

GENERAL PURPOSE STANDING COMMITTEE NO. 3

Thursday 20 November 2014

Examination of proposed expenditure for the portfolio area

TRADE AND INVESTMENT

The Committee met at 5.10 p.m.

UNCORRECTED PROOF

MEMBERS

The Hon. N. Maclaren-Jones (Chair)

The Hon. N. Blair (Deputy Chair)
The Hon. R. Borsak
The Hon. Robert Brown
Mr J. Buckingham

Mr S. MacDonald
The Hon. P. Sharpe
The Hon. M. Veitch

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: Welcome to the supplementary hearing for the inquiry into the Budget Estimates 2014-2015. Before I commence, I acknowledge the Gadigal people who are the traditional custodians of this land. I also pay respect to the elders past and present of the Eora nation and extend that respect to other Aboriginals present.

I welcome Mr Mark Paterson, Secretary of NSW Trade and Investment, to this hearing. Today the Committee will further examine the proposed expenditure for the portfolio of Trade and Investment. Today's hearing is open to the public and is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available.

In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that you must take responsibility for what you publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside their evidence at the hearing. I urge the witness to be careful about any comments he may make to the media, or to others after he completes his evidence, as such comments would not be protected by parliamentary privilege if another person decided to take an action for defamation. The guidelines for the broadcast of proceedings are available from the Secretariat.

There may be some questions that a witness could answer only if they had more time or with certain documents to hand. In these circumstances, the witness is advised that he can take a question on notice and provide an answer within 21 days.

Any messages from advisors or members' staff seated in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Mr Paterson, I remind you that you are free to pass notes and refer directly to your advisers seated at the table behind you. Finally, could everyone please turn off their mobile phones for the duration of the hearing.

Mr Paterson, as you have been sworn previously for this inquiry there is no need to swear you in again. I remind you that you are giving evidence under your previous oath.

I declare the examination of proposed expenditure for the portfolio area of Trade and Investment open for examination. I advise that Government members will not be asking questions. Therefore, the hearing will go for one hour, with time divided equally between crossbench and Opposition. As there is no provision to make an opening statement before the Committee commences questions, we will commence with questions from The Greens.

MARK PATERSON, on former oath and examined:

Mr JEREMY BUCKINGHAM: Thank you for coming, Mr Paterson. I have a long list of questions. If you wish to take any of them on notice, feel free to do so. On 11 September the New South Wales Office of Water announced it had developed return flow credit rules for groundwater. Has the scheme been developed so that mining companies wondering what to do with all the groundwater that gets sucked up during gas or mineral extraction can simply pump it back into an aquifer to receive a rebate?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: What stakeholders were consulted prior to the announcement of this scheme in September?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: Who will assess the impacts of this scheme on water resources, including aquifers?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: Do you expect any water users, other than extractive industries to utilise this scheme?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: When do you expect the rules for groundwater reinjection to be made available to the public?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: Will the scheme apply to the whole State? If not, which water sources are being considered?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: I turn to the subject of Crown lands. Have you or your department received legal advice which suggests that the decision of the Land and Environment Court in the Red Rock case regarding Aboriginal land rights risks public access to or ownership of Maroubra beach due to unresolved land claims?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: Have they received similar legal advice for any other beach in New South Wales?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: Does Trade and Investment support Treasury's estimate in the 2013-14 budget papers that the Cobbora coal project would run at a \$1.5 billion loss over the life of the project, or the Department of Planning's support for the estimate of the project's proponent, Cobbora Holding Company, that it would be profitable?

Mr PATERSON: I will take it on notice.

Mr JEREMY BUCKINGHAM: Do you believe that mining and petroleum project proponents have an incentive to be optimistic in their economic assessments to influence decision-makers and markets?

Mr PATERSON: No.

The Hon. NIALL BLAIR: Point of order: I will withdraw the point of order if the witness is happy to answer that, but it is seeking an opinion of what the Secretary believes in relation to policy. I think it is outside the standing orders.

CHAIR: I am happy for it to be rephrased.

Mr JEREMY BUCKINGHAM: I will rephrase it. Mr Paterson, is there an incentive for mining and petroleum project proponents to be optimistic in their economic assessments in an attempt to influence decision-makers and markets?

Mr PATERSON: No.

Mr JEREMY BUCKINGHAM: In terms of the buy-back of petroleum exploration licences that was announced in the New South Wales Government's Gas Plan, how much money has been allocated to the one-off buy-back of petroleum licences?

Mr PATERSON: A decision has not yet been taken by the Government on the financial allocation.

Mr JEREMY BUCKINGHAM: How will the compensation for these petroleum licences be assessed?

Mr PATERSON: There is not a compensation arrangement, there is a voluntary buy-back arrangement that was announced in the Gas Plan but there is no compensation measure.

Mr JEREMY BUCKINGHAM: How will the valuation of those petroleum licences be assessed?

Mr PATERSON: The detail of the scheme has not yet been formally announced and the nature of that will be a matter of public announcement.

Mr JEREMY BUCKINGHAM: Has it been developed?

Mr PATERSON: It has not yet been decided.

Mr JEREMY BUCKINGHAM: Will every licence that is surrendered be bought back?

Mr PATERSON: The nature of the scheme announced was a voluntary buy-back arrangement which would most likely have an offer in the marketplace with individuals holding those licences able to participate in the buy-back scheme or not.

Mr JEREMY BUCKINGHAM: Will the Government compel any licence holders to surrender their licences if they choose not to voluntarily have them bought back?

Mr PATERSON: These are exploration licences that you are talking about?

Mr JEREMY BUCKINGHAM: Yes, petroleum exploration licences.

Mr PATERSON: There is nothing in the Gas Plan to suggest that.

Mr JEREMY BUCKINGHAM: Will licences that have expired be bought back?

Mr PATERSON: No.

Mr JEREMY BUCKINGHAM: Will titleholders who are not—

Mr PATERSON: Well, if I need to clarify my response, I will, on notice. But I do not believe that there is any provision in there for buying back an expired licence because an expired licence, whilst continuing, is only there whilst there is consideration of a lodged application for a new licence and the Government has already indicated its intention to suspend consideration of new licences. So, following the logic through, an expired licence would not have an ongoing activity because the Government has already expressed an intention

to suspend the consideration of new applications. So I do not believe an expired licence would be available for the buy-back scheme. But if I find that I am wrong on that, I am happy to correct it on notice.

Mr JEREMY BUCKINGHAM: That suspension of consideration of licences is for a 12-month period?

Mr PATERSON: That timeframe has not been announced.

Mr JEREMY BUCKINGHAM: Will titleholders who are not able to commit to investing in developing the State's resources have the opportunity to be bought back, despite the fact the Government's new use-it-or-lose-it policy means the Government could cancel their licence without paying them any moneys?

Mr PATERSON: The detail of that has not been published.

Mr JEREMY BUCKINGHAM: In terms of the Community Benefit Fund, will the full value of any up-front payments that gas companies choose to make into the proposed Community Benefits Fund announced as part of the New South Wales Gas Plan be credited against future royalty payments or a lesser amount?

Mr PATERSON: The full details of the Community Benefit Fund have not been clarified. However, the Gas Plan indicates that payments made by coal seam gas companies, either in the exploration phase or in the production phase, will be offset against royalty payments.

Mr JEREMY BUCKINGHAM: Will the Government make co-contributions to the Community Benefit Fund?

Mr PATERSON: The detail of that scheme has yet to be finally determined.

Mr JEREMY BUCKINGHAM: In terms of coal seam gas, what will the role of the Office of Coal Seam Gas be now that the EPA is taking over as lead regulator for the CSG industry?

Mr PATERSON: The final details in relation to it have not been worked through, but I expect that the Office of Coal Seam Gas will continue to undertake the responsibilities that it has at the present time, as will the Division of Resources and Energy within my department. The Government has announced that there will be a lead regulator, being the Environment Protection Authority. The detail of that is yet to be announced.

Mr JEREMY BUCKINGHAM: Are any new critical industry clusters being considered or is this process closed?

Mr PATERSON: No new critical industry clusters are being considered.

Mr JEREMY BUCKINGHAM: So that process is closed now?

Mr PATERSON: I was careful in my response. No additional critical industry clusters are being considered. There is no process where it is opened or closed. The Government announced its intentions in respect of critical industry clusters and no other critical industry clusters are being considered.

Mr JEREMY BUCKINGHAM: They are being considered.

Mr PATERSON: I said that none are being considered.

Mr JEREMY BUCKINGHAM: But would the Government consider other areas for critical industry cluster status?

Mr PATERSON: I cannot answer for the Government.

Mr JEREMY BUCKINGHAM: How much money has been allocated for the review of New South Wales coal seam gas licences?

Mr PATERSON: Can you provide more detail?

Mr JEREMY BUCKINGHAM: Your department is undertaking an audit of coal seam gas licences. How much money has been allocated to that audit?

Mr PATERSON: I am not conscious of a financial allocation.

Mr JEREMY BUCKINGHAM: Can you take that question on notice?

Mr PATERSON: If you wish.

Mr JEREMY BUCKINGHAM: I turn now to mining in water catchments. Is there any legislation that prevents coal seam gas exploration occurring in the special areas of the Sydney water catchment?

Mr PATERSON: Not that I am aware of.

Mr JEREMY BUCKINGHAM: Does any legislation prevent coal seam gas exploration occurring in New South Wales drinking water catchments?

Mr PATERSON: Not that I am aware of.

Mr JEREMY BUCKINGHAM: Is AGL's Gloucester project designated as a strategic energy project?

Mr PATERSON: Yes, it is.

Mr JEREMY BUCKINGHAM: Have any discussions been had with AGL regarding a memorandum of understanding similar to the one signed with Santos?

Mr PATERSON: Not that I am conscious of.

Mr JEREMY BUCKINGHAM: Have you or your department had any discussions with AGL about signing a memorandum of understanding to fast-track the approvals process?

Mr PATERSON: Asked and answered. Your earlier question asked that and I said no.

Mr JEREMY BUCKINGHAM: Fair enough. Given that Santos has failed to meet the deadline set out in its memorandum of understanding, does it still stand?

Mr PATERSON: The memorandum of understanding remains on foot.

Mr JEREMY BUCKINGHAM: What guarantees are there that gas from Santos's Narrabri gas project will be used in New South Wales?

Mr PATERSON: The indications provided to date have been that the project proponents will supply gas to New South Wales from that project.

Mr JEREMY BUCKINGHAM: How has that been indicated to the Government?

Mr PATERSON: There have been many discussions in relation to it.

Mr JEREMY BUCKINGHAM: There have been discussions between Santos and the Government about how much—

Mr PATERSON: Not necessarily about how much. It does not yet have a production licence. The clear intention with regard to that project is to supply gas to New South Wales.

Mr JEREMY BUCKINGHAM: But there has been no discussion about volume or timing?

Mr PATERSON: There is no production licence for that project. Any of the detail that may need to be worked up in relation to that would obviously be considered when the production licence is considered.

Mr JEREMY BUCKINGHAM: What budget has been allocated for the establishment of an environmental data repository, which according to the NSW Gas Plan is now being investigated?

Mr PATERSON: I stand to be corrected, but my recollection is that the establishment of the repository had a capital cost of \$5.5 million. That will be provided from existing resources—half from my department and half from the Treasury cluster, Finance and Services.

Mr JEREMY BUCKINGHAM: Has the investigation into the establishment of that environmental repository begun?

Mr PATERSON: Work has begun on it, but the repository has not yet been established.

The Hon. ROBERT BROWN: I would like to ask you some questions about the enterprise resource planning rollout. I refer you to your answer given to this Committee on Monday 19 August 2013. Mr Veitch asked the Minister the following question:

Minister, some of these questions you may need to defer to the people beside you. I have a series of questions concerning the Sapphire SAP by design. Are you satisfied with the implementation of the Sapphire SAP by design?

The Minister replied:

The reports that I have had is that this is the largest cloud-based SAP program undertaken anywhere in the world and that it has been viewed as a good example by some of the other agencies within the government, but I will ask Mr Paterson to comment further.

Mr PATERSON: Can I have a page reference?

The Hon. ROBERT BROWN: It is page 18 of a document dated 19 August 2013.

Mr PATERSON: The nineteenth or the eighteenth?

The Hon. ROBERT BROWN: It is page 18 and the document is dated Monday 19 August.

Mr PATERSON: I have the transcript here and it is dated Monday 18 August. I may be looking at the wrong document.

The Hon. ROBERT BROWN: We are talking about 2013.

Mr PATERSON: I do not have that with me.

The Hon. ROBERT BROWN: With the Chair's indulgence, I will hand it over after I have finished reading it. Mr Veitch made an interjection that is not relevant. You made a comment on Mr Veitch's interjection and then stated:

The enterprise resource planning [ERP] rollout has been, I think, very successful. We started the task with six different finance systems, six different payroll systems... Phase one of the implementation, which is the main department, went live with the finance component in December of last year—

That would have been December 2012. You continue:

—and we went live with the payroll component in March of this year.

That would have been March 2013. You further stated:

I point out by contrast if you wanted to compare it, when Queensland Health sought to replace their payroll system at a cost of \$4 million it took four years and \$1.2 billion.

You then stated:

We paid everybody on time and correctly in the first live payroll run that we went on when we rolled out the new system. By any benchmark it has been successfully implemented.

You gave that answer on Monday 19 August 2013.

Mr PATERSON: I recall that interchange.

The Hon. ROBERT BROWN: I now hand to Mr Paterson through the Chair a document that was provided as part of a Standing Order 52 return to order dated Wednesday 1 May 2013. It went from Mr John Mumford, who was the chair of the Game Council, to Mr Tim Scott in the Minister's office. It lists a number of issues related to that payroll system.

The Hon. NIALL BLAIR: Point of order: We are investigating the 2014-15 budget estimates. It will be extremely difficult to examine issues in the previous financial year.

The Hon. ROBERT BROWN: To the Point of order: The SAP system is still in play. Am I correct in saying that all of the clusters operate under that system?

Mr PATERSON: No, they do not. All of my cluster does, with the exception of the Opera House.

The Hon. ROBERT BROWN: All of this witness's cluster operates under this system.

CHAIR: And this matter has been raised in this year's estimates committee hearings, so I am happy for you to continue.

Mr PATERSON: It intrigues me that these matters are being raised at a supplementary estimates hearing. It seems unusual that we have an additional hearing for matters that arose not during the last estimates hearing but in the hearings held last year. I am happy to respond to the issues, but it seems odd.

CHAIR: I do not think the Hon. Robert Brown has asked a specific question yet.

The Hon. ROBERT BROWN: No, I have not. Madam Chair, I take it that you have ruled that it is in order?

CHAIR: Yes.

The Hon. ROBERT BROWN: Mr Paterson, when you gave that answer to that previous hearing, were you aware of the issues raised with the office of the Minister at that time which clearly showed that there were repeated problems with the payments by the payroll? I take it expenses are handled differently. Second, have all these issues—not just payroll but payment of suppliers, contractors et cetera—been resolved?

Mr PATERSON: This is an outline of some issues. It does not provide any detail in relation to the response. It would be heroic, to say the very least, if I could answer to this Committee a question in relation to an individual's pay circumstance from 18 months ago. Given that I do not process the pays, I think you can reasonably expect that that is not the case. I am happy to look into the detail. The statement you read to the Committee was that I said that we went live with the payroll in March 2013 and paid everybody correctly and on time. At the time I made that statement that was absolutely the case. That statement I made before the Committee last time remains the case now, because I made that comment in relation to the first pay run when we went live with the payroll.

Do I pretend to this Committee or to anybody else that there has never been an issue in relation to any one person's payroll, or the payment of an allowance to any one person or the payment to a supplier in any individual circumstance? No, I never pretend to do that, and there is no payroll system in Australia or the world which will guarantee that there has never been a challenge in relation to the payment of an individual, a supplier, or an individual's entitlements. If a form has not been put in, if the appropriate documentation is not set up in the system then circumstances can arise where people have not been paid.

We have had a few circumstances where casuals have not been paid because the appropriate documentation was not there. When those matters have been raised with us, we have done special pay runs to ensure that that individual does not have to wait until another cyclical round. Those situations can arise no matter what payroll system we are operating. I am sure they have occurred under the SAP Business by Design [ByD] solution that we have, as I am sure they occurred on occasions under the previous payroll systems that we operated and I am sure they occur in other parts of government and outside government.

The Hon. ROBERT BROWN: With all due respect, you seemed very confident in the statement made in answer to the question: "We paid everybody on time and correctly at the first live payroll payment." The document I have provided you with starts with the first payroll payment, which I think was 16 April 2013.

Mr PATERSON: No, it does not. If you go back to the evidence, I said we went live in March 2013 and the first part of the document that you provided to me is about pay dates on 25 April.

The Hon. ROBERT BROWN: Going back to 16 April.

Mr PATERSON: And dates submitted on 10 April. We went live in March. The statement that I made at the time was correct.

The Hon. ROBERT BROWN: Going back, on page 2, to 28 March 2013. If you could give some consideration to whether the first payroll period in your evidence was outside the period of the documents I have given you and confirm that on notice that will be fine. Then perhaps we can establish the facts of the matter.

Mr PATERSON: Yes. If you wish, I can explore the issues that are raised here. I am happy to respond on notice as to the propositions that are raised in this document and how they were dealt with.

The Hon. ROBERT BROWN: Obviously with the understanding that names of any personnel and their details remain private.

Mr PATERSON: On the basis that I can only examine them if I use the names.

The Hon. ROBERT BROWN: That is fine for your own purposes.

Mr PATERSON: How do I respond to the Committee if I do not make reference to the names?

The Hon. ROBERT BROWN: You respond in a general manner.

CHAIR: There is an option that we do not publish the answer; if the names were provided, they would not be published.

The Hon. ROBERT BROWN: My next question is in relation to the introduction of the system. The Department of Trade and Industry uses the system, but I do not know whether it is for all the cluster groups within your portfolio. In 2013 it was used for the Game Council and, I think, Fishing and Aquaculture, the safe food authority—I forget its name.

Mr PATERSON: Fisheries; the Food Authority; Primary Industries; Resources and Energy; all of the Trade and Investment parts of the department; the Office of Water; Crown Lands; Liquor, Gaming and Racing; Destination NSW is on it; the Art Gallery; the museum; the State Library; the Powerhouse; all of Local Land Services [LLS], which is the combination of the Catchment Management Authorities, the Livestock Health and Pest Authorities.

The Hon. ROBERT BROWN: Going back to that financial year and into this financial year, have any of those agencies had their audits conditionally—what is the word?

Mr PATERSON: Qualified.

The Hon. ROBERT BROWN: —qualified because of problems with the SAP system providing the financials?

Mr PATERSON: To the best of my knowledge, the answer is no.

The Hon. ROBERT BROWN: Through you, Chair, can I provide the witness with a letter from chartered accountants Pigot Miller Wilson, who were the auditors for the Game Council at the time? The letter gives some details as to the types of issues that were a problem. Perhaps that would assist the Secretary in stating whether similar problems are occurring in any of the clusters now.

Mr PATERSON: Can I clarify? Our auditor is the Audit Office.

The Hon. ROBERT BROWN: I understand that.

Mr PATERSON: This is a private auditor. If it is a private auditor, that must be the auditor of the Game Council's books when it stood independent of the department.

The Hon. ROBERT BROWN: I want to give this letter to the witness so he can see the particular areas said to be a problem and see whether the same thing has occurred with any of the department's other clusters, either in that year or this year—in other words, the inability to provide certain parts of the annual accounts for the annual reports.

Mr PATERSON: I am happy to look at the correspondence.

CHAIR: I move to questions from the Opposition.

The Hon. MICK VEITCH: My first question is about the China-Australia Free Trade Agreement. Has your department done much work to analyse what the China-Australia Free Trade Agreement will mean for businesses in New South Wales, both positively and negatively?

Mr PATERSON: No, not at this stage. The formal detail in relation to the scheme has not yet been made public. There have been headlines associated with the agreement. We believe that it will provide substantial opportunities for businesses in New South Wales, particularly in the agribusiness sector, which is an area of particular focus for us. But it is not something that, in the absence of the detail, we can properly analyse. It requires phasing in. It will require businesses to be able to respond to the opportunities that it provides, but we have not done the analysis at this stage.

The Hon. MICK VEITCH: Is your department looking at setting aside some funds in the future, when the detail becomes available, to analyse what it means for New South Wales?

Mr PATERSON: I do not know that we would necessarily set aside funds to do it, but I am sure that a combination of staff in Primary Industries, in our Trade and Investment area and in the broader economics area will examine the opportunities. We will try to work with potential suppliers in the domestic market to maximise the benefits that they gain from the free trade agreement and to develop new markets where those new markets are available to them. We have two offices in China, as I think you are aware. We have an office in Shanghai and we have an office in Guangzhou. The agribusiness opportunity is an area of particular focus for us. It is an area where New South Wales has a competitive advantage, where we have an opportunity to deliver above-average global GDP growth in that sector. So we do think that the free trade agreement provides substantial potential opportunity. How much the real opportunity is delivered depends very much on commercial partners.

The Hon. MICK VEITCH: Has there been any analysis—I guess it would be difficult to go into detail—but initial analysis around some of the threats that might arise from the China free trade agreement for New South Wales?

Mr PATERSON: All of these things depend on perspective. I am an avowed free-trader, as you might guess.

The Hon. MICK VEITCH: I know.

Mr PATERSON: And I see that there are benefits for Australia and for China in terms of this free trade agreement. Not everybody got every element in the agreement that they might have hoped for, but nobody went backwards from an Australian perspective and the opportunities going forward are there for us to assist people to take up.

The Hon. MICK VEITCH: You just mentioned the two international offices in South-East Asia—

Mr PATERSON: They are the China ones; they are not the only ones.

The Hon. MICK VEITCH: From memory, the budget allocation this year for the NSW International Engagement Strategy was about \$3.6 million. Does that include additional funds for a new presence in South-East Asia, not in China itself?

Mr PATERSON: If I can just paint the picture. The International Engagement Strategy identified our top 10 markets. At the time of the report we had two offices in China, one in Mumbai in India, one in Abu Dhabi in the United Arab Emirates and one in San Francisco. Since that time we have reopened an office in Japan, in Tokyo, and we have opened a presence in South Korea where we have what we call an embedded Austrader, that is, a person who is employed by Austrade that we fund that acts on behalf of New South Wales but works in conjunction with Austrade and the post in South Korea. We have explored that model. This is the first time we have been able to get an agreement with Austrade to have a person operating in that way and we are exploring the extension of that approach to other areas in South-East Asia.

The Hon. MICK VEITCH: Have they been identified yet?

Mr PATERSON: The areas have been identified but we have not made formal announcements in relation to it. The most likely next location would be Indonesia and we are exploring Malaysia and Singapore as possibilities. But none of those are funded at this stage; it is a question of whether I can divert resourcing within the available resources to be able to fund those activities.

The Hon. MICK VEITCH: Does the budget allocation of \$3.6 million include funding for a new presence in South-East Asia other than the China ones? Essentially you are saying not yet.

Mr PATERSON: I do not recall the number off the top of my head, forgive me, but we resource the current presence in all of the markets that I have identified with a combination of additional resources provided in the budget and existing resources within the department and we are examining the opportunity to increase the presence in South-East Asia, in Indonesia and hopefully some of those other markets.

The Hon. MICK VEITCH: Was that preparation work to identify done in-house?

Mr PATERSON: Yes.

The Hon. MICK VEITCH: Is that available for the Committee?

Mr PATERSON: It is preparatory work to inform a government decision, so I would not, as a matter of course, provide it to the Committee.

The Hon. MICK VEITCH: With regard to the recruitment of people who will potentially work in these facilities, you mentioned the Austrade arrangement. Would that be what you are looking at doing with the new presence?

Mr PATERSON: We are going to examine how well it works in South Korea. It is a new model. We have a very successful model operating in the other locations. But we have always wanted offshore to be able to cooperate actively with Austrade and we have been able to do it on the trade side but inward investment attraction, which is the other part of our interest, we have not in the past been able to do in conjunction with Austrade. But we have reached an agreement in Seoul to be able to do that, and I am hopeful that if that model is successful then we will be able to roll it out, because it means you have greater collaboration on the ground—the people co-located with Austrade and the local Australian diplomatic presence in the country—which will provide, I think, better entrees and better opportunities for us in those markets.

The Hon. MICK VEITCH: If I could take you to your response to questions on notice from the last hearing. Question 6 related to the payment of accounts. The question was: Has the Department of Trade and Investment paid all accounts within 30 days in 2013-14 and if not why not? The answer is no. Then you go on to explain the primary reason for the delay in payment and that suppliers have been notified by the department how to process individual invoices in accordance with the New South Wales Government's payment of accounts policy. When was that information conveyed to suppliers?

Mr PATERSON: That is a detailed question.

The Hon. MICK VEITCH: You can take it on notice.

Mr PATERSON: Yes, I will. We have responded to all of your questions on notice, as I recall.

The Hon. MICK VEITCH: I am happy for you to take that on notice, but while doing that, is it possible to get a copy for the Committee of the letter that was provided to the suppliers?

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

The Hon. MICK VEITCH: Question 7 was: "Has any company raised concerns with the Department of Trade and Investment over non-payment of accounts or delays. Please advise of when this occurred and how the concerns were treated". In your response you say, "Yes", and you go on to explain how vendors can raise concern, but you actually do not answer that second part of the question, "Please advise of when this occurred and how the concerns were treated". You may like to take that on notice as well. I would like to know when companies raised concern with the department and why they are raising concern.

Mr PATERSON: I am happy to take it on notice. We do say in May we wrote to a lot of suppliers to confirm their purchasing and payment process in response to that question on notice.

The Hon. MICK VEITCH: But not when they actually raised their concerns. You say when you responded but not when individuals raised their concern. I am happy for you to take that on notice.

Mr PATERSON: I would like to be able to put some parameters around it or some boundaries around the nature of the question so that we understand what we are doing. In a business like mine—\$2.5 billion a year, 7,000-odd employees, large numbers of suppliers—there will be questions raised about invoices, about payments, about the delay in payment, an issue that might arise occasionally in relation to a payroll issue; those sorts of things are unfortunate but they are facts of life and they happen all the time and they will happen irrespective of the system that we operate on. I am trying to get a sense as to what is the magnitude of the issue? What are we trying to focus attention on?

The Hon. MICK VEITCH: You said yes that vendors have raised concern.

Mr PATERSON: Yes.

The Hon. MICK VEITCH: Then you go on to say that in May 2014 you wrote to the suppliers to confirm the new process. I would just like to know the dates of when vendors raised concern. I am trying to work out, as you can probably tell from the question, if there was a time period when a lot of vendors were raising concern, such as within a couple of months of each other, and that has resulted in the department writing a letter to say, "This is going to be the process."

Mr PATERSON: I am happy to look at it for you.

The Hon. MICK VEITCH: Question 11, which goes back to Sapphire Design, was about whether you or a delegate travelled internationally at any stage to discuss issues with developers about the Sapphire Design program. The answer says that Ms Janine Biviano was invited to the Sapphire conference as a speaker at the conference held in May 2013 and it goes on to say that whilst there she met with the CEO of SAP. Can you provide details to the Committee of the nature of that meeting? I do not want a transcript, just what were the issues that were raised.

Mr PATERSON: The SAP Sapphire conference is the largest vendor conference that SAP hosts in North America. It hosts it on an annual basis. Because of the nature of the program that we had been involved in with SAP we were invited to participate in that and Ms Biviano, as the project leader for that project, was the one who went to that conference. So it is a conference that clients from across North America and elsewhere in the world go to. As you know, SAP is a human headquartered business with a very large presence in the United States. They have the CEOs of the business in place and she took an opportunity while there to meet with them to talk through our experiences, the issues that you would confront in any transformation like the one we went through, and was very positively received.

The Hon. MICK VEITCH: Do you or people within the department have regular meetings with SAP about the ongoing implementation, if there is an opportunity to raise any issues?

Mr PATERSON: We do, and I do. Yes, I regularly meet with SAP, as does a senior group of my people operationally meet with SAP on a regular basis. All of the issues that we experience in implementation or

issues associated with upgrade or with enhancements are considered through that process. So I meet with the senior executives of SAP on a relatively regular basis.

The Hon. MICK VEITCH: Is it a formalised schedule or as needs?

Mr PATERSON: For a large part of the transition process we met on a monthly basis. There was a steering group that I personally participated in, as did all of the key people involved in its implementation and on the SAP side all of their key people were involved and we worked through all the issues that we experienced. Where there were challenges on upgrades or challenges on implementation, they were talked through. There were regular briefings, updates and the like. Because it is a product that we bought off the shelf, we would talk through the schedule of regular updates that SAP did to their system in terms of enhancing its capability, how they would be rolled out and, if there were problems associated with that rollout, how we would address them.

The Hon. MICK VEITCH: Question 24 in the questions on notice relates to bad debt. The answer to that question—I want to explore this a little further—states, "The Audit Office recommended that a more conservative methodology be used for the provision of doubtful debts in the financial year. This highly conservative methodology assumes debtors with an age profile in excess of 90 days are considered doubtful." I do not want to read too much between the lines, and you can correct me if I am wrong, but my assumption from what that says is that it would appear that you are not in accord with the Audit Office's recommendation. While you are accepting it and implementing it, it suggests to me that maybe you are not fully agreeable to it.

Mr PATERSON: No. What we have said is that they have recommended a conservative methodology.

The Hon. MICK VEITCH: I think you say "highly conservative".

Mr PATERSON: Yes. I think it is highly conservative. I would not have agreed with that wording in response to the question if I did not believe that. It is a highly conservative approach, and the extent to which we have actual bad debtors that are written off, as we went through on the last occasion, there is a dramatic difference between the provision for bad and doubtful debts and our actual bad debts. It is an order of magnitude difference. I think if every business was required to record everything beyond 90 days as a provision for bad and doubtful debts, there would be a hell of a lot of bad and doubtful debts sitting on balance sheets all over the place. I think it is a highly conservative approach. The Audit Office determines the standards that we apply in this area, and I do not want qualified accounts.

The Hon. MICK VEITCH: Did that new arrangement commence this financial year?

Mr PATERSON: Yes. The more conservative approach was taken this year. I indicated on the last occasion when I came back after the break to respond to your question, because you had been given some numbers from somewhere which clearly, as you will recall, were not reflective of our numbers, and at the time I gave you unaudited numbers, which I went on the record on the last occasion. I can confirm that the unaudited numbers that I provided to the Committee on the last occasion are confirmed by our tabled annual report.

The Hon. MICK VEITCH: Okay.

Mr PATERSON: As I said at that time, the actual amount written off during the financial year was \$7,000. On page 159 of our annual report and the financial statements you will find that it is \$7,000.

The Hon. MICK VEITCH: Okay. During our last exchange at the previous hearing we were talking about a dunning letter.

Mr PATERSON: Yes.

The Hon. MICK VEITCH: That was quite informative because I had never heard of a dunning letter.

Mr PATERSON: But you asked the question.

The Hon. MICK VEITCH: But I asked the question. That is right. I was working out what it means. Since that day has a dunning letter run been conducted?

Mr PATERSON: There has not.

The Hon. MICK VEITCH: Is that because of the Audit Office's new process?

Mr PATERSON: No. The capacity to produce dunning letters is not an available feature for us on the current system. It requires an upgrade of the product that we have implemented. I expect that we will have that upgrade in 1502, which is February 2015—that is how they identify their upgrades. My expectation at the moment is that it will not necessarily be upgraded in February but the 1502 upgrade will provide for us the capacity to produce dunning letters off the system. In the intervening period we pursue arrears in relation to payments both from our accounts payable area and from the operational areas and the line areas within the department so it is not that we are doing nothing in relation to pursuing outstanding debtors. We have written to them. We have corresponded with them. The line areas have chased the recalcitrants but we have not produced dunning letters off the system, and that was the advice we gave on the last occasion. I expect that with the 1502 upgrade we will be able to produce dunning letters off the system.

The Hon. MICK VEITCH: I move on to RIIF and the guidelines. I understand that the guidelines are still in draft form. Have they been formalised yet? This is for the Regional Industries Investment Fund.

Mr PATERSON: I am happy to take that on notice. I am not conscious of there being anything. We use the guidelines to operate the fund.

The Hon. MICK VEITCH: I guess that is what I was asking.

Mr PATERSON: I am happy to provide to the Committee the guidelines that we use for the operation of the fund, if that would assist the Committee, in whatever form they are in. We are using them in relation to considering applications for that fund and we make recommendations to government on the payments from that fund. So I am happy to provide to the Committee the guidelines that we are using, whatever their current status. They are the guidelines we are using so I am happy to provide them to the Committee.

The Hon. MICK VEITCH: I understand that three executive director jobs have been advertised recently. One was for Business and Regional Development.

Mr PATERSON: Yes.

The Hon. MICK VEITCH: What exactly will be the role? I do not need all the detail, but what will be the broad role of the Business and Regional Development Director?

The Hon. NIALL BLAIR: Are you looking for a job? I thought you got preselection.

CHAIR: We have managed to get through this without interjections. Let us see how we go for the last 10 minutes.

The Hon. MICK VEITCH: The cheeky little Irishman.

Mr PATERSON: We are going through a process of implementation of the broader GSE employment changes, which is about ensuring that all of our senior executives throughout my department and the public sector generally are employed under arrangements outlined in the GSE Act, which the Parliament introduced in February of this year. We are also clarifying the structure and implementing a change plan in what we call the IIHA, which is the Industry Innovation Hospitality in the Arts division within my department. That is a job that is within that IIHA division—

The Hon. MICK VEITCH: A new acronym I have to get my head around.

Mr PATERSON: We have to keep you focused. We are clarifying how we operate our regional activities to make sure that we do not have gaps between the groups. There has been some rationalisation of the roles and a couple of the teams where they may have had responsibilities that were overlapping in areas of how we service the regional locations, are combined together. It is not the only regional presence that we have because primary industries within the department has a strong regional presence. We have a different sort of regional presence from our fisheries people and a different presence from our Crown lands people. We have a regional presence from the Office of Liquor, Gaming and Racing and we service different client groups in different ways. This is looking at what were the traditional regional development style services, the people who

would work with companies who might be applicants under the Research Infrastructure Equipment and Facilities Scheme [RIEF] would be overseen by this role.

The Hon. MICK VEITCH: In relation to providing assistance to firms that are relocating from Sydney to regional New South Wales, does your department measure the net economic value to the State of the move?

Mr PATERSON: If we are involved in providing a grant or subsidy support for an individual company then there is a project proponent outline of what is expected, and we make an assessment of what that is. Then we have schedule payments that are generally milestone based. So if a person says, "I will create 50 jobs over the next 18 months" there are certain up-front payments and then there are milestone payments. If they do not meet the criteria for the milestone payment they do not get the milestone payment. So we make an assessment over time as to whether they are actually doing what they said they were going to do. If they do not do what they said they were going to do then they do not get the final payments.

In overall terms it is difficult to be able to disaggregate the numbers that you would get because for much of the aggregate numbers in terms of economic growth in a regional area we are dependent upon statistics from the Australian Bureau of Statistics for some of that broad assessment, and that can be quite dated. I cannot recall the time cycle but we get the statewide data more frequently than we get the regional breakdown data. It does get very hard to try to tie things back to particular events.

The Hon. MICK VEITCH: You may want to take this question on notice. The Nationals Deputy Premier in Victoria, Peter Ryan, has estimated that to place 50,000 people in Melbourne would cost \$3.5 billion but to move them to country Victoria would cost \$1 billion—so it is cheaper to move them to the bush essentially.

Mr SCOT MacDONALD: Point of order: Are the estimates about Victoria or is the Hon. Mick Veitch getting to a New South Wales issue?

The Hon. MICK VEITCH: I am allowed to make some introductory comments and having been here four years you should know that. Has your department done any similar analysis of the cost of locating people in Sydney as opposed to locating them to country New South Wales?

Mr PATERSON: Not to the best of my knowledge. I am not sure in what context we would undertake such an assessment. We do not place people into Sydney. There is no reason for us to do an analysis about placing people in Sydney relative to somewhere else.

Mr SCOT MacDONALD: It is a waste of time.

The Hon. MICK VEITCH: Did you say it is a waste of time moving people to the bush?

Mr SCOT MacDONALD: Waste of a question.

Mr PATERSON: As you know we are a regionally focused and a significantly regionally diverse organisation in terms of our placements. We are in more than 200 locations around New South Wales. We are responsible for assisting the Government with its regional relocation activities. We run the scheme that provides support to people who move from metropolitan areas to regional locations. We are involved in assisting with the management of the program that sees public sector roles decentralised from metropolitan areas to country areas.

The Hon. MICK VEITCH: I guess they have conducted some analysis that shows the benefit of having people live in regional Victoria. Are you aware of a similar analysis in New South Wales?

Mr PATERSON: I am not conscious of something that would stand on all fours with what you are suggesting.

The Hon. MICK VEITCH: Your department was involved in the promotion of the original Regional Relocation Grants and I understand that Finance is responsible for processing the claims and payments?

Mr PATERSON: They do.

The Hon. MICK VEITCH: The budget for promotion of the scheme in this financial year seems to be buried in amongst the broad line item as opposed to it being \$1 million in the first year. How much has been set aside this year for the promotion of the scheme?

Mr PATERSON: Nothing, to the best of my recollection. I say that on the basis that the scheme required some promotion in the early days as it was undersubscribed. I think that we were asked some questions along the way at estimates in relation to the extent to which it was undersubscribed. There was a huge spurt of activity in the earlier part of this calendar year which resulted in the budget for those grants being fully expended. The Government at the time ended the scheme and reintroduced a skilled stream and that skilled stream carried on from the time that the previous one had spent its last available dollar, and then carried the scheme through until the end of March.

The Hon. MICK VEITCH: Are there any plans to promote the skilled scheme?

Mr PATERSON: No, the take-up of that has continued strongly, as I understand it. The payment side of it is not administered by my department but there are no additional promotional activities being undertaken in relation to it.

The Hon. MICK VEITCH: Is it possible to get a breakdown of the allocations against the Research Attraction and Acceleration Program since its commencement?

Mr PATERSON: I should be able to do that. This is a program in which largely, in a delegated sense, the Chief Scientist is actively involved in assisting us with the administration of the program and we take her advice and input in relation to the projects that are funded under that scheme. But I do not think there is an impediment to providing that information and I will take it on notice because I do not have it with me. If I find that there is an impediment to me providing that information I will advise the Committee accordingly.

The Hon. MICK VEITCH: Thank you for your answers about the Cross-Border Commissioner. Has the position been reduced in hours so that he is now a part-time as opposed to a full-time Cross-Border Commissioner?

Mr PATERSON: That is correct.

The Hon. MICK VEITCH: Mr McTavish commenced on 28 July 2014.

Mr PATERSON: Yes.

The Hon. MICK VEITCH: What work has he conducted in that time frame? For instance, an upper House inquiry is currently underway into the Mr Fluffy incidents regarding the program of insulation in the Australian Capital Territory. Has the Cross-Border Commissioner at any stage been involved in assisting the Government in that very significant issue?

Mr PATERSON: I am happy to check it. I have not seen anything that would suggest that he has been involved in the Mr Fluffy issue. I am happy to take the question on notice. I do not look at his day-to-day operational activity and it does not come to me. I am happy to check but I do not believe that he has been involved in anything associated with Mr Fluffy, but I could be wrong. I am happy to check.

The Hon. MICK VEITCH: It is a significant cross-border issue and quite a serious issue in Queanbeyan; it is cross-jurisdictional. I would have thought you might have had some involvement in it.

Mr PATERSON: There is no question that it is an issue where the overlapping nature of those communities means that some of the houses in Queanbeyan were supplied with that product in the same way as many houses were in Canberra. The Cross-Border Commissioner tends to have a focus on the regulatory issues that are impediments to people doing business and undertaking their lives. That one falls into a very grey area but I am happy to take it on notice.

The Hon. MICK VEITCH: I am happy to talk to you offline because some regulatory issues were raised recently.

CHAIR: Unfortunately time for questions has expired. Thank you very much for coming today. You have taken questions on notice and the Committee would like a response to them within 14 days. We need to take back the two documents you have been provided with and we will email them to you along with the questions you have taken on notice.

(The witness withdrew)

The Committee proceeded to deliberate.
