the point of order: The question was pretty specific about the Bomaderry housing project and what has he done about it.

The Hon. CATHERINE CUSACK: And of course that is a debating point.

The Hon. SHAOQUETT MOSELMANE: It is not a debating point. It puts you as a regulator here.

CHAIR: The Minister is endeavouring to answer the question. Let the Minister conclude his answer.

The Hon. MELINDA PAVEY: I thought you were a lawyer, Shaoquett.

The Hon. SHAOQUETT MOSELMANE: I am.

The Hon. CATHERINE CUSACK: First of all Walt uses up all your time—

CHAIR: We do not need a running commentary from Committee members.

The Hon. GREG PEARCE: This failed Labor Party project at 33 to 37 Bunberra Street, Bomaderry is one that I have been working through with Public Works to rectify the disastrous failure of the Labor Party. Design and documentation have been finalised for remedial work on this 16-unit project. The structural steel rectification package has been awarded—that word "rectification" because of your Government's failure on this project; your Government messed it up.

Some works recommenced on the site on Monday, 24 September 2012—that is, this year. Remaining trade contracts are in the process of being tendered to allow full work to resume as soon as possible. Site completion is forecast for early 2013. You will recall that this was one of the disasters arising from your mismanagement of the housing projects and one of the outcomes of those disasters was that subcontractors around the State were left unpaid when builders selected by your Labor Government collapsed and New South Wales Public Works in relation to this one has paid all subcontractors previously employed by St Hilliers for work that was carried out prior to St Hilliers entering into voluntary administration. St Hilliers, of course, as you know, was selected under our watch to rectify this failed project, St Hilliers of course being one of the builders put on the list by your Government.

The Hon. WALT SECORD: As Minister for the Illawarra, how much is a CityRail trip from Wollongong to Town Hall?

The Hon. CATHERINE CUSACK: For what sort of passenger?

The Hon. WALT SECORD: We could go on an adult fare, we could go a pensioner fare, we could go on a single fare?

The Hon. GREG PEARCE: Well, for someone your age, Walt, I am told you can get a \$2.50 ticket.

The Hon. WALT SECORD: Greg, how much is an adult return fare from Wollongong to Town Hall?

The Hon. GREG PEARCE: I will take that on notice and get you an answer.

The Hon. WALT SECORD: You will take that on notice? You are the Minister for the Illawarra.

The Hon. SHAOQUETT MOSELMANE: He does not even know and he is the Minister for the Illawarra.

The Hon. GREG PEARCE: Killer point, Walt. How much does the *Sydney Morning Herald* cost?

The Hon. WALT SECORD: I get it online, Greg.

The Hon. GREG PEARCE: Killer question, Walt.

CHAIR: We will move on to Dr John Kaye.

Dr JOHN KAYE: Minister, if I could just take you back to Claymore for a minute. I want to pick up on something you said. You said that the original costing was \$109 million—correct me if I get this wrong—most of which would have been recouped from the sale of private land on the site, the development of the site; there was to be mixed development?

The Hon. GREG PEARCE: I was relating to you and I tried to make it clear that that is information that has been given to me now about things that occurred two and three years ago when I was not the Minister.

Dr JOHN KAYE: Yes, I am not seeking to do so, but what I want to go to is your costing is \$560 million?

The Hon. GREG PEARCE: That is what has been provided to me now.

Dr JOHN KAYE: Of which roughly \$100 million would have been recouped. What you are saying is that roughly \$100 million would have been recouped so it would cost Treasury \$460 million to continue with the project, is that correct?

The Hon. GREG PEARCE: No, I could see how you would get to that assertion but the \$109 million, as I say, was developed before I was in the chair and I cannot prove or disapprove how they got to that figure but you are picking up on the point that at least part of that \$109 million was supposedly going to be recovered from sale of properties. The reality that we have discovered—and I was alluding to this and I started to talk about this when I was answering one of the previous questions—is that under the previous Government in simple terms the policy was that it would sell existing housing stock for on average about \$300,000 and then have to replace it with new housing stock to house the same number of people for, say, \$500,000.

The policy was simply unsustainable. In addition to that, they were disposing of properties in estates which meant that the development potential of the estate was destroyed. For example, they would sell a property that was slap bang in the middle of 20 other properties, making it impossible to then do the whole 20 properties as a new development. When we come to the \$560 million we do not have a significant expectation of significant property sales at Claymore to provide that funding and unfortunately it is one of these self-perpetuating sorts of cycles; because Claymore has deteriorated so much, you cannot really sell the stuff.

Dr JOHN KAYE: That is a fivefold increase. Let us leave aside the issue of sale of land, in the gross cost of the project it is a fivefold increase. Is it exactly the same project?

The Hon. GREG PEARCE: I do not really know, but from experience so far the previous assessments of the cost of doing these projects were wildly wrong on the low side.

Dr JOHN KAYE: There would be documents which were transferred from the old Department of Housing to the division within your department which would explain presumably how the figure of \$109 million was arrived at?

The Hon. GREG PEARCE: Well they might, Dr Kaye, and I am very happy for you to do an order for papers or something and for you to do the work on going through them. For my part I have to deal with the issue that we have there at the moment, which is the estate in the condition that it is in, and without being offensive about it, I am spending my time now trying to work out how we resolve that problem rather than delving back in the past to see what was the solution that did not occur under Labor.

Dr JOHN KAYE: Financially if not socially the model worked at Minto?

The Hon. GREG PEARCE: I agree.

Dr JOHN KAYE: What I am trying to understand is what has gone wrong here and how can we rectify it because the current situation, you would agree I think, is completely untenable?

The Hon. GREG PEARCE: Absolutely and I am really concerned about our capacity to fix these problems because it is not just Claymore; there are other estates—Mr Secord mentioned one of them—that have been allowed to deteriorate over such a long period of time that the size of the problem is something that is going to really require not just our effort but some really current thinking. One of the things that we are going to have to address, Dr Kaye, is that we are going to have to really look at the location of some of the estates and the capacity for us to be able to get proceeds from sale of some of the properties.

Dr JOHN KAYE: Can you give on notice an explanation of where the \$560 million comes from, given that it is such a massive increase?

The Hon. GREG PEARCE: I am very happy to give you that.

Dr JOHN KAYE: Without wishing to delve into matters that are commercial in confidence.

The Hon. GREG PEARCE: No.

Dr JOHN KAYE: Could I change topics and go to what you told me in Parliament on 29 and 30 May in respect of a debate over the new procurement arrangements?

The Hon. GREG PEARCE: Excellent.

Dr JOHN KAYE: I had foreshadowed moving an amendment to ban the purchase of child labour using State money and you said:

I can assure Dr John Kaye that the Government does not support the purchase of goods or services produced using child labour.

The next day, on 30 May, you said to me:

Similarly, the Government does not want goods and services to be made using child labour.

You placed on the record very firmly that you were totally opposed to that. We now find that two soccer ball manufacturers and one rugby and presumably Australian Rules manufacturer—Sherrin and Canterbury—have admitted that their products are made using child labour in India. That is a surprise to most of us because we thought the problem was in Pakistan, but thanks to some investigative journalism by the *Sun-Herald* and the *Sydney Morning Herald* we now know that it is a problem in India. When you made your assurance to me what steps had you or your department taken to ensure the reality that none of the soccer, football or rugby balls being used in New South Wales public schools had child labour components in their manufacture?

The Hon. GREG PEARCE: I stand by the comments I made; they were genuine comments. I was equally surprised and worried about the most recent reports. I will ask the director general to give you an outline of the processes and procedures. I am not sure whether we buy those products at all, but the director general can take you through the processes.

Mr COUTTS-TROTTER: In response to that, we are checking to see whether they are provided under contract and, if they are, we will do something about it. It is very, very difficult to understand the detail of global supply chains, as you would contemplate. We do not have the capacity to investigate the supply chains of the firms that provide \$13 million of goods and services through contracting arrangements, so in part we rely on

reports or concerns raised by others. If we receive those reports and concerns we will question manufacturers about their supply chains, seeking assurances on that. But I think there would not be a major procurer anywhere in the world that is capable of interrogating the detail of their supply chains, which are constantly changing and which move from place to place and supplier to supplier quite regularly. We, of necessity I think, have to be reactive when we get information about this. We take it and we pursue it.

Dr JOHN KAYE: With respect, is that not an open invitation to any supplier to not really worry about the issue—to try it on until they are caught? I am very concerned about what you have just said because you have invited every dodgy supplier in Australia to sell to New South Wales until they get caught using child labour.

Mr COUTTS-TROTTER: That is simply not true; you are putting a construction on what I have said that I think is quite unfair. No procurer maintains a team of global auditors checking the details of everybody's supply chain. You assume that firms in Australia will behave appallingly if they can get away with it. I do not think that is true.

Dr JOHN KAYE: I do not know why I would think that.

Mr COUTTS-TROTTER: I do not think it is true. I think that you start as a regulator from the assumption that most people want to do the right thing and know how to do the right thing, and you deal with the exceptions, which I think is the appropriate approach. For a whole variety of reasons, Australian suppliers seek to assure themselves about the quality of their supply chains. They are as concerned about it as the citizenry. Their employees care about it, their shareholders care about it, they care for their public reputations and they seek to perform well.

CHAIR: The budget papers refer to your department reviewing State and local developer contributions to ensure that they are affordable and that essential infrastructure for housing development is delivered on time. This has been a major problem in the past. Those contributions have added to the price of land. What progress have you made in that review?

The Hon. GREG PEARCE: We concluded that review. We used an outside expert to undertake that review. In the course of it we identified that there were other issues in relation to housing supply, some of which I alluded to earlier in the hearing today. We have taken that review and included it in our overall response to the housing situation. We have continued the reduction in those levies so that, to the extent we can keep them down, we have done so and we are doing further work on the planning system and a more comprehensive package. In the budget we also included \$161 million, as I mentioned earlier—I will get the precise figure—for a number of specific projects that we identified that we could accelerate and we will have further funding to accelerate those projects. We are looking at it in terms of the cost to developers and in terms of what infrastructure we, as a government, can accelerate.

CHAIR: Can you give an estimated amount that is now provided by those developers?

The Hon. GREG PEARCE: I will get you the details on those.

CHAIR: A round figure—\$40,000 or \$60,000?

The Hon. GREG PEARCE: I will get you the details because there are local council section 94 contributions and then there are the State infrastructure contributions.

CHAIR: The other program that you were to develop was a feasibility software model that tests the financial feasibility of the building controls for planning policy, et cetera. Is that feasibility software complete and available?

Mr COUTTS-TROTTER: I will have to take that question on notice. It is once again happening within the Department of Planning and Infrastructure. I will seek the information and provide it to the Committee.

CHAIR: That is in the performance document.

The Hon. GREG PEARCE: Yes.

CHAIR: There are a number of references to supporting service delivery in relation to fines—\$10 million to improve tax and fines debt management and providing revenue administration services, managing fines on behalf of the Crown. What is the current situation with regard to fines? We understand that there have always been many fines, but very few of them have been paid in the debt collection area.

The Hon. GREG PEARCE: Yes, we were concerned that there was a very significant level of outstanding fines—hundreds and hundreds of millions of dollars—so we have done a number of things. We recognise that the vast majority of members of the community, if they have incurred a fine, do the right thing and pay the fine, but there were too many instances of people simply ignoring the issue. We have, as I said, done a number of things, including starting off with a trial of private sector debt collectors to move forward. That trial was very successful. For every dollar that was spent—I will get the actual dollar numbers—there was a very significant return, so we are going to continue that program.

We have also addressed some of the issues with fines that simply were too old or not likely to be collected because of difficulties that the persons owing the fines had, and we have written off those fines that would not be collected. We have also undertaken through the Office of State Revenue to improve their resources to be able to assist people either to come up with a payment plan or, if they have financial difficulties, to work out ways their obligations in relation to clients can be met. All of those things are happening. Mr Coutts-Trotter may want to add to that.

Mr COUTTS-TROTTER: The key task is to sift people who will not pay from people who cannot pay. There are a number of people who for a variety of complex reasons find themselves with pretty significant fine debt that they find hard to acquit. There is very successful work going on with the Attorney General's Department to put people on work development orders if they do not have the means to pay off their fines up front, which is often about connecting them with support and other services that enable them to deal with the root cause of why it is their lives are out of control.

For the people who can pay but will not, the Minister talked about the focus that the Office of State Revenue has brought to debt recovery. It has established the position of Chief Recovery Officer in response to the fact that over time there was well over \$1 billion of unpaid fines. The agency recognises it needs to get on top of that. If people think they can commit a traffic offence and never be chased down that makes the roads more dangerous for all of us, so it is partly about revenue but most importantly it is about ensuring that people face the consequences if they behave badly.

CHAIR: Were most of those fines for traffic offences?

Mr COUTTS-TROTTER: Most of the fines are. About 40 per cent of the debt—

CHAIR: Of that billion dollars?

Mr COUTTS-TROTTER: Of the billion. About 40 per cent of the debt is traffic offences but I will confirm that. At the moment there is \$876 million of overdue fines debt, which comprises about \$622 million of Crown fines—in other words, State Government and State Government agencies—and a further \$255 million largely of local government fines. Of that \$876 million, nearly \$300 million is being managed under time-to-pay, so we just need to keep an eye on that but we are not concerned about that. That means there is a considerable amount of debt that is not being paid and we are putting a lot more effort into identifying the people who owe the fines. Part of the problem is finding the person who owes the money and then bringing some pressure to bear on them, including through enforcement orders and a range of civil sanctions from garnishees to property seizures to get them to pay their debts.

CHAIR: We will adjourn for 10 minutes.

(Short adjournment)

The Hon. GREG DONNELLY: Minister, on 30 May in the House the following question was asked of you by the Hon. Mick Veitch:

My question is directed to the Minister for Finance and Services. Has the Minister, his office or anyone else in the Government requested that parliamentary counsel commence drafting legislation to modify the workers compensation scheme?

Your answer to that was yes. Minister, as you know from the earlier line of questioning this morning, the committee did not meet until 11 June to settle its report and the report was tabled on 13 June. Two weeks prior to the report of the select committee being tabled in the House you had directed parliamentary counsel to commence drafting the new legislation, is that correct?

The Hon. GREG PEARCE: Yes, I have already said that.

The Hon. GREG DONNELLY: Does that not make a complete and utter farce of the process of the joint select committee when you are instructing Parliamentary Counsel to prepare the new legislation before the committee has deliberated and settled its report and recommendations.

The Hon. GREG PEARCE: No. Mr Donnelly, I am sure you were awake for some part of earlier this year when the Government indicated firmly that it was going to act to reform workers compensation because it was facing a \$4.1 billion deficit which was growing.

The Hon. GREG DONNELLY: You did not wait for the committee that the Government set up to provide the recommendations; you directed the parliamentary counsel to prepare the draft new legislation. Is that correct?

The Hon. GREG PEARCE: If you want to ask the questions please let me finish the answer. The Government indicated that it was going to act to address the deficit and to try to avoid the necessity to see a very significant increases in premiums. I also—

The Hon. GREG DONNELLY: Minister, I put it to you it was a complete farce that you established a committee when you would not let the committee complete deliberations and issue recommendations before you commenced the drafting of the legislation. It is a farce.

The Hon. MELINDA PAVEY: Is there a question?

The Hon. GREG PEARCE: I am on record many times saying I wanted to see changes to the compensation space including structural changes to the organisations. We had a situation under the Labor Party where there was a WorkCover board, a WorkCover investment board, a motor accidents board, an advisory board, and each one was populated by your union mates who were paid separate fees for each of them. We had Michael Williamson of the Health Services Union [HSU] appointed to the board of State Water by Eric Roozendaal in the month before the 2011 election.

The Hon. GREG DONNELLY: Instead of dealing with the question asked about the farcical nature of the way in which you conducted yourself in terms of the drafting of the new legislation and not allowing the committee to report, you simply turned the whole process into a joke.

The Hon. GREG PEARCE: You might think it is a joke and farce; I think all the stakeholders, including the members of the select committee, worked hard to come up with difficult solutions.

The Hon. GREG DONNELLY: You issued instructions to draft the legislation two weeks prior to the report being tabled in the House.

The Hon. GREG PEARCE: You need to listen, Mr Donnelly. I told you that the Government said many times it was going to act to avert the problems. I was trying to explain to you, in terms of the structures of the entities, I am on the record many times saying that I wanted to change that. We instructed Parliamentary Counsel to commence drafting legislation based on what we knew.

The Hon. GREG DONNELLY: It is a complete farce. The whole process was a farce.

The Hon. GREG PEARCE: You have said that about 18 times and it does not make it true. If you want to insult the hardworking members of the committee and all of the people who made submissions then you go ahead and insult them—that is fine.

The Hon. GREG DONNELLY: I am insulting your farcical practice.

CHAIR: We will move on to another question.

The Hon. ADAM SEARLE: Minister, under the controversial changes recently enacted by the Parliament there are a series of time limits. For example, medical expenses end either 12 months after a claim is lodged or 12 months after weekly payments end, whichever is the longer period. If you return to work early and you do not receive weekly benefits the 12 month clock on medical benefits runs faster, is that correct? There is a perverse disincentive for people to return to work earlier, is there not?

The Hon. GREG PEARCE: You started off with the contention that the changes are controversial. You certainly saw them as controversial but it is now 14 weeks since the legislation was passed and there has not been ongoing controversy at all. The only ongoing controversy was in relation to legal costs, led by Mr Shoebridge, and we have come up with a solution that I am confident will give a better outcome for injured workers than the previous system, which meant that injured workers and their families were dragged for years through legal proceedings in the workers compensation commission. The Government has come up with a better process than that. I am not going to be dragged into that contention, which is not true.

The Hon. ADAM SEARLE: There is a Public Service Association work stoppage today in part inspired by your workers compensation changes, which makes it controversial, would you not agree?

The Hon. GREG PEARCE: There might be a stoppage today. That is something that your side of politics likes to engage in. We like to see our public servants do what they are meant to do, which is to provide services to the community of New South Wales and not inconvenience the community of New South Wales. You might take it from your support level that the majority of people in the community agree with us—they would like to see our public servants there doing their jobs and delivering services. Certainly they can speak up and have different views but when it comes to inconveniencing the public, frankly, you are living in the last century.

The Hon. ADAM SEARLE: Minister, weekly benefits under the recently enacted legislation end a year after people's entitlement to weekly benefits end. You understand that to be the case, correct?

The Hon. GREG PEARCE: It depends on the assessment of the injured person.

The Hon. ADAM SEARLE: I suggest to you that people's entitlement to medical benefits under the legislation ends a year after their entitlement to weekly benefits ends and if that is correct—at least in some circumstances—

The Hon. GREG PEARCE: You are putting a different proposition now are you, Mr Searle?

The Hon. ADAM SEARLE: No, I am allowing for the possibility that there might be other circumstances. The point is that there is a perverse disincentive for people to return to work earlier under your scheme if their entitlement to weeklies will run out sooner. That is the case, is it not?

The Hon. GREG PEARCE: You have changed your proposition about three times and I am not sure what it is you are alleging. You did raise medical benefits. The new workers compensation legislation is focused on encouraging and assisting early return to work. All the evidence suggests that where workers can get back to work the best thing for them is to get back to work as quickly as possible.

The Hon. ADAM SEARLE: Your Government did not enact any new obligations on employers to take them back, did you?

The Hon. GREG PEARCE: We were conscious of providing better financial support for seriously injured workers that cannot go back to work. One of the things that shocked and surprised me was that under Labor there were a significant number of workers who had been severely injured and forced to survive on the scheduled rate, which was \$432 per week. One of the things we did, as quickly as we could, was increase the rate to over \$700 for almost a thousand of those severely injured workers because we saw that as a very important outcome of the reforms, to better look after those who were seriously injured.

The reforms did make changes to medical benefits which recognised the cost of providing those benefits, which in many cases do not meet the objective of the scheme, which is to return injured workers to work. Under the new laws payment of compensation for medical expenses will be limited to a period of

12 months after a claim for compensation is made, or 12 months after weekly payments of compensation cease. The most seriously injured workers will continue to be eligible for medical benefits. Providing coverage for medical benefits to include indefinite periods of incapacity for persons beyond retirement age would, however, compromise the viability of the scheme. So for existing claims the changes to medical benefits will commence from 1 January 2013, while workers who lodge claims on or after 1 October 2012 will immediately come under the reformed scheme.

The Hon. ADAM SEARLE: Minister, given the time limits on medical benefits you have just spoken about, there is now a disincentive for people to return to work more quickly, because if they do their medical benefits run out sooner. That is the case, is it not?

The Hon. GREG PEARCE: No. I disagree with you.

The Hon. ADAM SEARLE: In relation to prosthetic limbs or other things of that nature, I understand that in many cases they have a life of about five to six years; but, under your legislation, while people might get the first round of prosthetics courtesy of the scheme, when they need to have their prosthetics replaced their entitlement to that form of medical care and support will have expired. What advice have you received as to how those injured workers, who clearly are not faking it, will acquire the replacement prosthetics they need?

The Hon. GREG PEARCE: Each case obviously will depend on the circumstances. I am not prepared to enter into that sort of generalisation with you.

The Hon. ADAM SEARLE: Will the public health system pay for it?

The Hon. GREG PEARCE: If you want a complete answer on prosthetics, I will get that for you.

The Hon. ADAM SEARLE: Please.

The Hon. GREG PEARCE: But, obviously, it will depend in each case on the overall level of incapacity.

The Hon. ADAM SEARLE: On your understanding, do the time limits that you have discussed in your answer and that are otherwise present in the new legislation run from the commencement of the new Act, or do they run from when people have made claims in the past, or do they run from some other time?

The Hon. GREG PEARCE: We have announced the various transition dates, and I will give you that in writing. I am sure you have seen it already, but I can give it to you again.

The Hon. ADAM SEARLE: Yes. For example, if someone has been injured and has been in receipt of benefits for, say, two years, does the time limit run from when they originally made the claim?

The Hon. GREG PEARCE: It will run in accordance with the transition arrangements, which I have announced previously. I do not think I need to go through those again here. I can get them and read them out for you, if you like. But I would rather take that on notice and give you that information later.

The Hon. ADAM SEARLE: Thank you. This reform process kicked off with your issuing of the issues paper; and the first reform principle in your issues paper was to enhance New South Wales workplace safety by preventing and reducing incidents and fatalities. However, nothing in the issues paper or in the committee's report, or indeed in the Government legislation, touched on that. So what new actions and what new investments will your Government be making in this budget to prevent and reduce the incidence of injury?

The Hon. GREG PEARCE: We are working our way through some more changes in relation to prevention; and I have had some useful input and discussions with the union movement on some things we might do in that respect. We are in a transition phase of the reforms. As I mentioned earlier—but I am not sure you were here then—we have gone about reform through the whole of the organisation. We are still recruiting people. We have—

The Hon. ADAM SEARLE: Is this in relation to the Return to Work Inspectorate particularly?

The Hon. GREG PEARCE: In relation to that as well. I was going to get to that in a moment. I am happy to indicate what we are doing in prevention as we implement the changes. But it is an ongoing process, and we are transitioning through and looking at every initiative we possibly can. And, as I said, we are getting cooperative assistance from the union movement, and I am grateful for that, with ideas on what we might be able to do.

The Hon. ADAM SEARLE: Minister, you recently announced a new Independent Legal Assistance and Review Service, which you said would be independent of both WorkCover and the WorkCover Independent Review Office. The Independent Review Officer, Mr Garling, has stated—and I quote from his recent correspondence—that one of his jobs is to establish the Independent Legal Assistance and Review Service, which will provide funding for injured workers to pursue their entitlement; and that there will be a team of experienced lawyers within his office who will deal with the applications and make a recommendation as to whether funding should be made available. That does not sound like the Independent Legal Assistance and Review Service is very independent of Mr Garling. So your release is misleading, is it not?

The Hon. GREG PEARCE: Independent of Mr Garling? He is the Independent Review Officer.

The Hon. ADAM SEARLE: I quote from your press release: "The new service will be conducted by solicitors or barristers who are independent of both WorkCover and WIRO ..."

The Hon. GREG PEARCE: I see.

The Hon. ADAM SEARLE: That is in your press release. Mr Garling has now said in his letter that his job is to set up this service and that solicitors or lawyers employed by his office will be making those determinations. So they are not independent of him.

The Hon. GREG PEARCE: You are totally correct that the office is being set up as we speak. It was only on 26 September that I announced the establishment of the new Independent Legal Assistance and Review Service within the office of the WorkCover Independent Review Officer. It has been established and has been operating since 1 October, and I visited the day after it opened its doors. The WorkCover Independent Review Officer is currently recruiting 15 lawyers whose task will be to do the first cut of reviews. I am simplifying this, but if those officers find there is reason to consider matters further and the insurers do not resolve the issue, the WorkCover Independent Review Officer—who will have set up a panel of outside lawyers, and I am not sure what stage that has reached—

The Hon. ADAM SEARLE: Not employees?

The Hon. GREG PEARCE: No. The second review will be done by that outside panel of solicitors and barristers. Perhaps a bit more detail might be needed to clarify that.

The Hon. ADAM SEARLE: I am happy for you to provide more detail on notice. What guidelines will be used by the employed solicitors within the office to assess matters? For example, will they be using the Legal Aid NSW guidelines or will they develop their own?

The Hon. GREG PEARCE: I know they are working now on developing guidelines and I would be very comfortable for you to have input if you wish. There is nothing particularly unusual about developing those guidelines. I know that the WorkCover Independent Review Officer has met with Legal Aid NSW and that it is providing assistance in developing documentation, forms, processes and so on. This is a well-trodden path in many jurisdictions, but they will obviously develop the guidelines.

The Hon. ADAM SEARLE: What is the budget for legal representation and advice?

The Hon. GREG PEARCE: We are working on that. This is a chicken-and-egg situation. We will have a budget worked out soon for the office and the 15 lawyers and support staff. What is the budget for outside lawyers and any claims? How long is a piece of string? We will not know until we see the take-up.

The Hon. ADAM SEARLE: Rather than create a new bureaucracy, surely it would make sense for Legal Aid NSW to do the merit assessments?

The Hon. GREG PEARCE: It would, but there was a lot of noise from the Opposition about the Government resolving this issue and we decided to focus on injured workers. Legal Aid NSW or someone else could have done it. However, given that we are talking about injured workers, the Government decided that it would be best kept as a specialised area.

The Hon. ADAM SEARLE: Will the money for this come out of the scheme?

The Hon. GREG PEARCE: Yes.

The Hon. ADAM SEARLE: On what legal basis will you remove the money from the scheme given that what I will call the "Nile amendment" has been passed?

CHAIR: It is the Shooters and Fishers Party amendment.

The Hon. ADAM SEARLE: I have heard that. Nevertheless, it is known as the "Nile amendment".

The Hon. GREG PEARCE: I am not sure whether you are deliberately trying to confuse two issues, but the amendment to which you refer relates to the Workers Compensation Commission being able to award legal costs.

The Hon. ADAM SEARLE: Making each party pay their own costs.

The Hon. GREG PEARCE: Yes. We are talking about one of the services provided through the scheme to injured workers to assist them to get back to work or to allow them to recover their compensation.

The Hon. ADAM SEARLE: Can you answer on notice on what legal basis the money will be provided to this new mechanism?

The Hon. GREG PEARCE: I will answer on notice, but I will be guided by the normal rules that apply with regard to providing information about advice.

The Hon. ADAM SEARLE: I am not asking you to provide the legal advice.

Mr DAVID SHOEBRIDGE: Minister, you said that the changes to medical expenses for all claims and relating to all outstanding injured workers will kick in on 1 January next year. Is that right?

The Hon. GREG PEARCE: Yes.

Mr DAVID SHOEBRIDGE: Will the 12-month limitation be backdated? If people have had 12 months of medical expenses after a return to work or after the cessation of weekly benefits, will their medical expenses be cut off on day one next year?

The Hon. GREG PEARCE: The transition arrangements have been published already.

Mr DAVID SHOEBRIDGE: I am asking specifically about retrospectivity. Will people who have had 12 months of medical expenses but who have not been in receipt of weekly payments be cut off on day one next year?

The Hon. GREG PEARCE: I will take that question on notice because it is a complex issue that relates to assessment of whole-person impairment. I will provide a proper answer rather than try to explain on the run.

Mr DAVID SHOEBRIDGE: This is a matter of great interest to many thousands of injured workers whose medical expenses are covered now. They would expect the Minister to appear before this Committee knowing whether their medical expenses will be cut off from 1 January next year. Will an injured worker who has a whole-person impairment assessment of less than 20 per cent, who has been in receipt of medical expenses for more than 12 months and who has not been receiving weekly benefits for more than 12 months be cut off from 1 January next year? As the Minister responsible you should know that.

The Hon. GREG PEARCE: If your question is whether it will be backdated, the answer is no.

Mr DAVID SHOEBRIDGE: It will not be backdated?

The Hon. GREG PEARCE: No.

Mr DAVID SHOEBRIDGE: Does the same answer apply in relation to the period for weekly compensation? In other words, when those changes kick in will people who have a maximum 2½ year entitlement to weekly compensation have that entitlement backdated? Will that apply when the amendments come into effect or will it be backdated?

The Hon. GREG PEARCE: I will double-check that I understand your question. However, my understanding is that they are not backdated. That is why we have published the transition arrangements, which I would have thought you would have examined.

Mr DAVID SHOEBRIDGE: I have, and I would have thought you would have looked at them.

The Hon. GREG PEARCE: I have.

Mr DAVID SHOEBRIDGE: That is why I am asking questions about it. You have told the Committee that the 12 months for weekly benefits and the 2½ years for medical expenses will not be backdated. Is that your evidence to this Committee?

The Hon. GREG PEARCE: What is the question?

Mr DAVID SHOEBRIDGE: The question is about all the periods.

The Hon. GREG PEARCE: I have answered the question previously. You are making assertions. If you want to ask a question, then do so and I will try to answer it.

Mr DAVID SHOEBRIDGE: You could try to answer it.

The Hon. GREG PEARCE: I will if you allow me to do so.

Mr DAVID SHOEBRIDGE: It is very clear that you are debating the question and not answering it. Will the entitlement periods for weekly benefits and medical expenses be backdated—yes or no?

The Hon. GREG PEARCE: No, I have already answered that.

Mr DAVID SHOEBRIDGE: And the answer is no?

The Hon. GREG PEARCE: Yes.

Mr DAVID SHOEBRIDGE: I refer to the new legal support for workers compensation disputes. In answer to Mr Searle you said there were two reviews.

The Hon. GREG PEARCE: Potentially. In fact, there are potentially three or more reviews.

Mr DAVID SHOEBRIDGE: In fact, there are now potentially three or four different levels that injured workers must go through before they get a final determination.

The Hon. GREG PEARCE: No. They can get a final determination after one review. If they are unhappy, they are entitled to have further reviews.

Mr DAVID SHOEBRIDGE: I will go through what the system will produce in terms of complexity in dispute resolution. If an injured worker has a dispute with his or her insurer and the insurer refuses to pay a benefit, the insurer will undertake an internal review. Is that correct?

The Hon. GREG PEARCE: That was the case already; there is no change.

Mr DAVID SHOEBRIDGE: Then there is another layer of review to the WorkCover Authority through the new ombudsman's office. Is that correct?

The Hon. GREG PEARCE: No, it is not a layer. This is an opportunity to go to the WorkCover Independent Review Officer and to have an expert lawyer determine the case at no cost to the worker. Under the previous system, the next step was to instruct a lawyer.

Mr DAVID SHOEBRIDGE: At no cost to the worker.

The Hon. GREG PEARCE: No, at cost to the worker.

The Hon. ADAM SEARLE: That is not right.

The Hon. GREG PEARCE: It is right.

Mr DAVID SHOEBRIDGE: You do not understand the scheme. It was unlawful for lawyers to charge injured workers under the scheme. You do not understand that Minister.

The Hon. GREG PEARCE: You said "at no cost to the worker" and I say the worker does have a cost in going to an outside lawyer.

The Hon. ADAM SEARLE: That is just wrong.

Mr DAVID SHOEBRIDGE: What was the cost?

The Hon. GREG PEARCE: It depends on each individual case.

Mr DAVID SHOEBRIDGE: It was unlawful—don't you understand that? It was unlawful.

The Hon. GREG PEARCE: No, don't you understand that? I know that you have this unhappiness about your own practice and your friend's practice.

Mr DAVID SHOEBRIDGE: You are a disgrace. You were caught out lying about that before. You have lied to the Chamber. Now answer the question.

CHAIR: Mr David Shoebridge will let the Minister answer the question.

Mr DAVID SHOEBRIDGE: You are a disgrace.

Dr JOHN KAYE: Point of order: The Minister has made a personal imputation against Mr David Shoebridge. The Minister made an absolutely disgraceful personal imputation against Mr David Shoebridge, and he should withdraw it.

CHAIR: Is Mr David Shoebridge is offended?

Mr DAVID SHOEBRIDGE: I am offended. Will the Minister withdraw it?

The Hon. GREG PEARCE: Yes, of course if you are offended; because you are sensitive.

Mr DAVID SHOEBRIDGE: Because you are offensive. Minister, what was the charge that injured workers would have to pay to their lawyers before your change?

The Hon. GREG PEARCE: I did not say there was a charge.

Mr DAVID SHOEBRIDGE: What was the cost?

The Hon. GREG PEARCE: The cost to workers of getting themselves organised to go to a lawyer.

Mr DAVID SHOEBRIDGE: So it is the cost of a train ticket to go to a lawyer?

The Hon. GREG PEARCE: I do not know what it was. I am saying there was a potential cost.

Mr DAVID SHOEBRIDGE: You don't even understand the basics in the scheme?

The Hon. GREG PEARCE: You complain about being offensive; perhaps you should stop being offensive.

Mr DAVID SHOEBRIDGE: You should try to understand the scheme.

The Hon. GREG PEARCE: You asked me a question.

CHAIR: Will Mr David Shoebridge frame his question?

The Hon. GREG PEARCE: Does Mr David Shoebridge want me to answer the question?

Mr DAVID SHOEBRIDGE: Yes, what is the cost?

The Hon. GREG PEARCE: I am answering the question. Under the new scheme there will be a free service, an expert lawyer who will in the first instance determine whether they believe that the injured worker's case should be referred.

Mr DAVID SHOEBRIDGE: Are you now talking about the WorkCover Independent Review Office?

The Hon. GREG PEARCE: Yes. If you would stop interrupting I could answer the questions a lot faster. Under the old system an injured worker had to go to an outside lawyer.

Mr DAVID SHOEBRIDGE: At no cost.

The Hon. GREG PEARCE: I believe that that potentially involves injured workers in costs.

Mr DAVID SHOEBRIDGE: On what basis do you have that belief? Do you have any understanding of the Act which prohibited the recovery of costs? Did you understand the Act prohibited the recovery of costs?

The Hon. GREG PEARCE: I did not say anything about recovery of legal costs. I said costs to the worker to go and get advice.

Mr DAVID SHOEBRIDGE: Under your new scheme the injured worker can go to the WorkCover Independent Review Office, is that right?

The Hon. GREG PEARCE: Yes.

Mr DAVID SHOEBRIDGE: Is the Independent Review Officer acting in the interests of the worker, WorkCover or the insurer? Who does that lawyer work for?

The Hon. GREG PEARCE: He is working for the injured worker and justice.

Mr DAVID SHOEBRIDGE: So that officer will be acting on behalf of the injured worker?

The Hon. GREG PEARCE: Reviewing the injured worker's situation.

Mr DAVID SHOEBRIDGE: Do you understand my question? Will that officer have legal responsibility to be acting on behalf of the injured worker? Will he or she be their legal representative?

The Hon. GREG PEARCE: Legal responsibility to act in accordance with the legislation to determine whether the claim of the injured worker is something that should be further investigated and acted upon. They are not the lawyer for the injured worker.

Mr DAVID SHOEBRIDGE: Who will that officer have ultimate responsibility to, the injured worker, WorkCover or the insurer?

The Hon. GREG PEARCE: They will have responsibility through the Independent Review Officer. He will make a report and that will come to Parliament ultimately.

Mr DAVID SHOEBRIDGE: Will there be no legal assistance to the injured worker to mount the claim to the Independent Review Officer? Is that right?

The Hon. GREG PEARCE: You did not listen to the process. I tried to explain this to the Deputy Leader of the Opposition, and it is fair enough as it is new, the first stage is that the employed expert lawyer in the Independent Review Office will consider the claim.

Mr DAVID SHOEBRIDGE: What material will that employed officer have? The material that the worker puts without legal assistance is that right?

The Hon. GREG PEARCE: It will be the material that that lawyer believes is appropriate and required.

Mr DAVID SHOEBRIDGE: They will have a fact finding role?

The Hon. GREG PEARCE: If that is the process that they need to go through, yes. Mr David Shoebridge, as a lawyer you understand that in order to come to a conclusion you have to have before you the facts that you need to get to that conclusion. Those lawyers will obviously be required to get those facts.

Mr DAVID SHOEBRIDGE: The injured worker mounts a case and tries to persuade the Independent Review Office of the merits of their claim? I assume that is what will happen?

The Hon. GREG PEARCE: The inferences in your language are a bit off. The injured worker is not mounting a claim.

Mr DAVID SHOEBRIDGE: They have had their claim refused by the insurer?

The Hon. GREG PEARCE: That is right.

Mr DAVID SHOEBRIDGE: So they are asking the Independent Review Officer to intervene and to arrive at a different conclusion. They have to mount a claim and a case for the Independent Review Office, correct?

The Hon. GREG PEARCE: That is right.

Mr DAVID SHOEBRIDGE: It is only if they win that case—

The Hon. GREG PEARCE: It is not a case.

Mr DAVID SHOEBRIDGE: It is only if they win that first case that they then might get an entitlement to legal costs. That is right, is it not? They only have to win the case?

The Hon. GREG PEARCE: There is no case.

Mr DAVID SHOEBRIDGE: They have to win the merits of their claim?

The Hon. GREG PEARCE: They have the claim.

Mr DAVID SHOEBRIDGE: They have to win the argument before they get legal costs. What an arse-up scheme that is. You have to win your case before you get legal costs. That is your scheme, is it not?

The Hon. GREG PEARCE: No, and you don't want to know.

Mr DAVID SHOEBRIDGE: You answer and enlighten me.

The Hon. GREG PEARCE: I do not think it is possible to enlighten you, Mr David Shoebridge.

Mr DAVID SHOEBRIDGE: I do not think it is possible for you to enlighten anyone. That is correct, Minister?

CHAIR: To assist the Committee, will the Minister outline the advantages of this scheme.

The Hon. WALT SECORD: What a Dorothy Dixier.

Mr DAVID SHOEBRIDGE: I did not think the Government was asking questions.

The Hon. MELINDA PAVEY: That is offensive to the Chair.

The Hon. GREG PEARCE: Mr Chair that is a very good question. Our intention in establishing this new free, expert, independent legal service was to make it as simple, easy and dignified as possible to have injured workers whose claims may not be accepted dealt with properly. We have set up a process that allows for the injured worker and their family to have their concerns dealt with expertly without the need to go off to separate law firms and without the lengthy process involved in going to the Workers Compensation Commission. However, at any time any injured worker still has the option of going to the Workers Compensation Commission if that is where they want to go to have a claim reviewed.

The very significant advantage of the system we have put in place is that it will be simple. There will be a number of opportunities for the injured worker to have their issues resolved very quickly. The second opportunity will be through having their case adjudicated by an outside independent panel lawyer—solicitor or barrister—who has experience in the field. The importance is that we are ensuring that lawyers involved have experience and qualifications to properly understand the workers compensation space and to properly assess the concerns. It will be faster, it costs nothing, it is more dignified for the families and ultimately the process still allows for solicitors to be engaged if that is what workers want to do.

CHAIR: Another area of concern is compulsory third party insurance. The budget papers state that \$169 million was allocated to promote competitiveness in the market and improve premium settings to ensure a fair and equitable scheme. What steps have been taken to achieve that aim?

The Hon. GREG PEARCE: Under the scheme that has been operating for some time insurers have made filings to increase the greenslip premiums they charged. Last year, with virtually no notice to me, we received a group of filings from the insurers that would have included increases of up to 15 per cent and that caused us very considerable concern and we have been undertaking reviews through the Motor Accidents Authority, with the assistance of actuaries and the insurance companies, to try to understand why the costs of the greenslip scheme are blowing out and why they are more expensive than they are in other States.

It is a complex area. Obviously part of it relates to the investment returns that insurers are able to achieve in today's market but it is also very apparent that there are a significant range of cost blow-outs. My office and I have been looking very closely at this because we do have evidence that greenslip premiums could increase very, very significantly over the next couple of years if we do not address some of these issues. We are looking at a whole range of the cost factors in motor accidents and that is why the budget does refer to those expenditures and the work that we are doing there.

CHAIR: Are you increasing the competitive nature by bringing in more insurers in that area?

The Hon. GREG PEARCE: That is one of the elements and we have been talking to a couple of the big insurers, but the reality is that because of the need for the insurers to have adequate reserves to cover potential liabilities, in some cases they are facing problems with having enough capital to be able to even stay in the scheme. So the problem that we are running up against is not one of getting more competition in, it is maintaining a viable scheme and having insurers provide the service that they do at the moment. So yes, we are working on trying to get some other entrants. It is not an unlimited market; there are very few insurance companies around who are capable of providing the service, but it is a difficult space at the moment.

CHAIR: There are reports that compared to other States New South Wales has a greater amount of fraud being created in that area of motor accidents claims; they are not genuine accidents at all. Is there any way you can deal with that issue?

The Hon. GREG PEARCE: It is an issue that is raised from time to time and I will get you some more information on what we are doing about fraud. But certainly we are concerned that there does seem to be fraud in green slips in the motor accidents space. It is a difficult thing because if it is worse than other States then we need to identify what are the things that allow that to be the case. I know that it has been a problem for some time.

CHAIR: Following up on another area, the whole issue of Fair Trading laws, again, there have been reports of increased bogus companies, small companies setting up and ripping off consumers. I note you have allocated \$159 million to enforce the Fair Trading laws, et cetera. What progress has been made in that area?

The Hon. WALT SECORD: Point of order: Is there not a Minister for Fair Trading?

The Hon. GREG PEARCE: Yes, there is. I was just going to cover that.

CHAIR: But it comes under Finance and Services.

The Hon. GREG PEARCE: The Fair Trading Act is within the Finance and Services cluster and I jointly administer parts of it, but there is a separate Minister—a very good Minister—the Hon. Anthony Roberts, who will be questioned separately. I can either take that on notice and get you a detailed answer or leave it to the Fair Trading hearing to address it.

CHAIR: I am happy for the Director General to comment on the allocation of that money that is allocated to the Minister.

Mr COUTTS-TROTTER: The priorities of the office change from time to time based on intelligence about where the greatest risks are in the market for traders and for consumers, so the enforcement and compliance program responds year to year based on where we see problems in the market. I can take it on notice and provide to you details of the enforcement actions in the 2011-12 year which would give you a sense of the industries that have come under attention—that would include real estate, motor vehicles. But, as I say, the priorities of the office respond to what they see in the market. There are scams that run from time to time that we have to attend to immediately and change our priorities entirely. I am happy to give you full details of that on notice.

CHAIR: As you know, there is a great concern in the community about electricity costs. In the budget papers the performance report states that a further 75,000 New South Wales households would receive a power savings assessment to assist them in reducing their electricity bills. Was that target achieved or is it being achieved?

Mr COUTTS-TROTTER: To the best of my recollection, yes, the target set for 2011-12 has been achieved.

CHAIR: Do you know what the savings have amounted to?

Mr COUTTS-TROTTER: I cannot recall it now but I will get that information for you. It is quite significant.

The Hon. GREG PEARCE: Mr Chair, a couple of times I think I mentioned the Housing Acceleration Fund and I think I said that it was \$160 million or \$161 million. It is actually \$181 million in the Housing Acceleration Fund, which was announced in the budget.

Mr DAVID SHOEBRIDGE: Mr Chair, just one question of clarification out of a question you asked about the CTP scheme. Minister, you said you were looking at a number of options in relation to the CTP scheme. Is one of those options benefit cuts under the CTP scheme? Are you looking at that?

The Hon. GREG PEARCE: I do not think I said "options", but, no, we are not at that point at the moment.

Mr DAVID SHOEBRIDGE: Will you rule out benefit cuts to the CTP scheme?

The Hon. GREG PEARCE: We are looking at the scheme and looking at all aspects of the scheme and doing a significant amount of work on that.

Mr DAVID SHOEBRIDGE: Will you rule out benefit cuts to the CTP scheme?

CHAIR: My question was in regard to making the scheme more competitive, focusing on the actual insurers.

Mr DAVID SHOEBRIDGE: It was a simple question: Will you rule out benefit cuts to the CTP scheme, Minister?

The Hon. GREG PEARCE: I just said to you that we have not finished the work.

Mr DAVID SHOEBRIDGE: Is that a no?

The Hon. GREG PEARCE: I have given you the answer.

The Hon. WALT SECORD: As Minister for the Illawarra, what is the geographical definition of the area you are responsible for?

The Hon. GREG PEARCE: There are two different geographical definitions.

The Hon. CATHERINE CUSACK: The Illawarra is a place south of Sydney.

The Hon. GREG PEARCE: The Australian Bureau of Statistics uses one definition and we use the five local government areas.

The Hon. SHAOQUETT MOSELMANE: Minister, when will you put in a lift at Unanderra railway station?

The Hon. GREG PEARCE: I will not because I do not build lifts myself, but your Government had 16 years to do it.

The Hon. SHAOQUETT MOSELMANE: You are the Minister for the Illawarra.

The Hon. GREG PEARCE: Your Government had 16 years to do it. Why did you guys not do it?

The Hon. SHAOQUETT MOSELMANE: But you are the Minister for the Illawarra and I am asking you now.

The Hon. CATHERINE CUSACK: And he has answered the question. Mr Chair, can I again get a clarification? Is this what is called a free-for-all section of the committee at the end?

CHAIR: Do you have a pressing question?

The Hon. CATHERINE CUSACK: I do not have a pressing question but given the time that we all agreed to was for the crossbench members and that is now being utilised, I am asking you as Chairman how you are allocating the remaining time.

CHAIR: In the remaining few minutes I am letting members who have a pressing question ask a question.

The Hon. GREG PEARCE: Could I finish answering the last question? When John Robertson was asked about easy access in June 2010 he said that the upgrade at Unanderra was already underway. Why do you not ask John Robertson about how the upgrade was underway in June 2010?

The Hon. SHAOQUETT MOSELMANE: He is not the Minister; you are.

The Hon. GREG PEARCE: I will refer the question to the Minister for Transport within whose portfolio the answer resides.

Dr JOHN KAYE: At the last budget estimates I asked Kevin Young about Streamwatch and he gave an answer that was not all that descriptive. Has the Streamwatch Program been cancelled or has it been modified in some way? Can you tell us what has happened to it?

The Hon. CATHERINE CUSACK: Is this the right portfolio?

Dr JOHN KAYE: Streamwatch is a program run by Sydney Water. There is not exactly a huge array of people here who would have specialties across the Minister's portfolio.

The Hon. GREG PEARCE: That is right. Sydney Water is proud of the Streamwatch Program and recognises the value that volunteers play in the program and their contribution over many years. Since Streamwatch was set up in 1990 a number of other programs have been put in place to improve water quality in rivers and streams, including Sydney Water's \$1.6 billion SewerFix Program. Large reductions in overflows have been achieved and Sydney Water has a professional water quality monitoring program at 250 sites to check for dry weather overflows and leaks. I understand that Sydney Water has negotiated to transfer support for its Streamwatch community groups to a science and education institution, with four years funding. An announcement on this is imminent, or was just made.

Dr JOHN KAYE: Which institution? How much funding and where does it come from?

The Hon. GREG PEARCE: Sydney Water is continuing its commitment to water education through tours at its Water Recycling Education Centre and other sites, education programs, online resources and collaboration with other education institutions, such as the Powerhouse Museum and the Australian Museum. Sydney Water has also developed primary and secondary school resources with the museum as part of the Museum in a Box series. These include water quality monitoring equipment and education resources. I also understand that Sydney Water is working closely with the other organisation, which will be announced shortly, to confirm details of the Streamwatch transfer—which includes the Streamwatch website. As soon as this is finalised I am told that Sydney Water will inform key stakeholders such as Streamwatch groups and councils.

CHAIR: That concludes the hearing. I thank the Minister and Mr Coutts-Trotter for their attendance and for assisting us with our inquiries.

The Committee proceeded to deliberate.
