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GENERAL PURPOSE STANDING COMMITTEE No. 4

Wednesday 18 February 2004

Examination of proposed expenditure for the portfolio areas

ENERGY, AND UTILITIES

The Committee met at 1.00 p.m.

MEMBERS

The Hon. J. A. Gardiner (Chair)

Mr I. Cohen
The Hon. A. R. Fazio
The Hon. K. F. Griffin

The Hon. D. E. Oldfield
The Hon. G. S. Pearce

PRESENT

Sydney Water Corporation

Ms G. Kibble, *Chairman*
Mr G. Robinson, *General Manager*
Ms A. Tsoukatos, *General Manager, Corporate Affairs*
Mr I. Grey, *General Manager, People and Quality*
Mr R. Quill, *General Manager, Asset Solutions*
Mr W. Watkins, *Manager, Group Property*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

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

**Budget Estimates
General Purpose Standing Committee Secretariat
Parliament House
Macquarie Street
SYDNEY NSW 2000**

CHAIR: I declare this meeting open to the public and welcome everyone to the fourth supplementary budget estimates hearing of General Purpose Standing Committee No. 4. I thank departmental officers for appearing this afternoon. The Committee will examine, first, proposed expenditure for the portfolio area of Energy, and Utilities. We will examine later proposed expenditure for the portfolio area of Roads. Before we commence with questions we need to deal with some procedural matters. I refer to the broadcasting of proceedings. Part 4 of the resolution referring budget estimates to the Committee requires evidence to be heard in public. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of those guidelines for broadcasting are available from the attendants.

In accordance with the Legislative Council's guidelines for the broadcasting of proceedings, only members of the Committee and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, members of the media must take responsibility for what they publish or what interpretations they place on anything that is said before the Committee. I refer next to the delivery of messages to Committee members. There is no provision for members to refer directly to their staff while at the table. Witnesses, members and their staff are advised that any messages should be delivered through the attendant on duty or the Committee clerks.

Before answering any questions departmental officers should identify themselves for the benefit of members and Hansard. This Committee does not allocate questions on the basis of time; that is left in the hands of the Chair. I propose to adopt the same procedure that this Committee has adopted all year; that is, to split it up fairly around the table. The Committee has resolved that any questions on notice requiring answers should be in our hands by 9.00 o'clock Tuesday next. I declare the proposed expenditure open for examination.

The Hon. DAVID OLDFIELD: As all the witnesses have chosen to appear together, if we are unhappy with the answers that we receive today, will we be able to recall witnesses individually at a later in-camera meeting?

CHAIR: Under the resolution of the House, budget estimates hearings are required to be in public. However, that does not preclude this Committee from deciding subsequently to recall witnesses. After we present the report of these hearings to the House next week, this Committee could resolve to have a separate hearing with particular terms of reference and recall any witnesses. We could certainly ask more questions later. Ms Kibble, we have acceded to your request to examine you first.

Ms KIBBLE: Thank you.

CHAIR: Could you describe for the Committee the recruitment process relating to the appointment of Mr Robinson as Managing Director, Sydney Water Corporation, including the date on which the position was advertised, the date that the advertisement stated was the closing date for applications, the number of applications that were received and the number of applicants that were interviewed? Will you tell the Committee about that process?

Ms KIBBLE: Yes, I can. I wish to clarify one thing first. I am not a public servant; I am appearing as chairman of the board. I am having to appear before the Committee but I think that just needs clarification. I am perfectly willing to appear, but I do not actually fit under the umbrella to which you alluded earlier.

CHAIR: We appreciate that you are chairman of the board, but you are a public officer.

Ms KIBBLE: I am happy to appear.

CHAIR: Public officers come within the purview of general purpose standing committees.

Ms KIBBLE: I can answer virtually all of that question. There are probably some components of it on which we might have to come back to you. I will run through the dates for you, and give you the information as I go. Alex Walker, the previous managing director, resigned on 19 November 2002. He left the employ of Sydney Water on 29 November 2002. On 3 December 2002 I, as chair, approved the engagement of Watermark Services to recruit the new managing director. Watermark Services is a recruitment firm that was on the agreed panel to provide those services to Sydney Water. We sought some expressions of interest and engaged it to do the job. After a process of assessment I believe three companies were all on our panel to provide services. The job was advertised. I cannot give you the date of the advertisement or when it closed, but we are happy to come back to you with that information.

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On 31 March 2003 interviews were held, and the interview panel consisted of three board members—myself, the Chairman of the Audit Committee, Mr Jim Priest, and Gary McCully. We went through the cull of candidates. I cannot tell you how many candidates there were, but I will take that on notice. We interviewed six people, and the interview panel was of the unanimous view to make the appointment that was made. Do you wish me to go further through the process than that?

CHAIR: Yes, if you have further information.

Ms KIBBLE: I am happy to go right through the process, if that is what the Committee wants me to do.

CHAIR: Did you have any discussions with anyone outside the board in assessing Mr Robinson's appropriateness to be appointed to the position? For example, did you discuss the matter with Minister Sartor and/or Mr Gerry Gleeson?

Ms KIBBLE: The board resolved to appoint Greg Robinson. I discussed it with Minister Sartor. The board's resolution went to him for him to do the things the statute requires him to do. Yes, I discussed it with Minister Sartor, but only after the interviews and after the process.

CHAIR: There was no discussion with the Minister during the process?

Ms KIBBLE: Not before the interviews, not before the board panel had reached a unanimous view on the appointment. No.

The Hon. AMANDA FAZIO: Was your discussion with the Minister basically to advise him of the decision of the board?

Ms KIBBLE: Yes, because the legislation requires the Minister to take certain action on the recommendation of the board. Yes, I did and I certainly discussed with Mr Sartor the appropriateness in our view as a board of the appointment.

The Hon. GREG PEARCE: Was Mr Robinson's application recommended by Watermark?

Ms KIBBLE: Yes.

The Hon. GREG PEARCE: Was it received within the originally advertised time for applications to be submitted?

Ms KIBBLE: I believe so because I do not actually believe that there was, in fact, a closing date. But I will have to come back to you on that. But yes, it was well and truly received at the time we did the cull and within the period.

CHAIR: Was there any discussion with Mr Gerry Gleeson about the appointment?

Ms KIBBLE: After the recommendation, after the board committee had reached its conclusion, yes, I did discuss it with Mr Gleeson because it was my duty to make inquiries about it, and yes I did.

CHAIR: What sort of inquiries?

Ms KIBBLE: I spoke with Mr Gleeson about Mr Robinson's performance. I can say no more than that.

CHAIR: Presumably Mr Gleeson gave him a glowing report?

Ms KIBBLE: Mr Gleeson certainly endorsed the action we were proposing to take insofar as his support for Mr Robinson.

CHAIR: You have already indicated you will get back to us with some further information on notice. Can you provide us with the documentation relating to the recruitment and appointment of Mr Robinson, including his curriculum vitae?

Ms KIBBLE: I will have to take advice on that, I think. I will certainly provide you with the maximum that I can provide you with, but I will have to take some advice on that.

The Hon. GREG PEARCE: Did you make diary or file notes of your conversations with Minister Sartor and/or Mr Gleeson?

Ms KIBBLE: No.

The Hon. GREG PEARCE: You do not have any record of when those discussions took place?

Ms KIBBLE: No, I could not tell you when they took place. They took place during the period.

The Hon. GREG PEARCE: During the period?

Ms KIBBLE: After the board committee had reached the conclusion, and I should be absolutely clear about this: Mr Robinson was the recommended candidate from the interview panel.

The Hon. GREG PEARCE: You cannot substantiate when you had those discussions with either the Minister or Mr Gleeson?

Ms KIBBLE: No.

CHAIR: Can you confirm today your absolute confidence in Mr Robinson's performance as Managing Director of Sydney Water Corporation?

Ms KIBBLE: Yes.

CHAIR: Can you tell the Committee when and how you first became aware of the alleged conflict of interest or possible corrupt behaviour by Mr Robinson, and specify what action you took, whom you instructed to investigate those allegations, with whom you discussed those matters, and the content of those discussions?

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Ms KIBBLE: Yes. I will answer in so far as I can, but I would have to preface my answer by saying these matters are presently before ICAC and there are matters on which I am not able to comment at this stage. But I am happy to take it as far as I can, if that is satisfactory to the Committee. I received the allegations on my home email, which is on my own computer with my home email address, on 17 November. I took the view, as soon as I saw the allegations, that they had to go to ICAC and they were referred, I believe, the next day to ICAC. I also took the view that we would have to make our own investigation of that.

I took advice on that matter from Mr Ian Waters, who is one of our senior solicitors, and he handled the paperwork on this matter. It was decided to commission the Internal Audit Bureau to investigate them on our behalf and to advise us on the procurement practices. There was one other allegation which did not involve Mr Robinson but involved the internal auditor and so one of the terms of reference was that that be investigated also. So the matter went to the Internal Audit Bureau to do a full investigation on behalf of the board.

CHAIR: What is the state of that inquiry?

Ms KIBBLE: That report was received by me on 5 February this year. I have referred it to ICAC, along with comments of the two affected parties in it. That has gone to ICAC.

CHAIR: Can you provide that report to the Committee?

Ms KIBBLE: No, I do not believe I can. I believe it is a matter now before ICAC, on the advice I have.

The Hon. GREG PEARCE: What advice is that?

Ms KIBBLE: That the matter is with ICAC and is therefore confidential at this time.

The Hon. GREG PEARCE: Was this report the internal audit report in relation to procurement practices of the board? What were its findings?

Ms KIBBLE: Because the matters covered by that report are also before ICAC, ICAC has asked us to provide the report to them and we have done so.

The Hon. GREG PEARCE: Has ICAC asked you not to provide it to this parliamentary committee?

Ms KIBBLE: I cannot say that they have specifically said to me, "Don't provide it to this Committee", but the legal advice I have is that it is confidential at this time.

The Hon. GREG PEARCE: Can you provide it to this Committee on a confidential basis?

Ms KIBBLE: I do not believe I can.

The Hon. GREG PEARCE: What advice do you have to that effect?

Ms KIBBLE: I have only verbal advice, but I will seek some further advice. If the Committee is asking me that, I will seek some further advice on it.

The Hon. GREG PEARCE: The Committee is asking you that.

Ms KIBBLE: I am saying to you I cannot provide it to you today.

The Hon. GREG PEARCE: What is the basis on which you cannot provide the report which is in relation to procurement practices at Sydney Water? That is clearly a matter of relevance to this Committee in its estimates hearings.

Ms KIBBLE: I understand that.

The Hon. GREG PEARCE: The report is a simple Sydney Water document and it does not carry any privilege as far as I am concerned.

Ms KIBBLE: I will seek advice from ICAC.

The Hon. GREG PEARCE: That is not an answer to my question.

Ms KIBBLE: Well, it is the only answer I am prepared to give you. I will seek advice from ICAC.

The Hon. DAVID OLDFIELD: To clarify the matter? rather than cannot, you will not provide the report?

Ms KIBBLE: I will not provide it today.

The Hon. AMANDA FAZIO: You stated that you had been given verbal advice that the report was confidential. Was that advice from the in-house legal department of Sydney Water?

Ms KIBBLE: Yes.

The Hon. AMANDA FAZIO: Do you need to clarify that before you could proceed any further?

Ms KIBBLE: I will clarify it with ICAC.

CHAIR: Will you do that today?

Ms KIBBLE: I will endeavour to do that today.

CHAIR: And provide me or the Committee Secretariat with the argument of ICAC that you should not provide it?

Ms KIBBLE: Yes, I will do that.

The Hon. DAVID OLDFIELD: Rather, that you are not to provide it?

CHAIR: Yes? provide their specific advice to you because we may have other advice obviously that contradicts that of ICAC's legal advice.

The Hon. GREG PEARCE: Did you discuss the contents of that report with Mr Robinson?

Ms KIBBLE: The IAB's report?

The Hon. GREG PEARCE: Yes.

Ms KIBBLE: Yes, I have.

The Hon. GREG PEARCE: So you have disclosed its contents to Mr Robinson?

Ms KIBBLE: He had it.

The Hon. GREG PEARCE: He had it?

Ms KIBBLE: Yes, he was a party to the report. He had it and the other party to the report has had it to be able to make a comment on it.

The Hon. GREG PEARCE: Mr Robinson and other people have it but the parliamentary committee is not entitled to it?

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Ms KIBBLE: Mr Robinson was an affected party to the report.

The Hon. GREG PEARCE: Do you agree with the evidence he gave to this Committee on 24 November that the conclusions of the report were that the allegations were vexatious and without substance?

Ms KIBBLE: I cannot comment on that.

The Hon. GREG PEARCE: Do you agree or disagree with his evidence?

Ms KIBBLE: I simply cannot comment on it. The report was not in existence at the time that Mr Robinson gave evidence in November.

The Hon. GREG PEARCE: What was the basis upon which he claimed before this Committee that you had agreed that the allegations were merely vexatious and that you had a discussion with him on that basis?

Ms KIBBLE: I am puzzled by that question.

The Hon. GREG PEARCE: Did you have a discussion with him in November or earlier in which you addressed the allegations?

Ms KIBBLE: I had a discussion with him when I received the allegations. I advised him that I treated the allegations seriously, that I was referring them to ICAC and that I would have an internal investigation done not within Sydney Water but by the IAB.

The Hon. GREG PEARCE: So you did not express any opinion about the nature of the allegations?

Ms KIBBLE: Any opinion I expressed was that I regarded it as a serious set of allegations.

CHAIR: How many allegations were there?

Ms KIBBLE: I could not say off the top of my head. I do not have the actual email with me.

CHAIR: Were there 2 or 3 or 20?

Ms KIBBLE: Probably 8 or 9, but I would have to check.

The Hon. GREG PEARCE: Did they include the allegation of conflict of interest in relation to the appointment of Misho and Associates?

Ms KIBBLE: Yes.

CHAIR: Mr Robinson told the Committee that there was a series of issues. Were they of a different nature?

Ms KIBBLE: There was a number of allegations relating primarily to the selection of consultants, and they have all been investigated.

CHAIR: Have you had any discussions with Minister Sartor regarding the report we have been talking about?

Ms KIBBLE: I have had no discussions of any substance about the report with Minister Sartor. I told him that I had it and what I intended to do with it, but I have not discussed the report beyond that.

The Hon. GREG PEARCE: Have you given a copy to the Minister?

Ms KIBBLE: No.

The Hon. GREG PEARCE: Why not?

Ms KIBBLE: For the same reason—the matter is before ICAC. I have not given the Minister a copy.

CHAIR: Mr Robinson also told this Committee that Sydney Water needs to look at the procedures for engaging contractors and consultants and to ensure that in future this perception is avoided. What has the corporation done about that?

Ms KIBBLE: It is one of the subjects on which the IAB has reported. In general, the report is that the procedures are robust and that it is important they be adhered to. The board will look at that further after ICAC has finished with the matter.

The Hon. GREG PEARCE: Why have you not done more about it? Surely, given that Mr Robinson has admitted that he had a conflict of interest in that matter, the board should have taken action. Why have you not taken any action?

Ms KIBBLE: Because the matter has been under investigation.

The Hon. GREG PEARCE: Mr Robinson has admitted under oath to this Committee that he had a conflict of interest, which is improper. I can assure you that it is contrary to—

The Hon. AMANDA FAZIO: Where is that in the transcript?

The Hon. GREG PEARCE: —Sydney Water's contract management manual.

Ms KIBBLE: I understand that.

The Hon. GREG PEARCE: So you do not take any disciplinary action in those circumstances?

Ms KIBBLE: The board has very carefully considered the procedures it is using in this matter. It has also considered undertakings that Mr Robinson has given about his future behaviour.

The Hon. DAVID OLDFIELD: Did you refer the report to ICAC before or after you referred a copy of it to Mr Robinson?

Ms KIBBLE: After.

The Hon. DAVID OLDFIELD: Are you aware that ICAC does not inform people that it is investigating them?

Ms KIBBLE: That is true.

The Hon. DAVID OLDFIELD: Did you not in fact inform someone who was going to be investigated after having referred him to ICAC?

Ms KIBBLE: I gave Mr Robinson the ability to comment on a report that the Sydney Water board had commissioned. I have no idea what matters are before ICAC.

The Hon. DAVID OLDFIELD: You must have had some idea because you referred the matter to ICAC.

Ms KIBBLE: I accept that I referred the matter to ICAC and I advised it about what the board was going to do to investigate the matters that had been brought to my attention. Having got the report from the IAB, I took the view that natural justice required that Mr Robinson and the other party have an opportunity to comment on what was in the report and then it went to ICAC. ICAC is doing its own investigations as well.

The Hon. DAVID OLDFIELD: Did you not tell me a moment ago that you referred the report to Mr Robinson after you had given it to ICAC?

Ms KIBBLE: No, I did not. If I said that—

The Hon. DAVID OLDFIELD: That is exactly what you said.

Ms KIBBLE: I referred it to ICAC after Mr Robinson had had the opportunity to comment. It has gone to ICAC in exactly the same form it was received, but with Mr Robinson's comments and letter attached. Both have gone.

CHAIR: What undertakings has Mr Robinson given to you and the board about his future behaviour?

Ms KIBBLE: In general terms I can. Mr Robinson has undertaken, and I have advised the board of this, that in any future consultant selection, if there is any question of there being seen to be, or being, a personal involvement between him and the consultant and contractor that he will discuss it with me first and we will make a decision about the appropriate way to go.

CHAIR: Should that not have been the formal course of events anyway?

Ms KIBBLE: Yes.

CHAIR: Did that apply to Mr Paul Broad?

Ms KIBBLE: I cannot comment.

CHAIR: He said that such matters should be referred up. It has probably been a problem with Sydney Water that it has not occurred in the past.

Ms KIBBLE: I cannot comment on what has been a matter of course. I can comment only on the particular matter.

The Hon. DAVID OLDFIELD: You said earlier that you had absolute confidence in Mr Robinson's role. Given what has happened and given that you have now required that discussions take place in the future on such matters, what has changed in Mr Robinson's undertakings that has caused you to have absolute confidence?

Ms KIBBLE: He has given me his word that at any time if a potential contractor or consultant is known to him in a personal capacity he will discuss it with me in the first instance. He has given me an undertaking in that respect and I have accepted it.

The Hon. GREG PEARCE: Is Mr Robinson also a member of the board?

Ms KIBBLE: Yes.

The Hon. GREG PEARCE: Do you have a policy dealing with directors' conflicts of interest?

Ms KIBBLE: Yes.

The Hon. GREG PEARCE: Has Mr Robinson breached that policy?

Ms KIBBLE: Mr Robinson has consistently declared to the board in any circumstance in which there has been a conflict of interest. It was not declared in this case.

The Hon. GREG PEARCE: So he has breached the policy?

Ms KIBBLE: I believe so.

The Hon. GREG PEARCE: What action have you taken as chair in relation to that breach given his membership of the board?

Ms KIBBLE: I have taken no separate action. The action that I have taken relates to him as both the chief executive office and a director.

The Hon. GREG PEARCE: He has breached both the board policy and the procurement guidelines?
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Ms KIBBLE: He certainly should have advised of the conflict—the potential conflict—of interest.

The Hon. DAVID OLDFIELD: Ms Kibble, did it seem strange to you at all that if Mr Robinson has a past of informing the board of such matters, strangely on this occasion this matter did not come up?

Ms KIBBLE: I cannot comment on that.

The Hon. DAVID OLDFIELD: You do not find that strange? Was it unusual; was it out of character for Mr Robinson?

Ms KIBBLE: I can only say that I believe Mr Robinson has consistently advised the board, in circumstances where the board is considering something, where there is a potential conflict.

The Hon. GREG PEARCE: Ms Kibble, can you tell us what you know about the process of engagement and appointment of Deloitte and Roy O'Connor to undertake the counter-terrorism security review for the board?

Ms KIBBLE: No, not in detail. I am aware that that is one of the pieces of work, but I am not in a position to discuss that in detail.

The Hon. GREG PEARCE: Do you know whether Mr Robinson made a recommendation or suggestion in relation to that appointment?

Ms KIBBLE: I do not know. I think that is something that you might more appropriately ask other officers.

CHAIR: For the record, would you mind giving us a brief outline of the Internal Audit Bureau—who is on it, and what it does?

Ms KIBBLE: For the public record, it is an independent consultant, or provides independent consultant audit services, predominately, I believe, to government agencies. Again, as I understand it, the Treasurer is the shareholder of the Internal Audit Bureau but it is an independent body which provides independent audit services, in the nature of a consultancy.

CHAIR: So it is at the disposal of agencies such as yours when the need arises?

Ms KIBBLE: Yes.

The Hon. GREG PEARCE: I understand that the Committee clerk indicated to you and to the other witnesses that the Committee had resolved that it would prefer to take evidence from each of the witnesses separately, and that it would be best for the other witnesses to remain outside while we did that, given that there were some sensitive issues. Did you make any comment to the staff members or witnesses present as to the appropriateness—

Ms KIBBLE: To the witnesses?

The Hon. GREG PEARCE: Yes.

Ms KIBBLE: I indicated to them that that was the option that the Committee preferred and that as far as I was concerned they were at liberty to stay outside, if that is what they wanted to do, but that it was a public hearing. I gave no directions to anyone.

The Hon. GREG PEARCE: You gave no directions?

Ms KIBBLE: No.

The Hon. GREG PEARCE: In relation to the role of WaterMark Services in the appointment of the managing director, was it required to make a recommendation as to its preferred candidate?

Ms KIBBLE: No.

The Hon. GREG PEARCE: What was it required to do?

Ms KIBBLE: Provide a short list.

The Hon. GREG PEARCE: With no recommendations?

Ms KIBBLE: No.

The Hon. GREG PEARCE: You mentioned that Mr Robinson had a practice of declaring to the board any conflicts, other than those that were in breach. To your recollection, what conflicts has he previously declared?

Ms KIBBLE: He has consistently, in matters that involve a company where his wife is employed, notified of that potential conflict. There may be one or two others, but that has been the main strand of them, and the board has received that advice.

CHAIR: Is that before the Misho and Associates issues became public?

Ms KIBBLE: Yes. He has consistently done it.

The Hon. GREG PEARCE: That did not involve Mrs Robinson in any way working for Misho and Associates?

Ms KIBBLE: That was not an issue in his declaration of conflict of interest to the board. It was about other matters. It was not about this at all.

The Hon. GREG PEARCE: In relation to the restructuring of Sydney Water, there still appears to be eight general managers, each earning \$250,000 a year, and a managing director who is earning \$350,000 a year. I do not know whether any of those senior staff also receive bonuses or other remuneration. It seems odd that all of those highly paid positions are still there if you are restructuring.

Ms KIBBLE: Firstly, can I just answer the question of bonuses? They do not receive bonuses. I believe there are only seven there now, but perhaps that is a question you should ask Mr Robinson. I think one position has ceased to exist.

The Hon. GREG PEARCE: You think?

Ms KIBBLE: I believe so.

The Hon. GREG PEARCE: Which one?

Ms KIBBLE: The one that was in charge of Australian Water Technologies [AWT]. There is now not a position at that level.

The Hon. GREG PEARCE: What role has the board taken in relation to this restructuring?

Ms KIBBLE: The board has endorsed the restructure. The board had a major hand in it.

The Hon. GREG PEARCE: Was there a time frame in which it was to be implemented?

Ms KIBBLE: There cannot be a time frame to implement it. It is a major piece of work and it has been done in a fairly careful way. The board is satisfied with the structural path that Mr Robinson is going on, but he is the managing director and it is up to him to implement the restructure.

The Hon. GREG PEARCE: So I can be clear on the other issue that remains outstanding, which is the internal audit report, did you provide it to other members of the board?

Ms KIBBLE: No. I have discussed it with the board, but there have been no other copies of it made.

The Hon. GREG PEARCE: When you say you have discussed it, what have you said to the board about it?

Ms KIBBLE: The board had a discussion of it this morning.

The Hon. GREG PEARCE: Did that discussion go to the content?

Ms KIBBLE: Yes, it went to the content and to what was to be done. The board members have copies of the executive summary, all of which were returned thereafter.

The Hon. GREG PEARCE: How many board members were there who received an executive summary?

Ms KIBBLE: Six.

The Hon. GREG PEARCE: How many interested parties are there—Mr Robinson and, say, one other?

Ms KIBBLE: One other.

The Hon. GREG PEARCE: How many copies have gone to ICAC?

Ms KIBBLE: I cannot tell you the answer to that. I do not know. That has been done administratively.

The Hon. GREG PEARCE: So other people administratively would have had copies of it as well?

Ms KIBBLE: The only person who has had a copy of it administratively is Mr Ian Waters, senior solicitor in Sydney Water, who has been working directly to me.

The Hon. DAVID OLDFIELD: Can you inform the Committee where Mrs Robinson is employed and also confirm for us that the only other matters of conflict of interest that have been raised with the board by Mr Robinson have been those relating to the comp any that employs his wife?

Ms KIBBLE: I believe Mrs Robinson is employed by Lend Lease. Without going back to look at it I cannot indicate to you whether there are other conflicts of interest that have been declared outside that. We can provide you with that information, if you wish.

The Hon. DAVID OLDFIELD: If you would provide a list of other conflicts that have been notified.

Ms KIBBLE: Yes.

The Hon. GREG PEARCE: Can you tell the Committee what discussion you had with Minister Yeadon or Minister Sartor regarding the loss of over \$60 million of taxpayers' money in the customer information and billing system [CIBS] project?

Ms KIBBLE: I had discussions with Minister Yeadon from the point at which the board took the decision not to proceed with the customer information and billing system. I briefed both Minister Yeadon and the Treasurer as to where we were and why the board had taken those decisions; so, in some depth I briefed Mr Yeadon. Subsequently I briefed Minister Sartor on it when he first became Minister.

The Hon. GREG PEARCE: You did not indicate to Minister Yeadon that there were any difficulties with the contract before the board had determined to discontinue it?

Ms KIBBLE: I do not recall that.

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The Hon. GREG PEARCE: In relation to the internal audit report, you said that the only other person to whom it was sent was the solicitor, Mr Waters. Is that correct?

Ms KIBBLE: Yes.

The Hon. GREG PEARCE: Was it sent to any other department, the Premier or Treasury?

Ms KIBBLE: No.

The Hon. GREG PEARCE: Was it sent to any Minister's office?

Ms KIBBLE: No.

The Hon. GREG PEARCE: Can you be certain of that?

Ms KIBBLE: I can be certain of it.

CHAIR: Mr Cohen, I know you have some questions. Do you want to ask them of Ms Kibble or of other water board officers?

Mr IAN COHEN: I am not sure whether Ms Kibble would be the best person to answer my questions regarding deep ocean outfall, water quantities and so on.

Ms KIBBLE: May I comment on that?

CHAIR: Sure.

Ms KIBBLE: I think it would be best to raise those issues with the officers here.

Mr IAN COHEN: Would it be better to ask the officers about the fixed charge components of water board bills?

Ms KIBBLE: Yes, I would ask the officers.

The Hon. DAVID OLDFIELD: Ms Kibble, given the conflict of interest issues, can you confirm specifically that you had no knowledge, at the time Misho and Associates was taken on for work at Sydney Water's headquarters, that Mr Robinson had previously employed the company to work for the Sydney Harbour Foreshore Authority and at his own home?

Ms KIBBLE: I can confirm absolutely that I knew nothing either of his appointment or of any potential conflict at the time of his appointment.

The Hon. DAVID OLDFIELD: Are you aware of any allegations that Mrs Robinson has undertaken work as an interior designer directly, or possibly indirectly, for Misho and Associates?

Ms KIBBLE: I can make no comment on that.

The Hon. DAVID OLDFIELD: Do you mean that you have no knowledge of it?

Ms KIBBLE: I have no knowledge of it.

The Hon. AMANDA FAZIO: Madam Chair, is it within our purview during estimates committee hearings to ask about the employment of the spouse of somebody who appears before us? I think that is stretching things a little too far.

The Hon. GREG PEARCE: It is a conflict of interest within the definition.

The Hon. AMANDA FAZIO: I would like to state for the record that I think it is inappropriate to ask these sorts of questions about the employment of the spouse of somebody appearing before us. I know the use of this tactic has been developing in estimates committees but I still think it is inappropriate. The practice should not be pursued.

The Hon. DAVID OLDFIELD: I would like to state for the record that I think it is entirely appropriate and not just a matter of fact but a matter of understanding that where conflict of interest is concerned the employment of one's spouse is a relevant issue.

The Hon. GREG PEARCE: It is within the definition of a conflict of interest in the water board's own documentation. Page 43 of Sydney Water board's procurement manual under the heading "Conflict of interest" states that one must declare:

... any financial, personal or business interest to your manager before the contract management process commences.

It says that an example of a conflict of interest includes:

... employees having a close relative or friend employed in a position of influence in a company or business which may be given or awarded contracts by Sydney Water.

Mr Robinson told this Committee that Misho architects had studied at university with his wife so he was familiar with Mr Misho through their acquaintance. Apparently they have had a longstanding acquaintance as well as business relationships.

CHAIR: I think it goes to the question of the governance of Sydney Water Corporation, which is accountable through the Parliament to the people.

Ms KIBBLE: I believe I have given the only answer I can. They are matters that you may have to ask others about.

The Hon. GREG PEARCE: Ms Kibble, I point out again that the Committee is not satisfied—certainly my colleagues and I are not satisfied—with your refusal to provide the report to the Committee. I remind you that you have undertaken to speak to ICAC, I hope forthwith, and to obtain ICAC's written view as to whether the report can be released to the Committee. If you receive a response fairly quickly we would appreciate it. You have also indicated that you will give us other information in relation to the managing director's recruitment process. Clearly, we want to know whether there was a closing date for the applications and obviously the date of Mr Robinson's application.

Ms KIBBLE: I am happy to take that on notice.

CHAIR: I advise you, Ms Kibble, that this Committee will be meeting again on Friday morning so if we could have that advice by then it would be great and we could consider ICAC's response.

Ms KIBBLE: Certainly.

The Hon. GREG PEARCE: In relation to the matter that I raised earlier about Mr Robinson's duties as a director, I assume that Mr Robinson would have been given a copy of whatever policies you have?

Ms KIBBLE: Yes.

The Hon. GREG PEARCE: Could you please provide a copy of that policy to the Committee as well?

Ms KIBBLE: I assume that you mean the code of conduct?

The Hon. GREG PEARCE: Whatever it is.

Ms KIBBLE: Yes.

CHAIR: That concludes the questions in this area. Ms Kibble, thank you for your attendance before the Committee today. I ask Ms Tsoukatos to come to the table. Ms Tsoukatos, are you the corporate secretary for the Sydney Water Corporation?

Ms TSOUKATOS: That was correct until today. I resigned at today's board meeting.

CHAIR: Did you?

Ms TSOUKATOS: Yes.

CHAIR: Why?

Ms TSOUKATOS: There are a few reasons why I have resigned. Good corporate governance states that it is preferable for there to be clarity around the reporting arrangements for corporate secretaries. Under the previous arrangement I was reporting to both the managing director and the chair. I recommended, and the board has accepted, that Ian Waters, who is a solicitor—as Ms Kibble pointed out earlier—and who has been the assistant corporate secretary, be appointed as the corporate secretary for Sydney Water. He will report to the chair of the board as the corporate secretary and I will continue to report to Mr Robinson as general manager, corporate services.

CHAIR: What sort of circumstances led to that apparent need for greater clarity?

Ms TSOUKATOS: It is to do with what makes for good corporate governance. We are always trying to improve the way that we implement our governance practices, and that is just one of the changes. I also wanted to focus on the general management aspects of my role. My role has broadened through reform—there have been various restructures. I have also taken responsibility for pricing. So there are a number of things that I need to focus on in my general manager capacity.

CHAIR: Was it your idea to have greater clarity and that division of responsibilities?

Ms TSOUKATOS: Yes.

CHAIR: The director's handbook of the Sydney Water Corporation and schedule 10 of the State Owned Corporations Act refer to potential conflicts of interest to be declared. Can you tell us whether any penalties apply to a breach of that part of the Act?

Ms TSOUKATOS: I am not aware that there are any penalties associated with that.

CHAIR: Do you believe Mr Robinson should have declared a conflict of interest to the board when recommending Misho and Associates to undertake design work at Sydney Water Corporation's headquarters?

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Ms TSOUKATOS: I do not know whether a conflict of interest has been established. I think if there is a conflict of interest, yes; but I do not know whether one has been established.

CHAIR: What about if there is a potential conflict of interest?

Ms TSOUKATOS: Yes.

The Hon. DAVID OLDFIELD: I did not quite understand that. Is that answer "yes" to the question in the first instance or the second part of the question—that is, "if there is a potential conflict of interest"?

Ms TSOUKATOS: The answer was in relation to whether there is a potential conflict of interest.

The Hon. GREG PEARCE: Have you read the transcript of the November hearings of this Committee?

Ms TSOUKATOS: Yes, I did. I was on leave at the time of the budget estimates Committee.

The Hon. GREG PEARCE: But you have read the transcript?

Ms TSOUKATOS: Yes, I have.

The Hon. GREG PEARCE: So you are aware of the comments—the fact that Mr Robinson indicated to this Committee that he did think there was a conflict of interest, and you do not therefore think there was a conflict of interest?

Ms TSOUKATOS: I am sorry, I did not recall that Mr Robinson had said there was a conflict of interest.

The Hon. GREG PEARCE: Well, you now have been reminded.

Ms TSOUKATOS: Yes.

The Hon. AMANDA FAZIO: Could you point out for both Ms Tsoukatos's interest and mine exactly whereabouts in the transcript that is?

The Hon. GREG PEARCE: I will come back to that, but the witness has indicated that she now recalls that he did make that admission. That being the case, do you think Mr Robinson should have declared that conflict of interest to the board in accordance with his duties as a director and the board's procurement policies?

Ms TSOUKATOS: Yes.

The Hon. DAVID OLDFIELD: Could we just back up there for a second? You have said that it should be reported to the board if there is a potential conflict of interest. Is your understanding of a potential conflict of interest for a director, and in this case the managing director, to be personally familiar with someone about to be appointed to undertake works? In your mind is that a potential conflict of interest?

Ms TSOUKATOS: Yes, it is.

The Hon. DAVID OLDFIELD: So in that case you would also agree that it should have been reported?

Ms TSOUKATOS: Yes.

The Hon. GREG PEARCE: What conversations did you have with Mr Robinson about today's hearing?

Ms TSOUKATOS: We have not discussed the hearing.

The Hon. GREG PEARCE: Have you discussed anything in relation to the obligations of witnesses at the hearing?

Ms TSOUKATOS: We were given some advice. There are guidelines—I think they are issued by the Cabinet Office, I am not sure. We were all given those, and also our internal solicitor, Ian Waters, gave each of the witnesses some written advice and asked if we wanted further advice.

The Hon. GREG PEARCE: And what was the nature of Mr Water's advice to you?

Ms TSOUKATOS: Basically that we were obligated to attend and to answer the questions truthfully and to the best of our knowledge.

The Hon. GREG PEARCE: Since March 2003, since the re-election of the Government, what reviews have been conducted in corporate services and who was engaged to conduct those reviews?

Ms TSOUKATOS: I might need some help with some notes.

The Hon. GREG PEARCE: There are so many?

Ms TSOUKATOS: Well, we are undergoing a fairly significant reform within the division. There is a reform of the communications function. That function is being centralised and the review was initiated to look at the need to achieve one-off and ongoing organisational deficiencies and also to develop a reform proposal that was suitable for staff and union consultation. That review was carried out by Hewitt and Associates and is now completed. We are in the process of implementing the reform proposal and talking with the unions and the staff. So that is one of the reviews.

The Hon. GREG PEARCE: Can you just tell us the value of that contract?

Ms TSOUKATOS: The value of the contract was \$108,500, exclusive of GST. The other one was a review of the regulatory management function. It was conducted by PricewaterhouseCoopers and the value of that original contract was \$120,000. The final cost was \$141,799. The other one is a review of audit and risk corporate governance framework. That was undertaken by Deloitte at a cost of \$40,000. That work has been completed also. There is another one that is here which is looking at streamlining the regulatory environment, but that was not so much looking at the function; it was looking at advice as to how we could improve the regulatory environment.

The Hon. GREG PEARCE: What is the value of that one?

Ms TSOUKATOS: The actual cost for that was \$23,491.

The Hon. GREG PEARCE: And the consultant?

Ms TSOUKATOS: The consultant for that was PricewaterhouseCoopers. Then there was another review of the counter-terrorism program. Again, that was not so much a functional review but looking at our program and plans to see whether we were appropriately prepared. That was conducted by Deloitte and subcontracted to Mike Chiodo. The contract amount for that is \$40,000. We still have not completed that piece of work, so that is still going on.

The Hon. GREG PEARCE: What was the procurement process for those consultancies, just in general terms?

Ms TSOUKATOS: The review of communications was through a selective tender process, getting three quotes; the regulatory management was a single source; the others were small in terms of dollar value and were single sourced.

The Hon. GREG PEARCE: Did Mr Robinson make any suggestion to you in relation to those single source consultancies as to the appropriateness of any particular consultant to undertake any of those contracts?

Ms TSOUKATOS: Yes, he did.

The Hon. GREG PEARCE: Which ones were they?

Ms TSOUKATOS: The corporate governance review.

The Hon. GREG PEARCE: Could you just tell me again who the consultants are as you go?

Ms TSOUKATOS: Regulatory management was PricewaterhouseCoopers and the counter-terrorism was Deloitte, subcontracted to Mike Chiodo.

The Hon. GREG PEARCE: So in three of those consultancies Mr Robinson effectively made the decision as to who would be the consultant?

Ms TSOUKATOS: No, he made recommendations. He made suggestions.

The Hon. GREG PEARCE: And you accepted those suggestions?

Ms TSOUKATOS: Yes.

The Hon. GREG PEARCE: I refer you again to the transcript of the prior hearing. Did you have any discussion with Mr Robinson about the transcript or any of his evidence?

Ms TSOUKATOS: Only informally. We have not discussed it in a lot of detail.

The Hon. GREG PEARCE: What was the nature of that informal discussion?

Ms TSOUKATOS: You may recall that when budget estimates met last time I was overseas for a week on holidays. I came back and there was a function at the Minister's office. I commented to him that I had heard that it was a pretty difficult session. That has been about the extent of the conversation.

The Hon. GREG PEARCE: In relation to the counter-terrorism review, you mentioned that it was subcontracted. Why would you select a consultant and then have it subcontracted? Why would you not have selected the subcontractor?

Ms TSOUKATOS: Deloitte was doing work for us on our corporate governance review, particularly reviewing our approach to audit and risk. Our counter-terrorism program is a related risk management activity and Deloitte has expertise in the area of conducting such reviews and report writing. The person that Deloitte subcontracted to was seen to have expertise in that particular area of emergency, risk, security and counter-terrorism. I guess the reason is they complemented one another's skills.

The Hon. GREG PEARCE: Did Mr Robinson recommend Deloitte or the subcontractor or both?

Ms TSOUKATOS: I think the subcontractor.

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Ms TSOUKATOS: I think the subcontractor.

The Hon. GREG PEARCE: He recommended the subcontractor?

Ms TSOUKATOS: Because of his expertise in the area and in the field.

The Hon. GREG PEARCE: What was that expertise? Do you recall?

Ms TSOUKATOS: Mike Chiodo has extensive experience in the area of security and emergency response. I understand that he did a lot of work during the Olympics and in counter-terrorism programs.

The Hon. GREG PEARCE: Did you review that experience before you made the selection?

Ms TSOUKATOS: No, I did not.

The Hon. GREG PEARCE: So you just accepted Mr Robinson's suggestion?

Ms TSOUKATOS: Yes, I did.

CHAIR: Did you ever see Mr Chiodo's curriculum vitae?

Ms TSOUKATOS: No, I had not seen his CV.

The Hon. GREG PEARCE: Was Mr Ian Loudon also involved in that subcontract?

Ms TSOUKATOS: Yes, he was.

The Hon. GREG PEARCE: What was his involvement?

Ms TSOUKATOS: He was doing some of the research and interviews as part of that assignment.

The Hon. GREG PEARCE: How was he engaged? Was he a further subcontractor?

Ms TSOUKATOS: He was not engaged directly by Sydney Water; he was engaged by Mike Chiodo to do some of the work that needed to be done.

The Hon. GREG PEARCE: Did you know that that was going to be the case when you appointed Mike Chiodo?

Ms TSOUKATOS: No, we did not.

The Hon. GREG PEARCE: I refer to PricewaterhouseCoopers, which I believe to be a fine firm. I understand that the board is about to sue PricewaterhouseCoopers in relation to the customer information billing system contract. Is that the case?

Ms TSOUKATOS: Yes.

The Hon. GREG PEARCE: Have those proceedings commenced?

Ms TSOUKATOS: I am not sure whether they have commenced.

The Hon. GREG PEARCE: That company has been well and truly threatened though?

Ms TSOUKATOS: Yes. I think you should ask Mr Robinson about that.

The Hon. GREG PEARCE: You have also indicated that Mr Robinson made a recommendation to you in relation to one of those consultants, that is, to appoint PricewaterhouseCoopers?

Ms TSOUKATOS: Yes.

The Hon. GREG PEARCE: Notwithstanding the dispute with it in relation to the billing contract?

Ms TSOUKATOS: That is correct.

The Hon. GREG PEARCE: What is your current view on whether or not PricewaterhouseCoopers should be hired to do further consulting work when there is anticipated litigation of \$60 million over the prior contract?

Ms TSOUKATOS: The board has now instructed management not to engage PricewaterhouseCoopers. So my view is in line with what the board has instructed.

The Hon. GREG PEARCE: In relation to the counter-terrorism contract, you said that Mr Robinson made the suggestion to you as to who you should hire, but you did not look at that person's CV or review his or her experience. What did Mr Robinson say to you? He must have been very persuasive if you simply accepted that recommendation?

Ms TSOUKATOS: I think that the context that you need to be aware of is that the board wanted some independent advice, and so did Mr Robinson as the new managing director. I thought it was perfectly reasonable and it was within his right to have a program that I manage and that is within my division to be subject to some independent review. I thought that, if he knew someone who had a capability in that area and who had worked in the field, I would respect that.

The Hon. GREG PEARCE: What testing did you do to ensure that the advice was independent? If he was expecting independent advice why would you take the consultant that he suggested? Would you not automatically assume that that person was not independent?

Ms TSOUKATOS: I think the point of independence is independence from me as the general manager who runs the function.

Mr IAN COHEN: I understand that you are involved in things such as the fixed charges component of bills. Would it be reasonable to suggest that Sydney Water has a keen interest to keep or to increase the fixed charges of bills?

Ms TSOUKATOS: We are in the process of putting forward our submission to the Independent Pricing and Regulatory Tribunal as part of its current price investigation. In fact, we are looking at increasing the variable component of the retail price.

Mr IAN COHEN: But not the fixed charges?

Ms TSOUKATOS: No, that is right. So it is probably opposite to what you are suggesting.

Mr IAN COHEN: Could you give the Committee a breakdown of the moneys from fixed charges in this budget and in the preceding budget that have gone into maintaining specific parts of infrastructure, for example, the cleaning of pipes and the stopping of water losses?

Ms TSOUKATOS: I would have to take that question on notice. I do not have the facts before me.

Mr IAN COHEN: Perhaps you could add to that the harbour sewerage tunnel and any payments attributable to the safety net for pensioners or the dividends.

Ms TSOUKATOS: I would be happy to do that.

The Hon. GREG PEARCE: Did Mr Robinson disclose to you his prior association with Mr Chiodo?

Ms TSOUKATOS: Only that he knew him and that he was an expert in this field. That is what he said to me.

The Hon. GREG PEARCE: You resigned this morning as company secretary to Sydney Water because of your concerns about poor corporate governance.

Ms TSOUKATOS: No. I resigned to improve the corporate governance of Sydney Water.

The Hon. GREG PEARCE: So you resigned because of your concerns about corporate governance?

Ms TSOUKATOS: No. That is not what I said. In fact, in my letter of resignation to the board I stated that good governance is a situation in which the company secretary reports to the chair and only the chair and leaves line management to report to the managing director. I also said that I want to focus on my general management responsibilities, which are quite substantive. It is also about succession planning for the person who has been assistant corporate secretary for a number of years and who has capably assisted me. So it is about improving the corporate governance of Sydney Water.

The Hon. GREG PEARCE: We all agree that it is important to improve the corporate governance of Sydney Water. We are all concerned as Sydney Water is an important institution in this State. We want to be certain that corporate governance is not an issue and that staff are properly looked after. I applaud you on that. When was the Minister's party at which you discussed Mr Robinson's evidence?

Ms TSOUKATOS: It was a Christmas party. I am vague about it. I cannot give you the exact date.

The Hon. GREG PEARCE: What did Mr Robinson say to you about his evidence?

Ms TSOUKATOS: He did not say very much. All I said to him was that I had heard it had been a difficult and challenging experience.

The Hon. GREG PEARCE: What did he say?

Ms TSOUKATOS: He said, "Yes." He then asked me about my holiday.

CHAIR: Thank you for your time. We will now ask questions of Mr Robinson. Welcome back, Mr Robinson.

Mr ROBINSON: Thank you, Chair.

CHAIR: Could you tell the Committee about your relationship with Mr Frank Sartor prior to having been appointed as Managing Director of Sydney Water Corporation?

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Mr ROBINSON: My relationship with the Minister was that he was the previous Lord Mayor of the City of Sydney. As Lord Mayor he sat on the Sydney Harbour Foreshore Authority. My dealings with the Minister were as a director of the foreshore authority for the time that I was there, which was from 1997 to 2003. My only dealings, really, with him were either to do with City of Sydney-Sydney Harbour Foreshore Authority business or at board meetings.

CHAIR: That is a fairly extensive period of time. Did you get to know Mr Sartor pretty well during those six years?

Mr ROBINSON: I think you get to know your board members over a period of time like that, but I would say that our relationship was one that I would have termed as being fairly cool based on the fact that it was quite often that the City of Sydney and the Sydney Harbour Foreshore Authority had different views about direction, particularly when the Sydney Harbour Foreshore Authority extended its boundaries into Circular Quay. I would say that there were some fairly heated days between the Lord Mayor and myself back at that time. I would have described our relationship as being cool.

The Hon. DAVID OLDFIELD: Really cool?

Mr ROBINSON: Sometimes it was ice cold.

CHAIR: Was that the situation up until 2003, or did it thaw out at some closer date?

Mr ROBINSON: No, I think there has always been mutual respect between the Minister and myself. I have always respected what he was doing as Lord Mayor and I think even though the decisions we made at the Sydney Harbour Foreshore Authority may not have been in the best interests of the City of Sydney, and that got under his goat sometimes, I think he respected the fact that we were still acting in a professional manner and getting on with what we needed to do.

The Hon. GREG PEARCE: Did you have a social relationship with the Lord Mayor as well as this business sort of relationship? Did you go to dinner together and that sort of thing?

Mr ROBINSON: No. The only time that I had hospitality extended from the Lord Mayor was as a result of our sponsorship of the 9.00 p.m. fireworks. I did attend the New Year's Eve function. I think two years out of those seven I attended the Lord Mayor's New Year's Eve function at the Opera House. I also attended, I think, another function where he hosted the Sydney Festival commencement, again because we were sponsors. Outside of that, no, I did not sup at the table with the Minister.

CHAIR: Can you tell the Committee how you came to apply for the position of Managing Director of Sydney Water?

Mr ROBINSON: Yes, I can. I saw the advertisement originally, and at the same time I was considering whether I would or would not make an inquiry after it. I decided to ring Watermark and ask for an information pack. When I did that they suggested that they would like to strongly encourage me to put in an application, and I then did that. Those discussions were with Bob Lowey, who is a partner at Watermark who was undertaking that recruitment. I think I had met Bob Lowey once before on an assignment that he had carried out. That would be the only time I really have had anything to do with Watermark.

CHAIR: Did you have any discussions with Mr Sartor and Mr Gerry Gleeson or Ms Gabriel Kibble about the application?

Mr ROBINSON: I certainly had discussions with Gerry Gleeson. Gerry Gleeson was my chair at the time, and I needed to seek his advice because, again, I think the relationship that develops between the chairman and his chief executive over time is one of trust. I felt it was right to alert Mr Gleeson to the fact that I was considering a change in my role. I also thought that, given his understanding and many years as a stalwart in the

public service, he could give me good advice about whether it was a good career move for me or not. I was keen to actually move still within the public service, into an area where I could add value. I felt it was important to seek his counsel on it. I did not seek any discussion with the Lord Mayor at that stage. I had no reason to really seek out the current Minister's views on whether it was good or bad for me to make an application for MD at Sydney Water.

CHAIR: What about Ms Kibble?

Mr ROBINSON: Yes, I endeavoured to get some more understanding of what the role entailed, and Ms Kibble granted me a discussion with her, which was very matter of fact. It was about what the role entailed, what the expectations were of the board over the position and she reinforced on a number of occasions during the meeting that I should not have any expectation about being a candidate, other than that if Watermark put me forward on the shortlist then, obviously, I would be considered along with other candidates.

CHAIR: What can you tell the Committee about the Internal Audit Bureau [IAB] report or its inquiry into your conduct and the inquiry by the Independent Commission Against Corruption? Can you tell us specifically, as you understand it, what is being investigated?

Mr ROBINSON: No, I decline to do that on the basis that ICAC is the most appropriate body now to investigate these matters. I am co-operating fully with ICAC. I do not wish to prejudice my position.

CHAIR: What about the Internal Audit Bureau inquiry?

Mr ROBINSON: In terms of the Internal Audit Bureau inquiry, I have received a copy of the report. I have made my comments back to it. Those have been forwarded to the ICAC and I think it is appropriate that the ICAC now should continue with the investigation that it has undertaken on those matters. I think it is appropriate for that body to continue to do that.

CHAIR: Presumably part of the inquiry is to do with the Misho allegations?

Mr ROBINSON: Yes, I am happy to confirm that that is certainly in the IAB report.

CHAIR: Can you tell us how many other specific matters are under investigation?

Mr ROBINSON: I think it is fair to say that the report covers every consultancy appointment that has been undertaken at Sydney Water since the time of my appointment. I think the Committee should be satisfied—and I think the Chair can confirm this—that the breadth of the IAB investigation covers all appointments, not only by myself but by any of the directors involved at Sydney Water from the time of my commencement in May.

CHAIR: I think Ms Kibble told us there were two parties to it. You are saying there is—

Mr ROBINSON: No, she did not actually. You were asking a question whether or not there were several and she said she was not sure. She thought there were up to eight. However, in terms of reference they were asked to look at all.

CHAIR: Eight people or eight—

Mr ROBINSON: Eight consultancies. In relation to setting the terms of reference for the IAB report they have covered the full gamut of consultancies that could be inferred to have had any relationship to me either because they were commissioned by the general manager or by me.

The Hon. GREG PEARCE: Ms Kibble also said that you had been given a copy of the internal audit report as an affected person, and she said that one other person had also been given it. Who was that other person?

Mr ROBINSON: I do not think it is appropriate for me to name the person.

The Hon. GREG PEARCE: You are under oath.

Mr ROBINSON: You have been given an undertaking by the Chair that she is going to get advice from the ICAC as to what they can discuss.

The Hon. GREG PEARCE: To release a report to the Committee. It is not to answer my question as to who is the other affected person who was given a copy of the report.

Mr ROBINSON: I will take your question on notice.

The Hon. GREG PEARCE: Is it Mr Sesel?

Mr ROBINSON: I will take your question on notice.

The Hon. GREG PEARCE: I am not happy for you to take the question on notice. I expect you to answer it.

Mr ROBINSON: I am asking to take a question on notice. I believe that I need advice.

The Hon. GREG PEARCE: Why would you want to take it on notice?

Mr ROBINSON: Because I am disclosing things that are inside a report, which the Chair has very—

The Hon. GREG PEARCE: No, it is not inside the report at all. It is the other person who was given a copy of it.

Mr ROBINSON: Given a copy of it?

The Hon. GREG PEARCE: As an affected person, yes.

Mr ROBINSON: In terms of its relationship to the report—not that I think it has any bearing on this—yes, it was the Group Manager of Audit at Sydney Water, who is Jonathan Sesel. He has received a copy of the report

The Hon. GREG PEARCE: There are some inconsistencies in your evidence from November, and in a sense that is expected.

Mr ROBINSON: I concur with that, yes.

The Hon. GREG PEARCE: I would like to clear up a few things that are hanging around still.

Mr ROBINSON: I am happy to do that.

The Hon. GREG PEARCE: Can you tell the Committee whether your wife has ever been employed or undertaken duties or any contract for Misho and Associates in any capacity or through a—

Mr ROBINSON: I do not believe so. I am happy to take that question on notice and confirm with a discussion with her whether she has. But I am not party to every one of the projects she has been involved in. But I do not believe that she—

The Hon. GREG PEARCE: So far as you are aware—

Mr ROBINSON: As far as I am aware, if you are suggesting that she has ever been on the payroll of Misho and Associates—

The Hon. GREG PEARCE: I am not suggesting anything, I am just giving you the opportunity to clarify.

Mr ROBINSON: I clarify that I am not aware of any time where she has been either employed by Misho and Associates or worked in collaboration in terms of joint venture, but I am happy, if you want, to take that question on notice.

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The Hon. GREG PEARCE: Who was the builder of your Coalcliff house? Misho was the architect who undertook design and so on. Who was the builder?

Mr ROBINSON: I have heard many rumours about who my builder was. I was the builder. I am a licensed contractor and have been for some 12 years. I am registered with the Department of Fair Trading and I undertook the construction of my house and I used a series of subcontractors. I can confirm to this Committee that none of those contractors or subcontractors to my knowledge have undertaken work either at the Sydney Harbour Foreshore Authority or previously at Sydney airport.

The Hon. GREG PEARCE: It was important to have that on the record.

Mr ROBINSON: I appreciate the opportunity to clarify that.

The Hon. GREG PEARCE: What are the details of any discussions you had with the Minister or the chair of the board regarding Misho's employment? In the previous hearing you indicated that the Minister had telephoned you.

Mr ROBINSON: In terms of Misho's appointment at Sydney Water the facts are these. There has been a report which went to the Sydney Water board at some point in time which was a paper for noting. In that paper for noting there was information provided to the board about the foyer and forecourt works which were being undertaken and the revised budgets that were going to be applied to those. It was a paper for noting because it was all under delegations that it had previously been approved, so it was not for the board to make a decision. That paper mentioned Misho and Associates in it. That is the only time there has been any reference in any board material that has been provided to the Sydney Water board.

The Hon. GREG PEARCE: Have you had any discussion with the Minister since November in relation to the Opposition or your evidence to this Committee?

Mr ROBINSON: No. I have regular meetings with the Minister. I basically meet with him on a fortnightly basis. He has asked on progress and I have been unable to answer him in terms of his question about how progress is going. It has been along the lines of "How is the report coming on? Where is it at?" Because the report was not commissioned by me, I have basically been in the background of this, and I was not able to give him any information on it. That is about as far as our discussions have been.

The Hon. GREG PEARCE: We have heard from Ms Tsoukatos of three contracts in which she accepted your recommendation as to the appointment of the consultant and also the Misho contract. Are there any other consultancies which were entered by Sydney Water based on your recommendation to another staff member?

Mr ROBINSON: Again I refer to the fact that I am going to decline to answer that question on the basis that all of the matters referred to by the Hon. Greg Pearce are involved in the IAB report and the ICAC investigation. I do not wish to prejudice either myself or that investigation, so I decline to answer that question.

The Hon. GREG PEARCE: For the record, I indicate that that is not an acceptable answer.

Mr ROBINSON: For the record, my advice is that it is appropriate in a situation where I need to consider my position personally to decline lawfully to answer those questions, and that is what I am exercising.

The Hon. GREG PEARCE: Who gave the advice?

Mr ROBINSON: That advice is both from my own counsel, who I have asked to give me advice for today, and that has been after referencing various people about what the Independent Commission Against Corruption Act involves and what the requirements of this Committee are, so I am standing by that.

The Hon. GREG PEARCE: Have you previously worked with Mr Chiodo?

Mr ROBINSON: I am happy to say yes.

The Hon. GREG PEARCE: What was the nature of that work?

Mr ROBINSON: Yes, Mr Chiodo was employed as the Acting Executive Director of Service Delivery, I think, at the Sydney Harbour Foreshore Authority.

The Hon. GREG PEARCE: Was he appointed by you?

Mr ROBINSON: Yes.

The Hon. GREG PEARCE: Did you previously work with Mr Louden?

Mr ROBINSON: I know of Mr Louden. He did provide some services at the Sydney Harbour Foreshore Authority, although I am not aware of them and I was not involved in any commissioning of them. But I have met Mr Louden, I think, on two occasions.

The Hon. GREG PEARCE: Were you aware of the circumstances reported on 18 December 2002 in the *Sydney Morning Herald* in relation to the resignation of Mr Louden from Sydney City Council?

Mr ROBINSON: No.

The Hon. GREG PEARCE: Did you have any discussions with the Lord Mayor in relation to the engagement of Mr Louden?

Mr ROBINSON: No.

The Hon. GREG PEARCE: How do you justify continuing to have eight—or is it now seven—general managers, each on a salary of \$250,000-plus, in addition to yourself?

Mr ROBINSON: It is appropriate with my role as Managing Director to ascertain the best way to manage Sydney Water and to look at the complexity that is involved. Sydney Water is not an easy business. It is an incredibly complex business. When I joined Sydney Water I may well have had aspirations that you could compress the number of reporting lines within the organisation and I had several discussions with the board about their views on that. I had several discussions with the executives themselves. I got them to actively participate in that discussion.

I drew the conclusion after some time that I believe that the organisation structure that we have put in place in terms of the number of general managers is appropriate for the complexity of the business at this time. In the future, if it comes about that we are able to streamline some of our activities and become more effective in terms of the way that we go about things, and some of the complexity drops away, then it might be appropriate to lessen the number of general managers. But I would stand by the fact that I believe that they are appropriate and that each and every one of them has a full book of work. With the complexity of what we manage, Sydney Water does a good job to turn out the delivery of services that it does to the people of Sydney with those general managers in place.

The Hon. GREG PEARCE: Are there seven or eight?

Mr ROBINSON: I will go through them. We have a Chief Financial Officer, Denise Dawson. We have a General Manager of the Water Services Division, Michael Keelan, who is responsible for our maintenance and operations. Colin Ridley is General Manager in an acting role for the customer services division, which looks after our billing and our demand management program primarily. You have asked to see Mr Ron Quill today, and he is here. He is responsible for asset solutions. He also now is responsible for Australian Water Technologies. The general manager that the Chairman referred to before now reports through Mr Quill. Our Asset Management area is run by Paul Freeman. We have our people in property, Mr Ian Grey, who is here today. We have our corporate services area under Angela Tsoukatos.

The Hon. GREG PEARCE: There are seven?

Mr ROBINSON: I am sorry. I missed Judi Hansen in sustainability, so there are eight.

Mr IAN COHEN: Would you inform the Committee of how much effluent is being discharged on a daily rate from the deep ocean outfalls off Sydney?

Mr ROBINSON: I will take that question on notice so that I can be very specific, but it is the great majority of our discharge from our system.

Mr IAN COHEN: Would it be of the order of 720,000 tonnes?

Mr ROBINSON: Yes, of that order.

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Mr IAN COHEN: What steps has Sydney Water taken to improve its deep-ocean outfalls and to prevent untreated or only primary-treated effluent being released?

Mr ROBINSON: Some of this was discussed at earlier committee meetings. In principle, Sydney Water's focus on effluent discharge is on its inland plants, not ocean outfall plants. Since the ocean outfalls were installed, Sydney Water has been monitoring their environmental performance and as a result of discussions with the Environmental Protection Authority has reached the conclusion that those environmental outfalls are performing well. In terms of taxpayers' or ratepayers' money we are concentrating on the reliability of those plants to ensure there are no significant failures. We have commissioned a reliability program at Bondi and we intend to do a reliability upgrade of that plant.

Mr IAN COHEN: Is that primary or secondary treatment?

Mr ROBINSON: It will not change the treatment process.

Mr IAN COHEN: What is the treatment process?

Mr ROBINSON: It is primary.

Mr IAN COHEN: So all ocean outfalls are simply primary treatment.

Mr ROBINSON: No. The three major plants are, but we have been spending significant time and money changing plants around coastal areas such as the Illawarra and Cronulla, which are now secondary and tertiary treatment plants.

Mr IAN COHEN: However, the major outfalls are primary. Do I understand correctly that no study has been undertaken to establish the impact of pollution from deep-ocean outfalls?

Mr ROBINSON: Many studies have been undertaken. The information from them has led the regulator to conclude that pursuing any further process improvement at those plants would be a waste of money.

Mr IAN COHEN: Does that equate to no pollution impact from those deep-ocean outfalls?

Mr ROBINSON: At this stage we believe that there has not been any evidence of a pollution impact from those outfalls.

Mr IAN COHEN: How do you respond to claims made by professional fishers that they are aware not only of smells but also that their non-synthetic fishing equipment is being affected by pollution from ocean outfalls four kilometres out at sea?

Mr ROBINSON: I would like the information so I can ensure that it has been investigated properly and that the source has been found. This is the first time it has been raised with me. I am not aware of it, but I am happy to take that information and to respond later.

Mr IAN COHEN: There has also been an impact on catches. This information has been provided by concerned fishers. Is it not odd that no proper assessment has been undertaken of the environmental impact of the primary treated sewage that has been released?

Mr ROBINSON: That is not correct. I believe a proper assessment has been undertaken. I am prepared to take the question on notice and provide the information relating to any studies involving those ocean outfalls. The information gathered during those studies has led the regulator to conclude that any additional treatment process at those plants is not warranted when compared with inland treatment of effluent.

Mr IAN COHEN: They are two very different things. I can appreciate the importance of inland treatment works and of focusing on outfalls for small communities whose facilities need upgrading. However, that does not answer the question about the need for proper investigation of more than 700,000 tonnes of untreated sewage going into our oceans. That is another matter. You have not answered the question in terms of the impact of those outfalls. It may be a lower priority given other sewage issues over which your organisation has purview, but I have been informed that no proper study has been undertaken and that there are major problems.

Mr ROBINSON: I am happy to take the question on notice and to provide any reports undertaken in relation to outfalls. We have it on reliable advice that sufficient investigation has been carried out and that on the evidence available to Sydney Water to date there is no impact as a result of the integration of the sewage discharge into the oceans from those outfalls.

Mr IAN COHEN: Have there been no complaints from the Central Coast or the Illawarra about the broad plume because of the distance offshore?

Mr ROBINSON: Not that I am aware of.

Mr IAN COHEN: Perhaps you can provide the Committee with further information.

Mr ROBINSON: I am happy to do that.

Mr IAN COHEN: High levels of blue-green algae have been found in several areas of Sydney's drinking water in the past three years. What steps has Sydney Water taken to ensure that nutrients are filtered out of the water supply to prevent the skin irritations and gastrointestinal problems associated with blue-green algae?

Mr ROBINSON: I will take that question on notice.

Mr IAN COHEN: Is the water filtered?

Mr ROBINSON: Yes, but it depends on the location of the incidents in the system. I am not aware of complaints about blue-green algae in the water system.

Mr IAN COHEN: It was in the newspapers the summer before last.

Mr ROBINSON: I can only tell the Committee what I know. I am not aware of that. I am happy to take the question on notice and to provide a response.

Mr IAN COHEN: What steps has Sydney Water taken to limit the impact and incidence of blue-green algal blooms in these areas? Can Sydney Water now guarantee that cryptosporidium and giardia found in faecal matter can be detected and filtered out of water before it is supplied to residents?

Mr ROBINSON: I do not believe that we can give a cast-iron guarantee about cryptosporidium and giardia in the system. Our testing regime is comprehensive and is based on the recommendations of the McClellan report. We continue to monitor for both substances. Samples are detected on occasion and we follow an established protocol. However, the incidence has been very low; in fact, I think it is in the order of two or three incidents in the past two years. I am happy to take the question on notice. The event that led to the McClellan report and the water crisis occurred just after a drought period. The sudden rainfall impacts churned up the Warragamba Dam and led to the high instances of cryptosporidium and giardia. We have established a regime to monitor what occurs with rainfall. We hope that we get enough rainfall to fill the dams and we are prepared to respond. Our response will be to keep the community informed about the state of the water. New South Wales Health is responsible for making the call in terms of the impact on health and for deciding when we should move to boiled water alerts. We are conscious that we are in a similar situation to that which prevailed in 1998. Water filtration plant operators are at a heightened level of awareness. We are rigidly following the McClellan recommendations and protocols have been established to ensure the community is kept informed.

Mr IAN COHEN: The protocols involve community consultation and provision of information. Do you have other specific protocols to deal with water quality?

Mr ROBINSON: Yes. We have zero tolerance for giardia and cryptosporidium. Any reading is reported according to the protocol.

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The size of the count determines what action the Department of Health will take. But I cannot make any commitments to this Committee that we will not have incidents of cryptosporidium and giardia in the future where NSW Health will instruct for some sort of boiled-water alert. That is the nature of the complexity of the business we are dealing with and with the water, and that was what was established out of the McClellan report

Mr IAN COHEN: In terms of what now might be termed differently but what has been known as trade-waste agreements, is there still industrial chemical effluent going out of the ocean outfalls off Sydney, other than just domestic sewage effluent?

Mr ROBINSON: Yes, you are correct in that we do have trade-waste agreements, and some of the trade waste which comes into our system does go out through the ocean outfalls.

Mr IAN COHEN: Where else does it go, Mr Robinson? What other methods of disposal are there in trade-waste agreements with your organisation, other than the ocean outfalls?

Mr ROBINSON: Again I am only referring, in answering your question, to trade waste that would be getting into our sewage system that leads to the ocean outfalls. Given that we have a network, some of our trade waste would be going into plants where we have got other than primary treatment.

Mr IAN COHEN: But essentially, a significant amount of trade waste, through agreement between Sydney Water and private industry, is going out untreated, as chemicals untreated and industrial effluent, through your ocean outfalls.

Mr ROBINSON: Yes, that is correct.

Mr IAN COHEN: How does that add up to saying that there is no pollution problem off Sydney? Perhaps you could supply the Committee with details about the quantity of untreated trade waste that goes out through those outfalls? I would be happy for you to take that on notice.

Mr ROBINSON: Sure. I will take that on notice.

Mr IAN COHEN: Good. How do you justify that as being a proper disposal of industrial waste when in actual fact it is polluting the ocean environment just three or four kilometres off shore?

Mr ROBINSON: I think, again, I will take that on notice but the issue has to be what is contained in that trade waste, what does Sydney Water do to issue those licences and what are the requirements in terms of managing that trade waste.

Mr IAN COHEN: Are you saying that that trade waste is non-polluting?

Mr ROBINSON: No, I am not saying that. I do not have any evidence either way. At the moment the evidence that we have in terms of the performance of the ocean outfalls suggests that there is not an impact. With our trade waste agreements, what we do is we understand clearly what the business customer is intending to put into the system by measuring it and ascertaining what is there. We quite often insist that the business customer has a processor improvement prior to discharge, to remove chemicals or other ingredients, I will call them, out of their trade waste before it gets into our system. So part of what we do is we mitigate it by working with the business to make sure that it does not get into the system in the first place. I base my comments today on the fact that we have no tangible evidence to show that there is any impact as a result of discharges coming out of those ocean outfalls, and I am now going to provide you with all of that on notice.

Mr IAN COHEN: I would very much like to get that.

The Hon. AMANDA FAZIO: Given that the drought conditions that we have been going through in New South Wales have had a bad effect on underground water pipes, what strategies are you putting in place to reduce underground leaks that have been caused by the drought?

Mr ROBINSON: We have had a leaks strategy in place at Sydney Water.

The Hon. GREG PEARCE: You really want an anti-leaks strategy.

Mr ROBINSON: A leaks reduction strategy—I thank Hon. Greg Pearce for helping me there. In terms of the range of activities that we have been undertaking, we have, as a result of the repairs we have undertaken to leaking water mains, looked at savings this year of something in the region of 38 million litres of water every day. It is also important in the environment of the current water restrictions that we are seen to be doing our level best to get leaks figures down. In terms of progress that has been made over time, we have made considerable inroads into the area of leaks reduction. Leaks reduction is not something that is unique just to Sydney Water. It is a problem for all water utilities. What we have to work with when trying to chase down leaks reduction is the balance between overspending that is not in the best interests of the community and other methods of either supplying or restricting water that are more cost beneficial. We use a least-cost model to try to establish that.

In terms of overall performance, we are not doing too badly against other water utilities within Australia, which is measured through benchmarking by the Water Services Association of Australia [WSAA]. If we look at ourselves on an international scale, internationally, and particularly in Europe, there are cities that have loss rates from their system as a result of leaking in the 15 to 20 per cent range. About best practice—I think I mentioned this in the previous Committee hearing—Singapore is put up as being the country that achieves the lowest leaks rate. Its leakage rate is down around 3 or 4 per cent. The reason for Singapore's low leakage is that it has to buy its water at exorbitant rates from other countries, and its cost-benefit model shows that it is worth chasing down rigorously the last part of their network to try to squeeze every drop back into the system. We are endeavouring to squeeze every drop back into the system in a controlled way that assures our ratepayers, who are funding our activities, that we are not chasing down water at a greater expense than is associated with alternative water we can find or supply by augmentation or other design management programs that we are able to put in place.

If we look at Sydney Water's performance, our unaccounted-for-water trend has dropped significantly since June 1994 to today. We brought it down from what it was—quite an outstandingly high figure of around 17 to 18 per cent—to where we are trending currently at 10.8 per cent. If we look at the performance of Sydney Water in the last year and a half, we have brought it down from over 11 per cent down to 10.8 per cent. The challenge for us now is to work out the most cost-effective way of getting to a line in the sand where we agree that we have got the right balance between our expenditure and what we are getting with savings. In terms of this year specifically, as you mentioned the drought does cause us a lot of problems. The ground hardens during the drought. The end result is that we get contraction of our pipes and our pipes tend to move around and crack, so we have increased significantly our leaks detection. We have crews now to go around with what is probably best described as a listening device that goes across the top of our pipes. By using a style of sonar they can hear or pick up water coming out of a pipe, so they are able to detect cracks or damage to the pipes a lot easier.

In addressing the issue, we have spent \$74 million on leaks reduction activities this year and that includes about \$38 million of water main renewal. Recently the board of Sydney Water agreed to move some additional capital works funding of an extra \$10 million into our leaks reduction strategy and that was based again on our least-cost model. It was seen that the injection of that extra \$10 million into water mains where we have been able to detect that we have got leaks would be a better way of saving water than any other of the demand management strategies that we have. We will continue to check our network rigorously to respond to leaks where they are advised by the community. We have got to the stage where we have cleared up all of our backlog of outstanding leaks and we are at the stage now where we are reasonably proactive. We are not reasonably proactive; we have reached the stage where we have got it under control because of additional manning levels that we have to deal with these drought conditions. We now have a situation where most leaks will be dealt with within 24 hours of their being advised to our customer service number.

We previously had a 90-hour call-out response and that has been shortening as we have got on top of the backlog of leaks that have come out as a result of the drought. Some of the rain recently has actually helped those as well because it has eased some of the ground hardening and it has meant that we are detecting fewer leaks. I have to say that the community has been very positive in terms of letting us know when they find anything that looks like it has water spurting out of it or where they believe there might be a leak, and our crews are on to it on the same day.

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The Hon. DAVID OLDFIELD: Mr Robinson, would it be fair to say that any unnatural substances going into the environment constitute pollution?

Mr ROBINSON: I think the issue for Sydney Water is that we have pollution control discharge requirements that we have to meet under the Protection of the Environment Operations Act and that is what governs the way that we discharge into our areas. In answer to your question, yes, I think you could classify many things as pollution and that is why we have pollution reduction targets and that is what we are bound by in terms of our discharge licences.

The Hon. DAVID OLDFIELD: You suggested to Mr Cohen that there was no tangible evidence of trade waste. Is there no tangible evidence based on a lack of inquiry in those areas or is there no tangible evidence as a consequence of inquiry?

Mr ROBINSON: My understanding—I have taken the question on notice—is that significant studies have been undertaken in areas around the ocean outfalls. I am not sure whether the mud but certainly the vertebrate and microbiological animals that live in the area surrounding the ocean outfalls have been studied and we have looked at all sorts of other measures to ascertain whether fish and other marine life have been impacted or microbiological critters have suffered any adverse impact as a result. I can only go by the evidence provided by the experts. We have to place reliance on our regulator, which was the old Environment Protection Authority and is now the Department of Environment and Conservation, for the state of play regarding our impact on the environment as a result of ocean outfall.

We are not receiving from it tangible evidence that there is a problem, nor has it requested additional investigations for us to monitor because it believes that it is not in the taxpayers' interests to keep chasing down monitoring when there is enough evidence to suggest that there is no problem. I am happy to refer this question also to the EPA, which is the regulator. I think we have done that in the past; I cannot recall. I think during the first estimates committee meeting a lot of these issues were taken up with the EPA, which took some questions on notice and subsequently provided information.

Mr IAN COHEN: Given that we have agreed that about 720 tonnes of effluent is discharged daily together with industrial trade waste, given that professional fishers have complained to me that their gear is being corroded and destroyed by something in the ocean that has a septic odour and given that they are fishing in those areas, does it concern Sydney Water that Sydney consumers are eating faeces-fattened fish? Do you think that is a concern? Aerial observations clearly show plumes where the outfalls are situated. It is obvious to the aerial observer.

Mr ROBINSON: I think I have answered that question to the best of my ability.

The Hon. DAVID OLDFIELD: I know that the North Head outfalls are situated at about 80 metres. Is that correct?

Mr QUILL: Yes.

The Hon. DAVID OLDFIELD: What is the depth of the other two major outfalls?

Mr QUILL: They are of the same order.

Mr IAN COHEN: I have been down the outfalls and they are about that deep. I said that faeces the size of a man could get through the filtration processors at Malabar and I went down there with my surfboard one day.

The Hon. DAVID OLDFIELD: So you say that all three outfalls are at a similar depth of about 80 metres but they would not necessarily be the same distance from the coast. What is the closest outfall?

Mr QUILL: The nearest discharge is the Bondi outfall, which is some 3 kilometres. I think North Head is about 4 kilometres and Malabar is about 3.5 kilometres.

The Hon. DAVID OLDFIELD: Mr Robinson, you said earlier that you were not sure whether there was mud down there. I can tell you that there should not be any mud. Has any underwater study been undertaken of the areas surrounding the outfalls to see what constitutes the sea bottom?

Mr QUILL: Yes, there have been comprehensive ecological studies around the ocean outfalls, as Mr Robinson indicated. Those scientific studies have demonstrated that there is no measurable impact from the discharge at the end of the outfalls. In addition to that, we have had divers down—they were obviously deep-sea diving activities—to inspect the discharge points, which are called diffusers, on the bottom near the ocean outfalls. They are performing as they should. We also have head loss monitoring across the full length of the outfall system, which indicates the effectiveness of the performance of the outfalls themselves.

The Hon. DAVID OLDFIELD: I understand that the combination of distance, depth and diffusion should ensure that sewage is carried away and never reaches the surface. Is that correct?

Mr QUILL: Essentially, that is the basis on which they were designed. There is generally a southern-flowing current at the end of the outfalls and different thermal layers in the ocean. At the point of discharge from the ocean outfalls the effluent is trapped and dispersed over a very wide area. That adds to the natural dilution effect of the ocean, which assists with the end treatment of the effluent.

The Hon. DAVID OLDFIELD: If that is the expectation of the operation, does it mean that there should be no blooms anywhere on the surface?

Mr QUILL: The system generally works as I have described. Ocean conditions could change, typically due to weather, and there might be the odd situation when there is some evidence at the surface. But, as I said before, all the scientific studies that we have had carried out are very conclusive in terms of the effectiveness of the outfalls and also the impact on the environment.

The Hon. DAVID OLDFIELD: Have studies been done of the recovery of the environment around places such as North Head since the outfalls have been on line?

Mr QUILL: I think you have to look not only at the recovery of North Head itself but at the ocean beaches. The Beachwatch reports demonstrate the effectiveness of Sydney Water's investment in sewage treatment over time and also our investment in reducing overflows from the sewerage system. The harbour is demonstrably cleaner. If you fly over the areas around the previous cliff-face discharges at North Head, Bondi and Malabar you can see to the bottom of the ocean. I have done that.

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So I think in addition to that the scientific evidence is irrefutable. In my view, and based on the evidence that we have, and as the managing director has already indicated, our regulators also are indicating that they are satisfied with the performance of our ocean outfall system.

Mr IAN COHEN: Does that include chemical, bacteriological, and viral monitoring of the sites of the diffusers? When you refer to monitoring, and say they are satisfied, does that include chemical testing?

Mr QUILL: It includes the total discharge from the outfalls. There is a whole range of different contaminants that we are required to test and report on.

Mr IAN COHEN: Are they tested in the ocean as well as what passes through the outfalls?

Mr QUILL: They are tested generally at the discharge points. As far as the ocean is concerned, we do that on a different basis: that is on the basis of these ecological studies that we carry out from time to time to check on the overall performance of the ocean outfalls.

Mr IAN COHEN: Can you provide the Committee with details of the nature of those ecological tests, where and what they actually are?

Mr QUILL: I think Mr Robinson has already committed to provide that information to the Committee.

The Hon. DAVID OLDFIELD: I understand what you are saying about the primary treatment at all three plants, but am I right in understanding that even if you were to determine that you should go to secondary treatment at North Head you would have an area problem as far as making that happen?

Mr QUILL: At North Head we can certainly go to secondary treatment. Probably Bondi would be a lot more difficult. It would mean that we would probably have to look for additional land adjoining the Bondi plant.

The Hon. DAVID OLDFIELD: Malabar?

Mr QUILL: At Malabar we have room.

The Hon. DAVID OLDFIELD: As far as inland plants are concerned, are they all at tertiary level?

Mr QUILL: Yes.

The Hon. DAVID OLDFIELD: What percentage of water reuse do you have from those?

Mr QUILL: I would need to come back to the Committee with the exact numbers on that.

The Hon. GREG PEARCE: Mr Robinson, I want to take you back to the counter-terrorism contract which was let by Ms Tsoukatos, on your instruction, to your mate Mr Chiodo. I asked you if you had seen an article back in December 2002 concerning Mr Ian Loudon, who is working with Mr Chiodo on the counter-terrorism review of the Water Board, and you said you had not. I have retrieved that article and it states that Mr Loudon had resigned from council and that 10 parking inspectors were suspended without pay because of an authorised overtime bill—something like \$70,000. That seems to have risen because Frank Sartor had a policy of paying these people a bonus for reaching revenue targets. Do you think these fellows are suitable fellows to be involved in the counter-terrorism review of the water board's assets in these times?

Mr ROBINSON: I think I answered that I am not aware of that article; I did not read it.

The Hon. GREG PEARCE: Well, are you aware of it now?

Mr ROBINSON: I do not think it is appropriate for me to offer an opinion.

The Hon. GREG PEARCE: You have got a bloke who was in charge of issuing parking tickets for the council, and who resigned in less than savoury circumstances, working on the counter-terrorism review for the water board in these times.

Mr ROBINSON: Again, I do not think it is appropriate to offer an opinion. I do not know the circumstances behind that, Mr Pearce.

The Hon. GREG PEARCE: You are the one who recommended to Ms Tsoukatos that she engage your mate Mr Chiado to do this contract. What we are seeing in your short tenure at the water board is that your mates are the ones who are engaged to do these important consultancies. You step in, inappropriately, contrary to your role as a director and to your policies as a director, you step in contrary to the Water Board's processes for procurement, and you tell your staff to hire your mates to do important jobs as consultants.

Mr ROBINSON: Chairman, I am not going to comment on the Honourable Mr Pearce's—

The Hon. GREG PEARCE: You do not deny it, do you?

Mr ROBINSON: No, in fact I said earlier—

The Hon. GREG PEARCE: In fact this is a very interesting situation: You do not want to answer questions, do you, because what is clear now is that we found out last time about Misho—one contract. Today we have had Ms Tsoukatos—

The Hon. AMANDA FAZIO: Chair, is it not the case that Mr Robinson has indicated that he is not prepared to answer these matters because it is in front of ICAC?

The Hon. GREG PEARCE: I am not happy with him not being prepared to answer these questions. Mr Robinson, you have told us before that the Minister was interested in seeing the internal audit report, but you have not given it to him, have you?

Mr ROBINSON: It is not up to me to give him a report that has been commissioned by the board.

The Hon. GREG PEARCE: And the chair has not given it to him either?

Mr ROBINSON: It is not up to me to give it to him.

The Hon. GREG PEARCE: Why have they not given it to him? Because if they did you would be sacked, would you not? Why have you not stood down?

Mr ROBINSON: I suggest that if you would like to—

The Hon. GREG PEARCE: Why have you not stood down as a director and managing director, given these massive conflicts of interest and given the way you have distorted the board's operations, particularly with this consultancy on counter-terrorism? Why have you not stood down?

Mr ROBINSON: It is appropriate for ICAC to investigate the matter, and if you have got information that is helpful to it in terms of investigating it, then I would suggest to you that you provide it.

The Hon. GREG PEARCE: Why have you not stood down?

Mr ROBINSON: I suggest that you provide the information to ICAC.

The Hon. GREG PEARCE: Why has the board not suspended you?

Mr ROBINSON: That is a matter you should take up with the chair. You had your opportunity.

The Hon. GREG PEARCE: Why has the Minister not sacked you? How can anybody have confidence that the staff at Sydney Water can do their job properly when we have had you in there directing them to give these important consultancies to your mates, contrary to your duty as a director and contrary to the board's policies for procurement?

The Hon. AMANDA FAZIO: Chair, I seek advice. As we have already been told by Ms Kibble, who is the Chair of Sydney Water, and also by Mr Robinson, who is the general manager, that they are not inclined to comment on these matters because they are subject to the current inquiry by the Independent Commission Against Corruption, is it appropriate to badger the witness to provide answers that even the chairman of the board has stated its legal advice has indicated should not be ventilated before this Committee?

CHAIR: Perhaps Mr Robinson might clarify that for the Committee. Is that the reason you will not answer Mr Pearce's questions?

Mr ROBINSON: I am finding it difficult to get an opportunity to—

CHAIR: Perhaps Mr Pearce might ask the questions one at a time.

Mr ROBINSON: If we just take one of them. He has asked me why I have not resigned from Sydney Water and the answer is that I do not intend to at this stage. There is no compelling reason for me to step down at this stage, pending the outcome of the ICAC investigation.

The Hon. GREG PEARCE: So you do not regard the conflicts of interest and your overriding of water board policies as a reason for you to do so?

Mr ROBINSON: I think you have got my response. I do not see any compelling reason, based on my review of the IAB report which has been provided to me—and which has been, in my view, fairly undertaken: it has been provided to the ICAC, it has been provided to the chair of the authority, the chair has discussed the issues which are in that report with the board and it is now a matter for the board and a matter for ICAC to determine what they believe they should do in regard to what is contained in that report. From my point of view I have been very clear that it is not in my interest to prejudice that investigation with ICAC and I will not be responding to any further questions on that.

The Hon. GREG PEARCE: Are you or have you ever been a member of the Labor Party?

Mr ROBINSON: No. Nor the Greens, nor the Democrats.

The Hon. DAVID OLDFIELD: One Nation?

Mr ROBINSON: One Nation, no, I am sorry.

The Hon. GREG PEARCE: Did Eddie Obeid speak to you, or did anyone speak to you, prior to the dismissal of his niece when you were at the Sydney Harbour Foreshore Authority?

Mr ROBINSON: No.

The Hon. GREG PEARCE: What was the basis on which she was dismissed?

Mr ROBINSON: She was actually employed as an acting person with Tourism Sydney, and Tourism Sydney ran a process for the filling of a position there and recruited a person, as I understand it, who was filling the position and the lady in question was not the candidate who was chosen; there was no further position for that person so they were let go. They were on a section 38, and that is the normal process.

The Hon. GREG PEARCE: Who made that decision?

Mr ROBINSON: It was made by the general manager of Tourism Sydney. I will recall the name in a minute.

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The Hon. GREG PEARCE: The engagement was by the Sydney Harbour Foreshore Authority, was it not?

Mr ROBINSON: The Sydney Harbour Foreshore Authority engaged, under section 38, a number of people, including the lady that you have raised the question about. An opportunity came up at Tourism Sydney for several Sydney Harbour Foreshore Authority people to apply to provide services there. She was selected to go over and provide temporary services for the general manager in an acting position. She was made aware at the time in going over there that we were filling positions at the foreshore authority in an endeavour to move from having section 38 employees to having permanent employees.

She had opportunities to apply for roles in the foreshore authority. I believe that she did apply for some roles and was not successful. There were no other roles to transfer her back to within the foreshore authority. Felicia Mariani, the General Manager of Tourism Sydney, rightly advertised the position that she had been occupying as an acting person and she was not successful in that. Having been in that position she was let go because we did not have a role for her at the Sydney Harbour Foreshore Authority and her secondment with Tourism Sydney was completed. She knew that when she took that risk of moving over to Tourism Sydney.

The Hon. GREG PEARCE: How well do you know Eddie Obeid?

Mr ROBINSON: I have met him on a number of occasions.

The Hon. GREG PEARCE: Social occasions?

Mr ROBINSON: Yes. I have met him on a couple of social occasions.

The Hon. GREG PEARCE: What were they?

Mr ROBINSON: From memory, I caught up with him when he introduced me to the previous head of the fisheries department at a time when we were working out what the foreshore authority was going to do with the Sydney Fish Market project. I was invited separately to a wedding at which he was in attendance.

The Hon. GREG PEARCE: Whose wedding?

Mr ROBINSON: It was his son's wedding.

The Hon. GREG PEARCE: Are you an acquaintance of his son?

Mr ROBINSON: Yes I have met his son. I am an acquaintance of his son.

The Hon. GREG PEARCE: You were a close enough acquaintance to be at the wedding?

Mr WATKINS: I think you will find that there were a lot of people at that wedding. It was a large wedding. There was a group of people I knew who were associated with the Obeid family. If you like, I was a remote invitation as a result of people that I knew.

The Hon. AMANDA FAZIO: I was invited to that wedding even though I had never met his son. I did not see you there because I did not go.

The Hon. GREG PEARCE: Did the Obeid family have any interests in any of the property of the Sydney Harbour Foreshore Authority?

Mr ROBINSON: Not that I am aware of.

The Hon. GREG PEARCE: At the wedding who was at your table?

Mr ROBINSON: My wife.

The Hon. GREG PEARCE: Your wife was at the table. But you have not checked with your wife since last November to determine whether she did any work for Misho?

The Hon. AMANDA FAZIO: I would ignore that question if I were you.

The Hon. GREG PEARCE: I am astonished that you would not have checked with your wife to establish whether she had done any work for Misho, given the difficult time that you had at the last hearing.

The Hon. AMANDA FAZIO: Mr Robinson has already indicated that he would take that question on notice. Given that we are eating into the time that has been set aside to ask questions of the Roads and Traffic Authority, I think that should be sufficient.

Mr ROBINSON: I cannot recall the people who were at my table at the time.

The Hon. GREG PEARCE: When was the wedding?

Mr ROBINSON: Over two years ago.

The Hon. GREG PEARCE: And you cannot recall?

Mr ROBINSON: I cannot recall.

CHAIR: I will now ask MrWatkins a number of questions. MrWatkins, were you a witness to the conversation between MrRobinson and MrJohn Kitney, whom we heard about at our last hearing, when Mr Robinson told Mr Kitney to hire Misho and Associates?

Mr WATKINS: No.

CHAIR: So you were not there?

Mr WATKINS: No.

CHAIR: Did you hear about that conversation?

Mr WATKINS: I was not aware that there was a conversation at the time.

The Hon. GREG PEARCE: I missed Mr Watkins's answers.

The Hon. AMANDA FAZIO: He said that was not aware there was a conversation.

Mr WATKINS: I was not a party to that conversation.

The Hon. GREG PEARCE: You were not a party to it?

Mr WATKINS: No.

The Hon. GREG PEARCE: Have you become aware of it since?

Mr WATKINS: I am not aware that there was a conversation between Mr Robinson and Mr Kitney.

The Hon. GREG PEARCE: You are very carefully phrasing your responses. What is it that you are aware of, or that you are carefully skirting around?

Mr WATKINS: I am trying to answer the questions that were raised.

The Hon. GREG PEARCE: Are you aware of concerns within Sydney Water about the practices of Mr Robinson in relation to consultancies and his nomination of consultants?

Mr WATKINS: Yes.

The Hon. GREG PEARCE: What is the nature of that concern?

Mr WATKINS: An issue with Misho and his engagement to Sydney Water.

The Hon. GREG PEARCE: We can take quite a long time to drag out this information, but what precisely was the concern?

Mr WATKINS: My concern was that I was made aware that Misho had been brought to Sydney Water to review some options in relation to potential improvements to the foyer. I was a party to that meeting by chance.

The Hon. GREG PEARCE: A party to what meeting?

Mr WATKINS: The meeting with Mr Robinson, Mr Grey and Misho, in looking at potential options for improvements to the foyer.

The Hon. GREG PEARCE: What was your concern? You said that you were concerned?

Mr WATKINS: That I, as group property manager, was not aware of it until that point in time.

The Hon. GREG PEARCE: So you were concerned that an appointment had been made in which in some way you should have been involved, and that proper corporate practice had not been followed?

Mr WATKINS: I think it would have been appropriate for me, in my view, to have been involved in that. But there are prerogative issues in relation to management within the organisation.

The Hon. GREG PEARCE: You said that you were inadvertently involved in a meeting with Mr Robinson, Mr Grey and Misho?

Mr WATKINS: Correct. I was actually leaving the building at lunchtime. There was a discussion with Misho, Ian Grey and Greg Robinson in the foyer about those issues that I mentioned to you before. I walked past and I was invited over and met Misho at that point in time.

The Hon. GREG PEARCE: What was the discussion, to the best of your recollection?

Mr WATKINS: That Misho was there to give some advice about the potential improvement to the foyer area.

The Hon. GREG PEARCE: Are there other employees or staff in Sydney Water who might feel the same as you do—that they should have been involved in appointments and they were not?

Mr WATKINS: I cannot answer for other staff.

The Hon. GREG PEARCE: Has any other staff member said that to you?

Mr WATKINS: There have been other people who have expressed opinions along those lines, yes.

The Hon. GREG PEARCE: Who were they?

Mr WATKINS: Can I take that question on notice? I understand that some of this has been subject to IAB and ICAC inquiries.

The Hon. GREG PEARCE: I do not think so, because I assume that you are not the subject of any of the investigations?

Mr ROBINSON: Could I just step in?

The Hon. GREG PEARCE: I do want you to step in at all. The Committee has already indicated that it wanted to question witnesses separately for this very reason—so that witnesses were not intimidated by you.

Mr ROBINSON: There is an issue to do with public disclosures.

The Hon. GREG PEARCE: You have done enough. You have intimidated your staff already. You have breached the rules.

The Hon. AMANDA FAZIO: Point of order—

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Mr ROBINSON: There is an issue to do with private disclosures, which is what Mr Watkins is trying to allude to. That is why it is important that the ICAC is involved in terms of investigating these matters because people have made private disclosures and, under the Disclosures Act, it would be inappropriate for Mr Watkins to give the answers that Mr Pearce might be looking for right now. That is why it is better for him to take the question.

CHAIR: Is that the reason you do not wish to answer the question?

Mr WATKINS: Correct.

CHAIR: Again, we might be able to get advice on that towards our next hearing. I am happy to accept that.

The Hon. AMANDA FAZIO: I also want to raise the issue that the Hon. Greg Pearce accused Mr Robinson of intimidating witnesses here.

The Hon. GREG PEARCE: It is quite apparent.

The Hon. AMANDA FAZIO: I have not seen any of that. It might be apparent to him.

The Hon. GREG PEARCE: It is apparent that the senior staff feel that they are not entitled to give open and free evidence to the Committee on the basis of Mr Robinson's so-called legal advice and his telling them that it is not appropriate for them to give true and honest evidence.

The Hon. AMANDA FAZIO: He has no evidence to substantiate that, and in fact I would say that most public employees who are either principally involved in, or on the periphery of, an ICAC inquiry are always very guarded in what they say about those matters for fear of getting into trouble from ICAC. You cannot draw it as one way or another when a number of possibilities exist. It is very inappropriate for him to make that accusation here today. I realise that we will not reach a point of agreement on that, but I think that matter needs to be stated. It is not the clear opinion of all Committee members that he is correct in his assumption, because I certainly do not agree with it and I think there are other reasons why public servants would be guarded in what they have to say in relation to these matters.

The Hon. GREG PEARCE: I refer to the conversation in the foyer. Did Mr Robinson say that Misho was there to do the foyer works?

Mr WATKINS: Not from my recollection.

The Hon. GREG PEARCE: Then Mr Grey did?

Mr WATKINS: Yes. Mr Grey indicated to me in a conversation at that point, yes, that Misho and associates had been brought in to look at those options about potential improvements to the foyer area.

The Hon. GREG PEARCE: I ask Mr Grey to come up to the table. Would you tell us what your position is and what your responsibilities are at the board?

Mr GREY: My name is Ian Grey and my position is General Manager of People and Property.

The Hon. GREG PEARCE: Do you recall the conversation that Mr Watkins has just recounted to us?

Mr GREY: Yes, I do.

The Hon. GREG PEARCE: What was the basis, in your mind, of the engagement of Misho and Associates?

Mr GREY: My understanding was that Misho and Associates were being engaged to give us advice about possible improvements to a foyer area as part of a fixing up of the forecourt work at Sydney Water.

The Hon. GREG PEARCE: Were you aware of Mr Robinson's association with Misho?

Mr GREY: No, I was not.

The Hon. GREG PEARCE: Have you engaged any consultants on the basis of a recommendation from Mr Robinson?

Mr GREY: I think, technically, I am the one who engaged Misho and Associates, so I certainly have been involved on that one.

The Hon. GREG PEARCE: Any others?

Mr GREY: The other one that I can think of is that under the reform program, as Ms Tsoukatos said before, we have been doing reviews of a number of areas and the review of the property area was undertaken by Ernst and Young, and that was one where Mr Robinson recommended the Ernst and Young people as the appropriate consulting firm to undertake the work. I cannot think of others.

The Hon. GREG PEARCE: You cannot think of others or there are no others?

Mr GREY: I would have to take that on notice and go back through the list. I do not have the list with me.

The Hon. GREG PEARCE: Mr Watkins, are you aware of any other consultancies that were entered on the basis of Mr Robinson's recommendation or direction?

Mr WATKINS: One other.

The Hon. GREG PEARCE: What was that?

Mr WATKINS: LSM Project Management.

The Hon. GREG PEARCE: What is LSM?

Mr WATKINS: A project management group.

The Hon. GREG PEARCE: To do what?

Mr WATKINS: Dealing with the project management of construction works being carried out by Multiplex on the foyer and forecourt.

The Hon. GREG PEARCE: Do you know the value of the consultancy?

Mr WATKINS: I would have to take it on notice in relation to the exact amount, but in round figures around about \$80,000 to \$81,000.

The Hon. GREG PEARCE: It would have been over the \$40,000 discretionary level?

Mr WATKINS: Correct.

The Hon. GREG PEARCE: Should you have been involved in that appointment in the normal course if the proper processes of the board had been followed by Mr Robinson?

Mr WATKINS: The progress of the approvals to bring LSM on board were handled through my group and through Mr Grey and Mr Robinson.

The Hon. GREG PEARCE: Should you have been involved in that process, but you were not?

Mr WATKINS: I was away at the time that LSM was brought on. I was on leave.

The Hon. GREG PEARCE: Have you read the transcript of the 24 November hearing?

Mr WATKINS: I read it some time ago. My recollection of it is not accurate at this point in time.

The Hon. GREG PEARCE: Do you recall that Mr Robinson indicated that he also had a relationship with the principal of LSM?

Mr WATKINS: No, I did not recall that.

The Hon. GREG PEARCE: Are you aware that that would have been another conflict of interest by Mr Robinson?

Mr WATKINS: It may have been a conflict of interest.

The Hon. GREG PEARCE: Are you aware of the contract with Hewitt's?

Mr WATKINS: No.

The Hon. GREG PEARCE: Are you aware of the practice of contract splitting to reduce contracts below certain authorities?

Mr WATKINS: I am aware of the process that that would fit, yes.

The Hon. GREG PEARCE: Are you aware of any contract that Sydney Water might have entered where contracts have been split?

Mr WATKINS: No.

The Hon. GREG PEARCE: Was the LSM contract a split contract?

Mr WATKINS: No.

The Hon. GREG PEARCE: You are not aware of any consultancy contract that might have been awarded by Sydney Water in circumstances where there would have been a contract split?

Mr WATKINS: No, I am not aware of any contract split.

The Hon. GREG PEARCE: Are you, Mr Grey?

Mr GREY: No, I am not aware of anywhere where it has been split and I confirm what Mr Watkins said: the LSM contract was not split, it was one contract of approximately \$80,000 or \$81,000.

The Hon. GREG PEARCE: I am pursuing this because we have a situation now where we know that under Mr Robinson the integrity he would have expected from the rest of you was not there because in situations of conflict of interest Mr Robinson stepped in to give contracts to his mates and associates.

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CHAIR: Were you an applicant for the position of managing director?

Mr QUILL: Yes, I was.

CHAIR: Did you have conversations with the chairman of the board or Minister Sartor regarding your application?

Mr QUILL: From recollection, I had absolutely no conversation with Minister Sartor about it. I did have a conversation with the chairman that I was an applicant for the position.

CHAIR: Were you under the impression that you would be appointed as the managing director up until the appointment of Mr Sartor as the Minister?

Mr QUILL: No, I was not.

CHAIR: What is your knowledge of the way that Mr Robinson was appointed? Are you aware of applications being re-opened to allow Mr Robinson to apply?

Mr QUILL: No, I have no knowledge of that whatsoever. The only knowledge I have of the process was my own experience. I can run through that part of it with you, but I have absolutely no knowledge of the matters to which you are referring.

CHAIR: Do you know the closing date for the applications?

Mr QUILL: I do not recall a closing date on the advertisement. My recollection is that it was open.

The Committee proceeded to deliberate.
