

GENERAL PURPOSE STANDING COMMITTEE No. 5

Friday 22 June 2001

Examination of proposed expenditure for the portfolio areas

LOCAL GOVERNMENT, REGIONAL DEVELOPMENT AND RURAL AFFAIRS

The Committee met at 9.30 a.m.

MEMBERS

The Hon. R. S. L. Jones (Chair)

The Hon. R. H. Colless
The Hon. Amanda Fazio
The Hon. Jennifer Gardiner
The Hon. D. J. Gay

The Hon. M. I. Jones
The Hon. A. B. Kelly
The Hon. Janelle Saffin

PRESENT

The Hon. H. F. Woods, *Minister for Local Government, Minister for Regional Development, and Minister for Rural Affairs*

Department of Local Government

Mr G. Payne, *Director-General*
Mr J. Scott, *Director, Policy and Reform*
Mr J. Hogg, *Manager, Business Services*
Mr M. Fleming, *Senior Adviser*

Department of State and Regional Development

Mr L. Harris, *Director-General*
Mr M. Cullen, *Executive Director (Regional Development)*
Mr N. Mercer, *General Manager, Executive Support*
Mr T. Overy, *Departmental Liaison Officer*

This is a privileged document published by the Authority of the Committee under the provisions of Section 4 (2) of the Parliamentary Papers (Supplementary Provisions) Act 1975.

CHAIR: I welcome you to this public hearing of General Purpose Standing Committee No 5. I thank the Minister and the departmental officers for attending. At this meeting the Committee will deal with the portfolio areas of Local Government, Regional Development and Rural Affairs. Before questions commence, some procedural matters need to be dealt with. Part 4 of the resolution referring the 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 the guidelines for broadcasting are available from the attendants.

I point out that in accordance with the Legislative Council's guidelines for the broadcast 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 photos. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee.

There is no provision for members to refer directly to their own staff while at the table. Witnesses, Members and their staff are advised that any notes should be delivered through the attendants on duty or the Committee Clerks. For the benefit of members and Hansard, I ask departmental officers to identify themselves by name and to give their position and department or agency before answering any question referred to them. Where a member is seeking information in relation to a particular aspect of a program or subprogram, it would be helpful if the program or subprogram could be identified.

As the Lower House is sitting, could you advise the Committee Minister whether he will need to attend divisions today?

Mr WOODS: I do not know if there are any.

CHAIR: I declare the proposed expenditure open for examination now. Are there any questions?

Mr WOODS: Before you start, Mr Chairman, I understand there is an opportunity to me to make opening statement. I am not going to make one, so as to provide as much time as possible for questions.

The Hon. DUNCAN GAY: Minister, I refer to Budget Paper No 3, Volume 2, page 12-7. Employee-related expenses are forecast to rise by \$295,000 in 2001-02, yet staff numbers are only expected to rise by one to 67. Can you explain that?

Mr WOODS: I might ask the director-general to answer.

Mr PAYNE: There are a couple of factors involved in employee-related expenses. Firstly, there is normal salary movement increases and, secondly, there is a component in 2001 for additional resources for looking at the financial position of councils. The staff number between the two years has largely been the same.

The Hon. DUNCAN GAY: Minister, what was the total cost of the report of Professor Kevin Sproats?

Mr WOODS: Some \$270,000. I did note at the time that you yourself put out \$450,000. I would be interested to know where you got that figure.

The Hon. DUNCAN GAY: From the budget papers, Minister. Has any allocation been made in the coming financial year, either in terms of staff or funding, to further the recommendations of that report?

Mr WOODS: I am sure that figure is not in the budget papers, by the way.

Mr PAYNE: In relation to the cost of Kevin Sproats inquiry, his fee to the University of Western Sydney was \$270,000.

The Hon. DUNCAN GAY: Minister, there was a question about whether there is any commitment for the next year to follow up the inquiry. Are you going to answer it?

Mr WOODS: As you are aware, I have not responded yet to the initial report, which I intend to do shortly. So that decision has not been made at this stage.

The Hon. DUNCAN GAY: So you are telling us that you have not allocated any money to follow up Kevin Sproats' report?

Mr WOODS: That is the case, yes.

The Hon. DUNCAN GAY: So you commissioned that amount of money—we dispute the figure—for the inquiry but there has been no money allocated to follow it up. Does that mean that you never intended to follow up?

Mr WOODS: Not at all.

The Hon. DUNCAN GAY: What are we to think when there is no allocation to follow up the recommendations?

Mr WOODS: If you just use your brains you will realise you cannot make decisions before they are made. I mean, really, Duncan. I have just been through it. We have not responded, so I do not yet know what the response is. I do not know what the follow-up is. Obviously you cannot put a figure on it when you have not done it.

The Hon. DUNCAN GAY: Minister, in relation to making decisions before they are made, the Sproats report came down well before the budget was delivered. Surely you would have anticipated taking some action on the recommendations of a report you commissioned.

Mr WOODS: I repeat what I said before. We have not responded. Obviously the report is there. You have read the report. There is a number of recommendations. I have rejected the major recommendation in it, but there are a heap of other observations and some other recommendations in it which need to be responded to, but we have not responded to them yet.

The Hon. DUNCAN GAY: Minister, how did the report become available to the *Sunday Telegraph*? Did you or someone in your office release it in that manner to avoid parliamentary scrutiny?

Mr WOODS: No.

The Hon. DUNCAN GAY: Have you tried to find out how that report was leaked, because presumably it would only have been available to a small number of people?

Mr WOODS: No.

The Hon. DUNCAN GAY: Why wouldn't you?

Mr WOODS: Well, it was past history, you see. Once it is leaked, it is leaked. Goodness gracious me!

The Hon. DUNCAN GAY: So you did not care?

Mr WOODS: Oh, yes, I did. I would far prefer it not to have been out there.

The Hon. DUNCAN GAY: So you were concerned about it, but you did not do anything?

Mr WOODS: If you just listen to what I say, you will realise the reasons. Once it is done, it is done. I mean, I responded at the time. I said, "We will respond fully later." That is the position.

The Hon. DUNCAN GAY: Could it have been one of your staff?

Mr WOODS: I do not think so.

The Hon. DUNCAN GAY: How do you know?

Mr WOODS: Well, you never know things for sure, do you? I remember being a publican and I remember other publicans saying, "I never get anything knocked off from my pub," and I used to look at them a little bit

incredulously and say, "You are a little bit foolish thinking that". So you do not know anything for sure in those sorts of matters.

The Hon. DUNCAN GAY: You had a major report knocked off from your Ministry.

Mr WOODS: You have heard my answers.

The Hon. DUNCAN GAY: And you do not care?

Mr WOODS: I did not say that at all.

The Hon. DUNCAN GAY: It is on the record.

Mr WOODS: No, it is not. Let me straighten it out. I did not say that. That is what you said.

The Hon. DUNCAN GAY: What did you do? Nothing.

Mr WOODS: If you go back and have a look, we responded to the report. It is all history. We are moving ahead. People can look back and spend their time mucking around with all sorts of things that should not have happened, but you lose track of the game. I mean, I always thought that you keep your eye on the ball and you keep moving ahead. If you keep looking behind you, as a lot of people do, you never get anywhere.

The Hon. DUNCAN GAY: What was the cost of examining the amalgamation proposals in relation to the City of Canada Bay?

Mr WOODS: A total of \$54,913.54 was expended on the Concord/Drummoyne merger.

The Hon. DUNCAN GAY: Minister, having spent that amount of money, why did the Boundaries Commission ignore the results of the resident polling that was conducted as part of the merger process?

Mr WOODS: I dispute that it ignored it. I think you are aware of the legislation involved there. The Boundaries Commission is required to talk about a range of things. Do you have a list of those things there? We might give that to you, but there is a range of things it is required to look at and, amongst those, is the survey or poll of local residents. That is taken into account along with all the other matters it is required to look at and in the end it comes up with a balanced opinion.

The Hon. DUNCAN GAY: Minister, on to another—

Mr WOODS: By the way, do you have a list of those things that are in the legislation? We might give it to you, because I think it is important.

The Hon. DUNCAN GAY: An amount of \$300,000 has been allocated in this budget for the monitoring of poorly performing councils. How will this money be spent?

Mr WOODS: That is additional, of course. As you would be well and truly aware, I have some serious concerns, as does the department, about the financial performance and the financial position of some councils. I have repeatedly said to councils that if we can assist them in overcoming their financial problems we are more than happy to do so. Because we seem to be getting a greater call for that type of assistance, we have allocated an additional \$300,000 to assist councils that are having problems. The director-general might want to say something about that.

Mr PAYNE: The department's concerns with the councils—and the number is probably in the order of 20 or 30—are supported by their auditors. We are working closely with the councils and I would like to place on record the fact that all councils have recognised, at least from the administrative side, that there are problems. The additional resources that we have been given will be used to assist those councils to resolve their current problems, not only in the short term but also in the longer term.

The Hon. DUNCAN GAY: Minister, is it pure coincidence that the majority of the councils named by you in Parliament were conservative councils?

Mr WOODS: Pure coincidence. We want to work in partnership with councils to help them overcome their financial problems. It is about ensuring that the councils have a future in the years ahead and ensuring that ratepayers are served well, that they have strong, efficient, responsive local government. One thing that has come through very clearly—it is not only my opinion but it is the opinion of councillors across the State—is that they do not have an understanding of their financial position. That view is backed up by auditors. When that is the case, it is difficult for them to make proper decisions on a day-to-day basis without understanding the financial concerns. One thing I have been stressing to them is that they need to take advantage of some of the financial courses offered to them by the Local Government Association. That is also being pushed by the leadership of the Local Government and Shires Associations. I think it is very important.

Unfortunately, the latest information I have is that they have not been responding very well to that. It is one area that I think is important. I might say that of the councils I have named, although there has been grandstanding by a few, all of those councils have responded to the concerns we have raised. I think the director-general can confirm that the management of those councils have agreed to a large extent with our assessment. I think nearly all, if not all, are working with us now to correct that. Going through the current status of the councils you mentioned, Warren council has indicated that it will continue to carefully consider its expenditure in relation to both its long-term capacity to pay and its available cash flows and regular monitor of its financial position.

The Hon. DUNCAN GAY: Point of order: Whilst the information being provided by the Minister is interesting, it not an answer to the question I asked.

Mr WOODS: I think it is.

CHAIR: On the point of order?

Mr WOODS: If you go back to the question, you asked me about the financial position of the council and my opinion of that financial position. That is what I am dealing with.

The Hon. DUNCAN GAY: The question was whether it was pure coincidence that the majority of councils named by you in Parliament were conservative councils.

The Hon. TONY KELLY: That should have been the subject of a point of order, but I let that go. If you want to take points of order, the question itself was offensive under the rules of the Legislative Council.

Mr WOODS: That question talks about—

The Hon. TONY KELLY: If you are going to start taking points of order, we will take points of order.

Mr WOODS: That question talks about the statement made by me in Parliament, which was about the financial position of the councils. Surely that entitles me to give you an update of the financial position of those councils and how they have responded. You have implied in your question that in some way I have been political.

The Hon. DUNCAN GAY: You are answering a question I did not ask.

CHAIR: There is no point of order. The Minister may answer the question in any way he wishes, as you well know.

The Hon. DUNCAN GAY: That is in question time in Parliament, not in estimates. There are different rules.

Mr WOODS: Nevertheless, the Chairman has ruled that there is no point of order. I think I am quite in order in giving you an update of those councils that were named because you have implied that I have been unfair in naming them.

The Hon. DUNCAN GAY: Minister, you can go on for as long as you like, but we have the power to request you to come back.

CHAIR: We have the power to invite the Minister back.

Mr WOODS: Through you, Mr Chair, I am quite happy to spend as much time with you as you would like.

The Hon. DUNCAN GAY: So am I. I have plenty of time to come back and ask the questions and get the answers that we need. If you want to filibuster—

Mr WOODS: I do not think this has anything to do with filibustering. You have made a serious complaint, a serious implication.

The Hon. DUNCAN GAY: But you have not answered it.

Mr WOODS: This is what I am trying to do. You have implied in your question that in some way my naming of the councils was done on a political basis. In answering that, I have to go through those councils and give you a description of their problems and how they are handling them, to show you that there was no political bias in my naming them.

CHAIR: Minister, it might be to your advantage to keep your answers short so that we do not have to invite you back. That is up to you.

Mr WOODS: Clearly I will make every effort to do that, Mr Chairman, but nevertheless this person has made a serious implication against me. I intend to fully answer it. I will keep my answers as short as I can. I am quite happy to come back, but I might say that travelling through Bylong during the year—they have the annual mouse races at Bylong, which you are aware of.

The Hon. DUNCAN GAY: Minister, you gave this answer last year.

Mr WOODS: No, I did not.

The Hon. DUNCAN GAY: Somewhere else I have been.

Mr WOODS: They have 100 races of mice—probably very similar—but I did think of naming the mouse that I bought Duncan Gay, but I did not; I called it Chief of Staff Scott Davies. Holbrook council has acknowledged the concerns raised by the department. Goulburn council is committed to improving its cash and financial position. Nundle council has responded that it has a small rate base and limited resources and in the next couple of years it will be working towards improving liquidity. Deniliquin council has developed a corporate strategic plan to guide its activities. Merriwa council's response addressed the key issue raised in the department's letter. In particular, steps will be taken to ensure that there are sufficient funds to cover externally/internally restricted reserves. The council has also undertaken to improve its liquidity ratio. The council considers that it has made financial gains over the last few years and it should receive recognition for that.

Mosman council has adopted a strategic financial plan. Warringah council officers have met with department officers to discuss a strategy to put in place to improve its finances. Copmanhurst council indicates that during the past several years its financial position has been improving in response to further measures taken by council. In the current management plan, further improvements will be made. Ku-ring-gai council's concerns include poor liquidity. Cowra council is the subject of a separate departmental report. There are a number of concerns over that council's financial management and I can go into that further if you like. The overall concerns include poor liquidity, inadequate cash reserves and debt collection. The council indicates that it has a budget in place to improve that position. Dungog council has indicated that it now has a new management team who are well aware of their financial responsibilities.

Bourke council has indicated that it has structured its budget over the next four years to restore an adequate level of liquidity. In relation to Gunning council the auditor has concerns over the present and projected cash position. Infrastructure funding is also a concern. The council indicates that it has improved its cash position and the department will continue to monitor that. You asked a question earlier about the survey of Concord and Drummoyne and why, in your words, it was ignored. I disputed that it was ignored and I pointed out there were a number of factors to be taken into account there. I offered to list them and you said you would like that.

The Hon. DUNCAN GAY: You offered to give us a list.

Mr WOODS: No, I said I would list them: (a) the financial advantages and disadvantages; (b) the community of interest and geographic cohesion in the existing areas—

The Hon. DUNCAN GAY: Why don't you table it? It is a published document.

Mr WOODS: Okay. It is section 263, clause 3.

The Hon. DUNCAN GAY: Of the Local Government Act.

Mr WOODS: It goes from (a) to (f), so you will see there are a number of considerations. The director-general would like to make a short comment on this matter. It is extremely important.

Mr PAYNE: In relation to the councils that were named by the Minister as having some type of financial problem, that list is developed not by the Minister but by the department following an assessment of all councils across the State and the financial position of all of those councils. Many of them are small councils. They are showing some form of financial distress, mainly because of their size. It has nothing to do with the politics or the nature of the council at all. It is purely an objective assessment of the financial position and, as I said earlier, often supported by their own local auditors.

Mr WOODS: Can I tell you I would have loved to have left Copmanhurst out.

The Hon. TONY KELLY: So you are saying the fact that they are conservative councils does not make them bad managers?

Mr WOODS: No. On a personal basis I would love to have left Copmanhurst out. I have friends there and it is a very good council to me.

The Hon. DUNCAN GAY: Not any more.

Mr WOODS: No, personal friends. But I did not because that was part of the list given to me.

The Hon. DUNCAN GAY: I thank you the director-general. That was the answer that we needed straightaway. Minister, if we accept your statement that you are fair dinkum about this, why has Byron council not been added to that list? It is in arguably the worst financial situation in this State. It continues to unnecessarily spend millions of dollars in the Land and Environment Court. Internal staff will tell you that its finances are in a parlous situation, yet you have not named that council.

Mr WOODS: In fact I have. In early September last year I announced that Byron Shire Council had made improvements. Previously I talked about it in a very critical way in Parliament. It is subject to ongoing monitoring and is reporting monthly to the department. I have grave concerns about Byron council. As I said, I have talked about it in a very critical way in Parliament.

The Hon. DUNCAN GAY: Minister, are you aware at least one council in the south of the State lost a major development because a financial backer heard your comments and pulled out of the development? It is pertinent given that you wear two hats: one of local government and one of regional development.

Mr WOODS: I would dispute that it pulled out because of my comments.

The Hon. DUNCAN GAY: That is not what the mayor says.

Mr WOODS: There are always differing opinions, but I would dispute that. If the facts are right, a developer needs to know these things. That is part of his decision making. He would come to that conclusion whether I made those comments or not.

The Hon. DUNCAN GAY: Minister, are you aware that in many of the cases the majority of monies outstanding were from State Government departments?

Mr PAYNE: I cannot answer. I am not aware.

The Hon. DUNCAN GAY: Director-general, they did indicate to you in reply that the reason that there was a shortfall in monies at the relevant date was because Carl Scully's department in particular had not paid the money that was due to come to them.

Mr WOODS: Let me add to that. The analysis that the department made was made on figures supplied to them via the councils. Taken into account in that analysis are debtors and creditors. If those amounts owing were included in those figures, they would have been taken into account.

The Hon. MALCOLM JONES: Minister, am I right in thinking that Cabinet has given the go-ahead or has given approval to the proposal of the Lord Mayor of Sydney to amalgamate the eastern suburbs into four councils?

Mr WOODS: What you are saying is have I made a deal with Frank or something?

The Hon. MALCOLM JONES: No, no.

The Hon. TONY KELLY: No, has Cabinet made a deal.

The Hon. MALCOLM JONES: Has Cabinet approved the amalgamation into four councils?

Mr WOODS: No, no. I cannot talk about what happens in Cabinet, but let me say that the recasting of eight councils into four is only part of the report. No deal has been done between me and the City of Sydney at all under our policy.

The Hon. DUNCAN GAY: Not even over parking? Frank struck a separate deal there.

Mr WOODS: Not with us. I think you need to take that question to another Committee. Given that most of the responses that have come in are quite complex, we will be giving them due consideration as we draft the full response. I think the report will serve as an important and valuable resource in the future. I would add that the reaction from some of the mayors to the report has been disappointing. The mayors of Leichhardt, South Sydney and Woollahra rejected the proposal with little thought or consideration, yet in the same breath they announced their intention to set up another task force to look at ways to increase rates. It is interesting when you talk to local government about the need for reform. Inevitably they say: Yes, there is a need for reform, we need reform. After all these 173 council meetings, we need reform." We say, "What about yours?" and they say, "Oh, no, we are okay."

The Hon. MALCOLM JONES: There is no decision at this stage?

Mr WOODS: Absolutely not.

The Hon. MALCOLM JONES: If I could turn to Canada Bay, which is actually where I live, are you able to say for the record that the amalgamation of Concord and Drummoyne council into Canada Bay is a success?

Mr WOODS: I suppose there is a number of ways of interpreting your question as to what "success" means. If you mean has the amalgamation been achieved, is it there, is the council operating now, the answer is yes, it has been a success.

The Hon. MALCOLM JONES: Has the exercise been worthwhile?

Mr WOODS: I think so. The Boundaries Commission report did show that there were considerable advantages there, and that makes it worthwhile. The election for the new City of Canada Bay took place, as you are probably aware, on December 2. That followed a public inquiry which was headed by Bill Gillooly, who is the former Director-General of Sport and Recreation. The report concluded that a merger was in the best interests of the ratepayers and that it would reduce the duplication of services, resulting in savings to the community. Since the council was elected, there has been considerable infighting between the councillors. It is interesting to note how that has occurred. There were Liberal Party representatives on the previous councils who voted for the amalgamation. They even included the previous Liberal candidate for the seat of Drummoyne. So if there were Liberal councillors who voted for the amalgamation, why did the Liberal Party not stand candidates for the election at Canada Bay?

The Hon. MALCOLM JONES: That is not the question I asked. Is this success likely to deliver reductions in council rates?

Mr WOODS: It has the potential to deliver savings. It is clear in the report of the Boundaries Commission that there is an ability to deliver savings. That depends, of course, on the management of the council. I have quite an optimistic view of that because I have seen a steady improvement in the council's performance. Initially there were a lot of problems there and, after all, some of the councillors who were elected stood on a strong anti-amalgamation platform. They feel committed to that, so it is a difficult situation for them. I do note that things are improving. I also note that at the time the criticism of the amalgamation was coming from, I would think, only a few people.

The Hon. MALCOLM JONES: Last month the council voted for a rate rise.

Mr WOODS: For additional rate variation?

The Hon. MALCOLM JONES: I know you are not responsible for the internal management of the council, but you have gone to great lengths to promote the amalgamation of councils and there is little evidence to demonstrate that this is going to actually benefit the people in that jurisdiction. I want a commitment from you, Minister, that these amalgamations are going to work.

Mr WOODS: Even if it is the fact that they have voted for a rate variation above the allowable limit, I do not think that it necessarily gives substance to your point. It might be that the council is providing additional things. I can say at this stage that we have received about 15 or so applications for rate variations and Canada Bay is not amongst them.

The Hon. MALCOLM JONES: Perhaps it is on its way. The citizens living in the Thredbo and Perisher Valley areas do not have any voting rights in local government. Do you feel a responsibility for the entitlement of those people to vote? What action will you take to enhance their opportunities to participate in local government elections?

Mr WOODS: That is a question already on the Legislative Council notice paper so if you like, I will take that question on notice and answer it through that question.

The Hon. MALCOLM JONES: You have already had a little notice that it is coming. It should be available to you.

Mr WOODS: We will take it on notice.

CHAIR: Minister, can you tell us what impact the GST has had on councils, in particular country councils with a low rate base?

The Hon. DUNCAN GAY: Would you draw our attention to where that is in the budget papers?

CHAIR: As you know, we can ask any question on the budget. It does not have to be in the budget papers.

The Hon. DUNCAN GAY: I asked the question for clarification, that is all. You bowled him up a Dorothy Dixier and he has not got the answer.

CHAIR: It was not a Dorothy Dixier, as the Minister well knows.

Mr WOODS: I think that we all know that the Howard Government has been a little more than careless both with the facts and the implementation. We were given all sorts of commitments, that it was not going to affect the price of petrol, et cetera. I make the point that the GST does not provide a revenue windfall for New South Wales. In fact, I do not think we get any increase in revenue for some years yet, until mid-2007. I am advised by the Treasurer that the Commonwealth would need to give New South Wales around \$4.5 billion to put our budget back to where it would have been without the GST. New South Wales will continue to subsidise other States under the GST.

CHAIR: I think we are all aware of those facts but I am more interested in the impact, particularly on local rural councils.

Mr WOODS: The GST has had consequences that even the Federal Government does not comprehend. One of those was the effect of the strict reporting requirements on local government committees. I raised this issue prior to the introduction of the GST following concerns expressed by the Local Government and Shires Associations. There are thousands of council committees across New South Wales that range from the operation of the local council tennis courts to parents organising netball tournaments for their children. Whilst local government is exempt from the GST, many of these committees are run by volunteers who do not have the resources for the strict reporting required under the GST.

The response from the ATO has been disappointing, to say the least. In a nutshell, it said that there was no flexibility in the system, so the GST has been imposed on a range of facilities and services, public transport, public halls, school holiday programs, libraries, parks and gardens, tourist information, sporting fields and facilities, aerodromes, caravan parks, camping grounds, cemeteries, morgues, crematoria, parking, parking meters, museums and art galleries. So they are going to get you from school holidays to morgues, from the cradle to the grave. In my capacity as Minister for Regional Development I share the concerns of regional New South Wales about the impact of the GST on country businesses and the indirect effect on local government.

CHAIR: Will that extra burden mean that there will be more amalgamations of rural councils? Can you assure us that there will not be forced amalgamations but that they will be done with genuine participation and acceptance by the local communities?

Mr WOODS: I will give you an assurance that there will be no forced amalgamations. That has been our policy throughout. It is my firm belief that we need reform, but that has to come from the communities through the mayors and councillors. I have consistently and regularly encouraged councillors to look at that and I am under no misapprehension that reform is needed and that some amalgamations are needed. You cannot have a formula for it because situations change. You cannot apply a formula in relation to size or anything else across the board. The individual situations are different from place to place. There are outstanding examples of where amalgamations would benefit the local communities.

CHAIR: Can you give us examples of those, particularly those councils you mentioned earlier who were having difficulty with ratepayers?

Mr WOODS: I think the best example I can give you is my own local area. Until recently there were five councils. There are now four local councils and two county councils. That is in the Clarence Valley, which has 40,000 people. It is easy to argue strongly that there is one community of interest. If that was done the savings, off the top of my head, just in mayors and councillors would probably approach \$2 million.

CHAIR: How much per resident?

Mr WOODS: I do not know. With \$2 million every year, just on those two things—mayors and councillors—you could spend \$2 million on a project every year forever in the Clarence valley. I think that there are good reasons for doing so in places like that. I do not think that there would be an organisation in the world that supplies services that would have seven administrations in that the valley.

CHAIR: Are you going to actively encourage some of the smaller councils to amalgamate?

Mr WOODS: In the past I have said to them, and I will continue say at conferences: Look to the future. It is not the answer for all of you, but you should be looking to the future. You should be looking at how you are going to be able to provide the services in the future. There is need for reform in all its aspects and for some of you amalgamation might help to provide some of the answers for the future.

Mr PAYNE: The Minister is correct. It is not the answer for a number of them. If you go to the Far West where the distance is great, we are looking at a proposal at the moment to form a co-operative between the seven councils out there to provide common administrative services. They are finding difficulty in recruiting skilled staff. They cannot afford to pay them to attract them to the area. One option might be to centralise some of the administrative services, such as salaries and those common things, and the provision of reports from accounts, et cetera. There are a number of approaches that we are adopting. Councils are starting to become concerned because the new accounting code, AAS27, which came into effect in 1993, is starting to show the rundown in infrastructure. That is a fairly major cost, as you

would appreciate, on any council. It is a particular burden on the small rural councils and that is being highlighted through the accounts. That causes concern in local areas.

CHAIR: So it may well be that rural roads, for example, will benefit from these amalgamations because there is little money to spend on rural roads, some of which are in a parlous state.

Mr WOODS: There is the potential to do that. I note that Windouran, which is the smallest council in numbers in New South Wales, had not done any road works for two years as it could not afford to do so. When the Deputy Director-General went down there as an administrator, he did 25 kilometres within a short time.

The Hon. DUNCAN GAY: The director-general mentioned AAS27. Crookwell Council was one of the councils named. Crookwell Council went to do the right thing and increase its depreciation and because it increased depreciation beyond the recommended figure, it was named by the Minister in Parliament. How is that an incentive to councils to do the right thing?

Mr PAYNE: I am not aware of the Crookwell situation. I have not got the papers with me on Crookwell. I do not recall Crookwell actually being named, but if its depreciation factor gives cause for concern, it would be probably commented on by the auditor. We would note that and also work with them. There are a number of ways you can value or put a cost on depreciation. What we are saying is that if you are going to use your infrastructure, your resources, you need to ensure that you have provisions to replace those at an appropriate point in time.

The Hon. DUNCAN GAY: Councils are doing better than recommended and as soon as they start doing better than recommended, the Minister and the department name them adversely.

Mr WOODS: For a start, I do not think Crookwell was named. I am informed that it was not. Besides that, I think you are missing the point. Individual councils may have made some valid points. You are using this argument to say that there are no financial difficulties, and there are. The financial difficulties of some councils, or councils generally, are greater than they have ever been.

The Hon. DUNCAN GAY: I accept that there are financial difficulties and when they do the right thing you have to help them.

Mr WOODS: I do note, along those lines, that that is the stand that some councils take. I do not want to lose the focus of saying that there needs to be reform and that councils need to look at their financial situation. I am sure that HIH would love to turn around and say that it was the accounting system that got them into strife. A council is either in financial strife or it is not. Changes in accounting systems will not change that. Councils have expressed concern that the Australian Accounting Standard does not truly represent their true financial state and on my visits to the divisional conferences concerns were expressed to me about that.

Some councillors said that to include depreciation on current assets in the audit of their financial status does not give a true picture. At those conferences and on previous trips they have admitted to me that they do not know the true financial position of their councils and it is crucial that councils make properly informed decisions. Whilst arguing about whether depreciation should be allowed and how much depreciation a council provides can be a valid point in looking at things, it does not change the position. I have noted comments by Mr Gay from time to time that seem to say to me that everything is okay. It is not.

Mr PAYNE: There are two issues with depreciation. One is to put a dollar value on it and write it down. We are more concerned with actually having reserves to back that. Some councils have actually got quite extensive write-downs on depreciation, so they have no reserves. Perhaps that is why we are critical of Crookwell. I do not know; it was not named. We are more concerned about having adequate funds to meet the costs when those costs arise.

The Hon. DUNCAN GAY: I am happy to talk to you at another time about something that is treated as an asset but which is really a liability in the accounting system.

Mr WOODS: Let me make this point, and I will be quick about it: there is a strong view that excluding depreciation would give a false view of the true cost to the community of providing those services.

CHAIR: A number of councils throughout New South Wales are voting to have the Genetic Engineering Free policy because they are worried about the risk of genetic engineering to food production. What assistance is the department giving to rural councils who wish to implement a Genetic Engineering Free policy under their local environment plan?

Mr WOODS: I will ask John Scott to give you information on that.

Mr SCOTT: The issue of genetically modified foods for councils, in fact, is not a matter within council control. It is controlled by another agency. On the issue of licensing the use of genetically modified crops, councils are unable to effect that.

CHAIR: According to my understanding they can vote to have a genetic engineering free area.

Mr SCOTT: They can vote to make it a genetic engineering free area but because they do not have a development consent over any activities that are carried out on existing agricultural land, it is not within the council's control; it is a matter of licensing.

CHAIR: It could be forced upon them.

Mr SCOTT: Not forced upon them. The owner or operator of the land may choose to use that but they are required to comply with the relevant licensing arrangements that are set in place under other administrations.

CHAIR: So all of these councils voting to go genetic engineering free are wasting their time perhaps.

Mr SCOTT: It is like councils establishing nuclear-free zones. It is a question of position rather than ability to effect.

The Hon. MALCOLM JONES: Minister, at the estimates committee meeting last year you were unable to provide details of estimates or any information about your move of the department to Nowra. I understand that \$5 million has now been allocated for the construction of the building for the department, but there is another \$100,000 allocated in your budget for preliminary work. Can you tell us what the preliminary work consists of?

Mr WOODS: I think we can. Thank you for the question, I might add. I am not surprised at all that Mr Gay did not ask it.

The Hon. DUNCAN GAY: Why?

Mr WOODS: Why? I do note, as I am asked why, that the Hon. Duncan Gay put out a press release on 29 May, directly after the budget. It says his examination of the 2001-02 budget paper shows that a total of just \$120,000 had been allocated towards the \$9.9 million project. He said that he was not surprised to find that there was no substantial monetary allocation for the department's move in either its budget statement or the budget statement for the Department of Public Works and Services. He said that the project does not rate a mention in the State Asset Acquisition Program, but it is listed in the rural budget statement. He said that the Minister for Local Government announced the relocation of the department just after March 1999 and there was still no sign of any real funding for the move. He said also that the people of Nowra need some answers.

I replied to that, of course, and I said that this was an incredibly embarrassing gaffe by Mr Duncan Gay. I hate to disappoint him, but if he read the budget papers more carefully he would have been seen in Budget Paper No. 3, Volume 2 at page 19-23 the allocation of \$5 million in 2001-02 for the move. I will ask the director-general to give you some details about the \$120,000.

The Hon. DUNCAN GAY: Mr Chairman, a point of clarification, 90 per cent of what the Minister said is correct.

Mr WOODS: I was quoting directly from your previous statement.

The Hon. DUNCAN GAY: That was the bit that was correct. The reason that we did not find the figure was that the Treasurer had not given us all of the papers. In fact I had to go to the Parliament the next day and ask for the papers. When we finally got the papers we found the answer.

Mr WOODS: That is making a mistake when you did not make a mistake.

The Hon. DUNCAN GAY: If you do not distribute all the documents that is a problem.

Mr WOODS: You said that you had made an examination of all of the documents.

The Hon. DUNCAN GAY: All of the ones I had. They were not all distributed. I admitted the mistake.

Mr WOODS: We were going to give you some information on the \$120,000.

Mr PAYNE: The \$120,000 that is in the department's budget is purely for internal planning costs—things such as additional training for staff, those who may not be going may want some training to be redeployed elsewhere. There are some other processes that we need to go through, for instance, getting some advice on ergonomic furniture and all those very minor things. That allocation is for those planning costs. It is in no way associated in any way with the building, which is entirely in the public works portfolio.

The Hon. MALCOLM JONES: When is the move to Nowra likely to be?

Mr PAYNE: Towards the end of 2002, early 2003, over that Christmas break.

The Hon. MALCOLM JONES: What facilities will be retained in Sydney?

Mr WOODS: From time to time departmental officers will need to be in Sydney, and whilst relocation of the entire department is the goal that we have been working on, no decision has yet been made as to what accommodation may be required for the department, or departmental officers, in Sydney. It is envisaged that modest accommodation will be acquired for officers as it is required, and we will probably do that in conjunction with some other department.

The Hon. TONY KELLY: Would you do that in the way that the Department of Agriculture operates in Orange? The entire department is in Orange but the Minister has an office here and facilities for some staff.

Mr WOODS: I do not think it would be near the size of that—not near it, if indeed at all.

CHAIR: Turning now to animals, how many cats and dogs were seized under the Companion Animals Act 2000-01? How many of these were microchipped? How many were released? How many were euthanased? Have numbers seized and euthanased increased or decreased since the introduction of the Companion Animals Act?

Mr WOODS: There have been 430,000 cats and dogs recorded on the New South Wales companion animals register and new recordings continue to be added to it. There is significant anecdotal evidence of drops in euthanasia. For instance, Pittwater Council pound reports that 80 per cent of animals coming into the pound are microchipped and are returned to the owners because of that. Sutherland Shire Council pound reports that over the June long weekend, eight animals were brought into the pound. Of the eight, seven were microchipped, recorded on the register and returned to their owners. They have not euthanased any animals for over eight weeks. The last two animals that were euthanased were aggressive dogs.

Wollongong and Penrith councils also report that the majority of animals being brought into their pound are microchipped and all of the councils who participate in the Councils Unite for Pets group report that they are getting good responses to letters to owners of animals over six months of age which are microchipped and not registered. For example, Wollongong Council is processing around 60 registrations a week in response to the mail-out. I did give an example in Parliament the other day of a kitten that was found beside the road at Bowral in the Southern Highlands. It was scanned and found to have a microchip and the register identified that it was a kitten notified as missing from Sydney to Bowral and it was back with the original owner almost that same day.

The RSPCA's annual report shows that the total number of animals euthanased by the New South Wales RSPCA shelters has decreased by 29 per cent, and a spokesman for the RSPCA said that microchipping has helped reunite more

dogs with their owners. I am not exactly sure of all of the figures you asked for. Some are not collected, but perhaps if we can get a copy of that full question we could answer it better with a little bit of notice. In general terms, as I said last year or the year before, it will take a couple of years before we see the beneficial effects. I think they are starting to flow through now.

CHAIR: I have a number of questions which I have to put on notice. On the question of the Companion Animals Act, will you give assurances that the following problem areas will be addressed in the forthcoming review of the Companion Animals Act: the kill rate in council pounds; the rate of compliance with registration requirements; the number of animals being killed in pounds in lower socioeconomic areas; the number of companion animal owners who are unaware that registration and identification are separate requirements, both of which must be met; the number of councils that do not provide any leash-free areas for dogs, a requirement of the Act; reports that certain councils, including Lismore, are impounding cats without adequate facilities and are not keeping them for the specified time; and cases where people's loved animals have been put to death simply because they cannot pay the hundreds of dollars required to meet fines and fees? Will you address these questions in the review?

Mr WOODS: I do not think I am able to address that now, but, as you say, the Companion Animals Advisory Board is advising me on the matters to be looked at, problem areas in that review, and if you can provide me with that detail I am happy to pass that on for its consideration and advice. A letter has been sent to Upper House MPs advising them that they can put submissions in.

The Hon. DUNCAN GAY: With regard to the proposed amalgamation of Albury and Wodonga, were you asked about that proposal before Premier Carr and Premier Bracks made the announcement?

Mr WOODS: Yes, I had knowledge of that.

The Hon. DUNCAN GAY: How long before the announcement were you asked?

Mr WOODS: I do not know; some weeks.

The Hon. DUNCAN GAY: Some weeks, Minister?

Mr WOODS: I would think so.

The Hon. DUNCAN GAY: You would think it was some weeks. In that time did you ask the Department of Local Government to do any work on that?

Mr WOODS: No. The work was all done through the Cabinet Office. I did not put any requests in.

Mr PAYNE: That issue has been around for a number of years and it had been put on several occasions. I think the Victorians did a major study a couple of years ago, so the department had some knowledge, but this particular exercise now is, in fact, being chaired by the Cabinet Office.

The Hon. DUNCAN GAY: It came as a bit of a surprise to you? Some years ago it happened?

Mr PAYNE: It is one of those things that has been on the agenda for a while. The fact it has been raised to its current status is not a surprise.

The Hon. DUNCAN GAY: You indicated it was some weeks beforehand that the Premier mentioned it to you, or was it your idea put to the Premier?

Mr WOODS: I think what I said was it would have been some time before, a few weeks perhaps, that I had some knowledge of the intention to look at that.

The Hon. DUNCAN GAY: It was not your initiative?

Mr WOODS: I do not think so, no.

The Hon. DUNCAN GAY: Minister, the Cabinet Office having developed this idea—you are not sure whether it was yours or not—and having passed it on to you, did you feel you had a responsibility, having had it for two weeks, to mention it to the councils involved to sound them out before the Premier made the announcement?

Mr WOODS: As far as I am concerned, I regard that matter as a Cabinet in confidence matter.

The Hon. DUNCAN GAY: Minister, you are going to a country community and making a major announcement that affects the future of the people in that area. Did you or did you not, having known about it for two weeks, feel that you had a responsibility to sound out the councils involved?

Mr WOODS: I point out that I did not make the announcement, and I repeat my previous answer.

The Hon. DUNCAN GAY: Would you consider the manner in which the announcement was made to be a tad arrogant? It is something that affects the people and you or the Premier decided not to ask the local government bodies involved?

Mr WOODS: I do not think a decision on that was made until that day. That was, as I mentioned, in the joint Cabinet meeting.

The Hon. DUNCAN GAY: So we arrive there. Here we are in Albury-Wodonga, and the decision was made then.

Mr WOODS: As you probably recall—you were not there—there was a joint Cabinet meeting in Albury that day.

The Hon. DUNCAN GAY: Was there discussion made about the fact that Gough Whitlam in 1972 had made a similar announcement and wanted to call the combined cities Whitlamabad?

CHAIR: Perhaps at this time we should move to Regional Development and Rural Affairs.

The Hon. DUNCAN GAY: I have lots more local government questions.

CHAIR: We will come back to that.

(Short adjournment)

The Hon. JENNIFER GARDINER: Minister, given that you are the Minister for Local Government, Minister for Regional Development and Minister for Rural Affairs, could you explain why Rural Affairs does not even rate a mention in the budget papers other than in your title?

Mr WOODS: Well, I suppose the explanation for that is that Rural Affairs is not a department.

The Hon. JENNIFER GARDINER: It is just a piece of propaganda.

Mr WOODS: No, I do not think it is a piece of propaganda. I think there is a difference.

The Hon. JENNIFER GARDINER: It has no importance.

Mr WOODS: No, it is important. Regional Development to me is about economic development. Rural Affairs is more about services. I have a connection with that in a number of ways as Minister, as has the Premier's Department and the Office of Regional Communities. There is also a group that has been running meetings out in the western areas looking at all of those affairs. When you think about that sort of description of Rural Affairs you will see that some of the programs we have in Regional Development fit that sort of description, such as the Staying In Town, and the Country Lifestyles and Government Access programs fit into the Rural Affairs sort of description more than the Regional Development style.

The Hon. JENNIFER GARDINER: Can you tell us what the budget is for the Office of Regional Communities, the Staying In Town and Country Lifestyles programs and also the group you referred to in western New South Wales?

Mr CULLEN: The Country Lifestyles program is operated by the Department of State and Regional Development. That has a budget of \$995,000 for the next four years.

The Hon. JENNIFER GARDINER: That is 995,000 over four years?

Mr CULLEN: \$995,000 per annum for four years. Those other programs actually belong in the Premier's Department.

The Hon. JENNIFER GARDINER: All three of them?

Mr WOODS: The Office of Regional Communities, the RCCC.

Mr CULLEN: The Regional Communities Consultative Committee, and Staying In Town is an initiative of that organisation.

The Hon. JENNIFER GARDINER: Can you provide us with a list of the personnel on that Regional Communities Consultative Committee?

Mr WOODS: Yes.

The Hon. JENNIFER GARDINER: Can you tell us, Minister, what number, if any, of new New South Wales Government projects were initiated or completed outside Wollongong, Sydney and Newcastle in 2000-01?

Mr WOODS: You mean across the whole theme?

The Hon. JENNIFER GARDINER: Yes.

Mr WOODS: I think that would come under the Treasurer. The broad range you are talking about?

The Hon. JENNIFER GARDINER: Any projects that Regional Development had to do with.

Mr WOODS: Let me ask you whether you mean the degree to which our programs are funded, or do you mean an infrastructure program?

The Hon. JENNIFER GARDINER: Yes, infrastructure.

Mr WOODS: Regional Development do not really undertake infrastructure programs. We approach other agencies to fit in with Regional Development programs. We have, and sometimes the infrastructure projects are undertaken on that basis. For instance the work we did at Tumut involved work by the RTA and others in getting that project up. Another example is the Visy pulp mill. But to get details of those projects I think you will need to go to the individual agencies.

The Hon. JENNIFER GARDINER: With respect to the regional projects facilitated or financially assisted by your department, can you tell us what the definition of a regional project is? What are the geographical bounds of a regional project?

Mr CULLEN: Regional projects are defined as those projects that are outside of Sydney. So it includes Illawarra and Hunter, as well as rural New South Wales.

Mr WOODS: That is our definition. When you start talking about "regional" I have argued for many years, both with people in my own party and others, as to where you draw the line. When you start talking about "regional", it has many aspects. Are you talking about it internationally? When you talk nationally, perhaps the region is Asia. Then you get into "region" from a New South Wales point of view and you get different answers from all sorts of people. Anyway, that is the way we look at it.

The Hon. JENNIFER GARDINER: In the budget papers you say that your department will facilitate or financially assist 135 projects in regional areas in the coming year. Have you an idea of what those will be and where they are located?

Mr CULLEN: Those 135 are basically an estimate of what we convert from projects that are in the pipeline at the moment. They are spread right across regional New South Wales. Obviously some of them are confidential at the moment. That is an estimate on the basis of taking an idea of activity previously, as well as what we have in the pipeline at the moment. So if I give you an idea of what is in the pipeline, at the moment we have "under active management", which means projects that we are negotiating about. There is something like \$480 million worth of investment there. "Leads" are things we are working with but obviously have not reached the negotiation stage, and they represent another \$425 million. Obviously, there is a fallout in the conversion rate of those.

Mr WOODS: I might add that we have been able to assist in the creation of over 26,000 new full-time jobs which are involved in 723 regional projects with an estimated value of over \$5.43 billion. In last year's budget papers, the Government estimated the creation of 4,300 jobs and an investment of \$600 million. That was the estimate. In fact, we exceeded those expectations with a gap of 4,392 full-time jobs.

The Hon. JENNIFER GARDINER: 4,382, is it not?

Mr WOODS: 4,392.

The Hon. JENNIFER GARDINER: So the budget paper is out?

Mr WOODS: As we said, that was an estimation and we exceeded that estimate.

The Hon. JENNIFER GARDINER: Why are you, therefore, forecasting that there will be fewer jobs created this coming year 2001-02? In fact, the figure is the lowest for years.

Mr CULLEN: Each year we set a target as a department. In fact, the target that we set there was 4,000 jobs and \$600 million. What we are doing is setting that target. The nature of investment is fairly lumpy, so you cannot actually do anything other than estimate a target that we apply our programs to. The reality is that we would hope that we would exceed our target, as we have done in previous years.

The Hon. JENNIFER GARDINER: Has your target been going up over the years? Are you lowering it or you are stable?

Mr CULLEN: No. Every time we stretch our targets. Targets are something that you need to stretch, and it is something that we challenge ourselves with. You will obviously notice the nature of investment changes over those years as well. A number of investments in recent times may have run more to service industries. Therefore, they are not heavy capital investment though they do have strong employment prospects.

Mr WOODS: You would note that Michael mentioned the lumpy nature of investment. You would understand that you might have a large influx of employment for one particular project, perhaps a few days before the end of the year and that figure goes into that year. It is a bit like looking at monthly unemployment figures. In themselves they do not mean much because they go up and down. The trend is important, and I think Michael said that the trend is good; it is upwards over time.

The Hon. JENNIFER GARDINER: You forecast that micro and start up business clients will fall by 5,788 next year. Can you indicate why you have made that downward forecast? That is on page 19-86 of Budget Paper No. 3 Volume 2.

Mr WOODS: I think that is really a matter for the Minister for Small Business. I would make the comment, looking particularly at the small end of small business, that the GST has affected them more than any other sector of the business community. In the 1995 period employment growth in regional New South Wales totalled over 90,000. That is the area outside Sydney, Newcastle and Wollongong, to differentiate from the previous description of "regional" we gave you. The Hunter improved by 19.9 per cent, the Central West by 7.4 per cent, the Illawarra by 4.1 per cent, and the Murrumbidgee by 4.7 per cent. So there are some good growth figures there. Some of the projects that have been

supported this financial year are, for instance, Tony Parle's Food Processing in Griffith, a \$60 million project; Hallgarth; Windsor Farm Foods, Bingara; Cypress Pines and Blackwater Boats, which came from Queensland down to the Tweed and are doing very well, I think partly because of the lower dollar.

The Hon. DUNCAN GAY: Lower than Queensland's?

The Hon. JENNIFER GARDINER: They are closing down the Tweed River for fishing. What are they going to do?

Mr WOODS: If you saw these boats you would realise that they are not used on the Tweed River, they are more Riviera-type boats. I mean, there is a wide range. I will not go through them all, but if you would like a list of the sort of things we have assisted and the success that there has been, I can give that to you. I am optimistic about regional New South Wales and its capacity to develop. There are impediments that we are trying to identify, and I think Government has an interventionist role when the markets fail.

The Hon. JENNIFER GARDINER: Except for dairy farmers and regional businesses like that.

Mr WOODS: In fact, we have put a certain amount of money aside for those communities that have had a strong dairy farm dependence.

The Hon. JENNIFER GARDINER: How much is that?

Mr WOODS: We have committed \$500,000 under the Regional Economic Transition Scheme to foster the creation of new industries in those centres that have been affected, and we have used some of that, I think.

Mr CULLEN: Yes, we have.

The Hon. JENNIFER GARDINER: Where has that been used?

Mr CULLEN: There are a couple of examples I can give you. We have been working with the Norco Co-operative in that area. We have also worked in the mid North Coast area, and we have asked communities to look at new sorts of activities. One good one to mention is we have also worked with the Cellulose Valley concept at Southern Cross University, which has given a brand new industry for that location that can replace some of the more traditional industries.

The Hon. JENNIFER GARDINER: That was pre-deregulation of the dairy industry, was it not?

Mr CULLEN: The rationale behind the Cellulose Valley concept was looking at where traditional industry was going, actually getting ahead of it.

The Hon. JENNIFER GARDINER: I think Mr Jones and I have been aware of that for years.

Mr WOODS: Regardless, there is that \$500,000 there.

The Hon. JENNIFER GARDINER: That is a one-off \$500,000 for this coming year?

Mr WOODS: That is part of the Regional Economic Transition Scheme. I think the Federal Government has tried to promote the package that was put together as the Federal Government's package. Of course, there is no taxpayers' money or Federal Government money in that \$1.7 million. It is raised through a levy on milk paid by consumers.

The Hon. DUNCAN GAY: And your money comes out of your pocket. Come on.

Mr WOODS: I would like to make this other point, that the dairy structure adjustment package is allocated in such a way that although New South Wales consumers will fork out \$5.8 million, only \$255 million will come back to the New South Wales dairy farmers. I think on top of that they are going to pay tax on it.

The Hon. DUNCAN GAY: Your's is taxpayers' money as well.

Mr WOODS: Yes, but quite different.

The Hon. DUNCAN GAY: What is the difference?

Mr WOODS: It is clearly taxpayers' money that is raised through the normal taxation process. This is a tax on the dairy industry.

The Hon. DUNCAN GAY: Do you not consider that a bit petty?

Mr WOODS: No, I do not at all. I think it is quite clear. The point is we have been quite open in the fact that this is taxpayers' money, whereas the Federal Government has tried to promote this as a Federal Government program that it is putting into; it is not. It is dishonest.

The Hon. JENNIFER GARDINER: With respect to the Lithgow aluminium smelter project, can you advise whether your department spent any funds on feasibility studies or other work in relation to that proposal? If so, how much?

Mr HARRIS: If any funds were allocated they would have been extremely minor. We allocated no significant funds at all to the Lithgow smelter. We undertook a range of economic modelling in relation to the smelter and provided that advice to both the proponents and to the Government, but there was no money expended by the department.

Mr WOODS: I might add that the key issue in that was the power supply.

The Hon. JENNIFER GARDINER: Did you issue any directions to the State's electricity generators to negotiate with the backers of the proposed smelter over a suitably priced electricity scheme?

Mr WOODS: No.

Mr HARRIS: It is a question for Treasury.

The Hon. JENNIFER GARDINER: So no incentives at all were offered to the backers of the project?

Mr WOODS: I cannot answer that. I think they would have been able to apply further down the track for the normal run of packages or programs that we run. I do not think they got to that stage. That is why I mentioned the key issue was the power supply for the smelter.

The Hon. JENNIFER GARDINER: Did the member for Bathurst ever approach you about trying to get some packages put together, incentives for the backers?

Mr WOODS: No, I do not think so.

Mr HARRIS: The member for Bathurst had a strong interest in it.

Mr WOODS: He had a strong interest but I think he was aware, as we were, that the key issue was the supply of power at that stage.

The Hon. JENNIFER GARDINER: So he did not approach you with some suggestions as to other incentives that might assist in the project for Lithgow?

Mr WOODS: I think he would have been well aware of the programs that we have in State and Regional Development. We would have been well aware, had the project gone ahead, that those approaches would have been made, and we would have been considering them seriously. As I mentioned before, the key issue was the power supply.

The Hon. JENNIFER GARDINER: How vigorously was your department involved in trying to get that project for Lithgow?

Mr WOODS: As I mentioned, the key issue was the power supply for the smelter. Therefore, that being the key issue, we were not.

The Hon. JENNIFER GARDINER: It just fell in a hole.

Mr WOODS: No. At that stage it was not appropriate for us to be pushing it. Of course, as with all developments, we would be positive towards it and promoting it, but I was also well aware that it was the power supply which was the key issue.

The Hon. JENNIFER GARDINER: Given that it has collapsed as a project and gone elsewhere, what, if any, projects has your department got in mind or under way to fill the gap left in the Central West to meet the expectations of people, particularly around Lithgow, as to the jobs that they were hoping would come their way after a tough time?

Mr WOODS: For instance, the Premier recently announced the success of the efforts to bring the Australian silicon smelter to the Central West.

The Hon. DUNCAN GAY: It is not happening.

Mr WOODS: Development approval has been given to the project. That is \$120 million. Of course, we are continually looking for opportunities right across the State. It is interesting, and I make the point—

The Hon. JENNIFER GARDINER: But you cannot name one.

Mr WOODS: We will give you a few. The systems in the Lithgow area: Lithgow Valley Springs, Tide Zip Pty Limited, Lithgow City Council, Effective Products, Doral, Centennial Coal, Hunter Mining Methods, Bioclip. Councils we have assisted—Blayney, for instance, which is not that far away. We have had a lot of success there.

The Hon. DUNCAN GAY: Blayney is a long way away.

Mr WOODS: Not a long way away when you live at Yamba, 700 kilometres north of Sydney.

The Hon. TONY KELLY: It is still in the same electorate.

Mr WOODS: The question was clearly about the Central West. Blayney is part of the Central West, unless Mr Gay would like to dispute that.

The Hon. TONY KELLY: It is also part of your electorate.

Mr WOODS: Blayney was in great difficulty not so long ago with the closing of the abattoirs there. We went there with the Regional Economic Transition Scheme. We worked closely with the council there, which is very proactive, I might add. It is a good council in my view, very involved in the economic development of the area. As a result, there are a number of projects there. There are the cold stores. I think the chap's name is George Tanos, and he has acres of cold stores there servicing just about all of New South Wales. Furphys, a new one. There are a number of others.

The Hon. JENNIFER GARDINER: I think jobs in Blayney might be a furphy so far as the people of Lithgow are concerned. Minister, when did the Government become aware that Queensland had won the project over New South Wales?

Mr WOODS: I became aware when I read it in the newspaper.

The Hon. DUNCAN GAY: Minister, can I ask some questions relating to your ministerial office?

Mr WOODS: You have my permission.

The Hon. DUNCAN GAY: Minister, did you seek or receive reimbursement or did your Government agency pay, or is it in the process of paying, out-of-pocket expense incurred by you as outlined in ministerial memorandum No. 99-24 in 2000-01?

Mr WOODS: Can you give me some more detail of that?

The Hon. DUNCAN GAY: Can you take it on notice?

Mr WOODS: I can.

The Hon. DUNCAN GAY: If so, what was the breakdown of those expenses and what was the forecast amount to be spent in 2000-01? The second question is: Does your ministerial office have a discretionary allowance?

Mr WOODS: If we have, I do not know about it.

The Hon. DUNCAN GAY: Minister, if you do, can you take on notice how it was expended in 2000-01 and what the forecast is for expenditure for 2001-02? What was the breakdown of expenditure for the day-to-day running of your ministerial office in 2000-01? In other words, how much did it cost to run your office?

Mr WOODS: This is out of the discretionary fund?

The Hon. DUNCAN GAY: The discretionary fund is quite separate. What was the breakdown of expenditure for the day-to-day running of your ministerial office in 2000-01? How much did it cost to run your office?

Mr WOODS: We will take that on notice.

The Hon. DUNCAN GAY: What is the forecast for expenditure in running your office for 2001-02?

Mr WOODS: I will take that on notice.

The Hon. DUNCAN GAY: What is the breakdown of expenditure as authorised by your chief of staff and outlined in ministerial memorandum No. 96-28 for 2000-01?

Mr WOODS: Is that in the budget papers?

CHAIR: It does not have to be.

The Hon. DUNCAN GAY: It is part of expenditure. These are budget estimates and we are examining expenditure. This was a matter of expenditure.

Mr WOODS: You would like to know which part is rent and all that sort of thing?

The Hon. DUNCAN GAY: We have not asked that yet.

Mr WOODS: You asked for a breakdown, so that would include that sort of thing.

The Hon. DUNCAN GAY: I was quite specific. What is the total cost of salaries for your ministerial staff in 2000-01?

CHAIR: On notice?

Mr WOODS: Yes.

The Hon. DUNCAN GAY: Does your office budget, Minister?

Mr WOODS: Of course we do. We receive a budget.

The Hon. DUNCAN GAY: Do you budget?

Mr WOODS: Of course we do, absolutely.

The Hon. DUNCAN GAY: Minister, I put it to you that if you do budget, you should have those figures available for a budget estimates committee.

Mr WOODS: I do not think we have. We will take it on notice. I point out though that this question is a local government question, but that does not matter.

The Hon. DUNCAN GAY: Just to clarify, Minister, this is a question about your ministerial office. Your ministerial office services both Local Government and Regional Development.

Mr WOODS: That might be so, but you obviously are not aware that our host agency is the Department of Local Government. Let me go through it. Let me refer you then to 55.1.1.

The Hon. DUNCAN GAY: Thank you, Minister. What was the total cost of ministerial motor vehicle expenses in 2000-01?

Mr WOODS: That is not in my budget, I do not think. We will take it on notice.

The Hon. DUNCAN GAY: For each agency in your portfolio what was spent in 2000-01 on media services?

The Hon. TONY KELLY: Not as much as Bronwyn Bishop, I can tell you.

The Hon. DUNCAN GAY: Can you put a figure on that? How much less?

Mr WOODS: Yes, I think I can. No, I cannot because the figure that would be included in the budget figures would be included in the figure given under information services, but I dare say we could cut that down, break that up further for you.

The Hon. DUNCAN GAY: I would prefer it to be broken up, rather than cut down.

Mr WOODS: What I was indicating was that the figure given for information services would be a figure that included more than the services, and in bringing the figure for media services out, it would be a cut-down on the figure given for information services.

The Hon. MALCOLM JONES: In last year's budget there was an allocation of \$100,000 for every year for the next three years for the Western Division Fund. I notice that is not in the budget papers this time around, or I could not find it. Have you cut that program?

Mr WOODS: The program has not been cut. However, we did commit \$300,000 over three years in last year's State budget for the Western Division Fund. The remaining two years of funding will be administered by the Premier's Department. Given that he has got carriage of the Year of the Outback, which is next year, I think it is more appropriate that those funds be administered by the Premier's Department. That is the rationale. However, the first year's allocation was distributed amongst some five projects in the Western Division.

The Hon. MALCOLM JONES: The Olympics were staged at a huge cost. It was a cost particularly to the regions without necessarily delivering to them substantial benefits. Tourism numbers were extremely disappointing. Were there any other benefits which you can claim on behalf of the regions?

Mr WOODS: I think there are. I will go through that in a minute, but just from my own point of view at home, our hosting of the Russians and the Ukrainians, the Americans, the Irish, and that has created an ongoing relationship. The people in those teams—or some of them—are talking about coming back on a regular basis to train. They were very impressed by the way they were treated—not only by the way they were treated but by the facilities there. I might add that some of the facilities were funded by the Government. For instance, the rowing sheds down at Maclean that the Americans trained in are great facilities for the Clarence area. The Clarence is renowned, or course, and has been for more than a century for the great rowers that it has produced, amongst other things.

The Hon. DUNCAN GAY: Croker Oars.

Mr WOODS: And others, world champions some of them.

The Hon. DUNCAN GAY: There is only one oar manufacturer up there.

Mr WOODS: I am sorry, I thought you were giving somebody's name. I did not hear you very well. We think that there is about \$270 million of economic benefit as a result of the Government's program to maximise business gains and other gains. Some of those regional businesses that won a substantial amount of related business are National Engineering of Newcastle, Rawson Homes from Dubbo, Albanex in Batemans Bay, Steelnet in Nowra. There were great opportunities for hosting pre- and post-Games training in the Clarence. There are ongoing benefits there. I think to maintain the momentum, a comprehensive program of business initiatives and investment programs is being implemented.

You are well aware of that, and they cover a broad range of industry sectors and markets to maximise the impact. We have put together a great database of contacts that have expressed interest in doing things out here. We are busy following those up now and I think that will be ongoing. We think we can possibly use and develop the proactive attitude or approach we took to attracting country business to Olympic work to enable country business to be more involved in business opportunities as they go on. I think we can continue with some of the things that have not been done before but were done during the Olympics.

The Hon. MALCOLM JONES: I was in your workshop at the Salinity Summit last year and your minders from the Premier's Department were extremely careful not to put any dollar value on what was required, or any obligation on the Government for any plans to attack salinity at that stage. What provision has the Government made in this budget to contribute hard money to an action plan against salinity?

Mr WOODS: It is not in my budget, but I do know that there has been significant commitment made by the State Government. I think we were first off the rank and I think also that the Federal Government has now also come to the party and is assisting with funding. It is an issue that I know the Premier regards as very important.

The Hon. DUNCAN GAY: There is no funding federally. The Victorian Government and the Queensland Government have provided funding but there is none from New South Wales. It is not your portfolio, Minister.

Mr WOODS: I do not know whether that is so.

The Hon. DUNCAN GAY: It is so.

Mr WOODS: You say one thing and I say another. Perhaps you should go and ask the Premier.

The Hon. MALCOLM JONES: Why has the Government underfunded country towns water supply and sewerage schemes by \$170 million?

Mr WOODS: That is directly a matter for the Minister for Land and Water Conservation. However, I can say where my responsibility lies—and this is a local government question, of course—we are providing \$3.8 million over four years for the Septic Safe program. I have explained that. The issue you raise is about water and sewerage and that belongs to the Minister for Land and Water Conservation and I am just adding that with the septic safe program we are providing \$3.8 million over four years.

The Hon. MALCOLM JONES: There is an item of \$1.2 million being spent to relocate a wader bird habitat on Kooragang Island in Newcastle. Why is this in your portfolio and why is it so much?

Mr WOODS: It is not something that I am aware of.

The Hon. MALCOLM JONES: You mentioned Blayney before, and Blayney was severely affected by the closing of abattoirs. Abattoirs are essential in regional Australia. What programs are there to assist in the development of abattoirs, or abattoirs in general in regional areas? They are a large provider of employment in regional Australia. What are you doing to help them?

The Hon. TONY KELLY: It is a workers compensation issue.

Mr WOODS: On that basis I would note that the Leader of the National Party and the former Leader of the National Party failed to vote for the workers compensation reform package bill in the Legislative Assembly. Meat processors and abattoirs are facing very difficult times. There was a study done recently which I think we were involved in that identified a significant overcapacity. They are encountering increasing competition on both domestic and export markets and to remain viable they need to attain international competitiveness, achieve economies of scale, introduce new work practices, upgrade capital equipment and increase their involvement in value adding the processing of by-products.

I do note, as Mr Kelly just mentioned, that one of the issues that is continually raised is workers compensation, so in 1999 the New South Wales Government established the country meatworks working party. There was membership on that working party from industry, unions and government, and it was charged with exploring the options for helping the meat processing industry manage the impacts of further restructuring and rationalisation which are expected to take place in New South Wales over the next few years because of the overcapacity.

The outcome of the working party's efforts was the announcement by the Premier in November 2000 of the Government's \$12 million New South Wales meat processing industry restructuring program, which was aimed at helping to lessen the impact of that adjustment. The restructuring program has three objectives: to provide incentives to encourage industry development which will result in a much more competitive and sustainable meat processing sector in New South Wales; to ease the impact on meat processing companies, their employees and affected local and regional communities of the expected continuing rationalisation of New South Wales abattoirs; and to ensure that government assistance to the New South Wales meat processing industry is provided in an equitable and effective manner.

The components within that program include funding assistance to allow abattoirs to undertake strategic business reviews, incentives for individual abattoirs to proceed with value adding investments, measures to improve occupational health and safety; allowance to assist employees displaced to relocate, funding assistance to help regional communities affected to identify and promote new investment opportunities. The package has the support of the industry and the unions. It was at their insistence that the Government suspended assistance for new investment extraordinary capacity so as not to exacerbate the already chronic overcapacity that prevails in the industry.

However, there is significant assistance for value adding of product—over \$3 million. I might add that not so long ago we went down to Tamworth. Peel Valley is opening the new abattoirs and I think everybody there is extremely pleased with that development. The Premier took a personal interest in that. It was a challenge for him; it was a challenge put to him by the people down there and he took it up. They thought they would not get there but they did. It will be operating soon and it is a great development.

CHAIR: Minister, I do not know whether you are aware of the anxiety in Europe about genetically engineered products and also the tremendous growth in organically grown products, something like 40 per cent or 50 per cent a year in a number of European countries. Japan and other Asian countries have said that they do not want to import genetically engineered products. What assistance is your department giving to regional organisations or councils for the implementation of a genetically engineered free policy under the relevant regional environment plans?

Mr WOODS: My department is not getting involved.

CHAIR: What are you doing then about promoting the market in genetically engineered free products? Are you doing anything at all?

Mr CULLEN: Organic products represent a niche opportunity, so we have a network of 10 business offices across the State. In many places there is local interest in developing organic products so we help to facilitate various co-operatives and organic markets, those sorts of things. It is very much the business end of the equation that we are working on.

Mr WOODS: There are programs within the department that organic producers can use.

Mr CULLEN: There are organic markets and organic producers and what we are looking for is basically value adding to those and being able to package them up as a niche and boutique industry. In some places like Orana and Northern Rivers there is culinary tourism as well as organic tourism, where they can look at where they can get new markets for products grown in those areas.

CHAIR: The organic market is growing in Australia at something like 40 per cent a year and in the United Kingdom at about 50 per cent a year. The United Kingdom is importing something like 70 per cent of its organic produce. Are you gearing towards exports as well as local consumption?

Mr CULLEN: All of the work that we do in Regional Development, we are looking at domestic and international markets. This is a fledgling industry that is growing in regional locations. At this stage we are trying to get those businesses competitive domestically and as they grow there are opportunities to look at exporting product as well.

Mr WOODS: I think you have touched on an important point. This is something that was particularly promoted by the Federal Government when I was there: the need to maintain the clean green image. I often said then, and it was not happening then, that Australia had the capacity to get a premium for its products by having that image overseas. I am getting reports that that is happening now: the clean green image, the good image we have of our products is getting a premium in Asia now.

The Hon. DUNCAN GAY: Why did you say you were not doing anything when you were first asked, if that is the case? There are no programs?

Mr WOODS: That is not true. There is no program within my department that is particularly directed at that. It is very much about agriculture and the Department of Agriculture, but from a Government point of view I know it is important. That clean green image is starting to pay dividends for us now, and part of the reason for that, of course, is the difficulties that Europe is having. The director-general adds that the Olympics and the promotion we did for them are also helping us in that regard.

CHAIR: I heard from a soya bean grower that there was demand in Japan for 100,000 tonnes of organically grown soya which we cannot supply. The Department of Agriculture is doing nothing about this at all apparently. Can your department help to push forward organically grown soya beans? There is a huge market in Japan which we are simply unable to enter.

Mr WOODS: Yes, I believe we have programs that would be able to assist with that, just as we have assisted various other industries where we have seen a demand—the cut flower industry and various things like that. The information that you can give us on that is very valuable to us.

CHAIR: The demand is there. Cellulose Valley had a problem recently with its funding, of which you are probably aware. Will your department assist with the shortfall in that funding?

Mr CULLEN: We are not aware of a problem with funding. I know they have had some issues in restructuring, how the university and how the technology park work together. There has been \$1 million provided from the Regional Economic Transition Scheme to help with infrastructure as they bring industrial sites on line. Our assistance is aimed at getting the businesses on a technology park to use the research and development capability.

The Hon. Jennifer GARDINER: In relation to the department's booklet "Beyond 2000", which was produced just before Christmas and in which it was said that 50,000 jobs would be created, can you clarify the time line for when those 50,000 jobs were meant to come on stream? With the aluminium project for Lithgow having gone interstate, that was obviously a major part of that booklet's promise of jobs, as was the silicon project that you mentioned, which has been stalled because of the lack of a secure charcoal supplier, and the mine at Cowra, which was to supply the silicon and which has not been given approval to go ahead. Have you had to re-jig the figures? If so, where are those jobs going to come from to make up for those lost and when are the 50,000 jobs meant to have appeared by?

Mr HARRIS: To the best of my knowledge the proposal for a Lithgow smelter was never included in the "Beyond 2000" document at all, so there was no calculation that involved "Beyond 2000" whatsoever. The number of jobs was based entirely on the figures provided by the private sector proponents of the projects. The "Beyond 2000" booklet was put together as a result of talking to project proponents and seeking advice from them. The numbers grew considerably over time from companies that had projects anywhere within New South Wales. The job figures are those provided by the companies. They are not calculated by the Government in any way. They have to be confirmed, and then confirmed again in writing by the companies. They are included in "Beyond 2000" as the projection of the number of jobs that the companies will create in the course of taking their projects through to completion. Therefore, the number is largely dependent on the time involved in the individual commercial proponent. The length of time it takes them to get their project up and running is given clearly with each project. Each project has a figure for activation and completion dates.

The Hon. DUNCAN GAY: Minister, I suspect this question should be directed to the director-general. You may be aware that yesterday we asked a question in Parliament regarding your web site and the concern that when we accessed your media area and pressed "Electricity," or went to "Electricity," there were 1200 audio files. Last night the spokesman for Michael Egan, who is co-Minister of your department, indicated that the web site had been sabotaged. Can you give us an update on that, or was this just put in place for your easy listening pleasure?

Mr WOODS: I wonder who in your office has time to play so long with the computers and press "Electricity" for every web site you come across.

The Hon. Jennifer GARDINER: That is his job.

The Hon. DUNCAN GAY: Minister, you may not be aware but I am also shadow Minister for Energy. That is why I would be pressing "Electricity."

Mr HARRIS: I read of this yesterday. The concern that we immediately had was that no-one in the department seems to be able to access any sound from the list of rock and roll songs. It is, indeed, a list of 1200 sound files. Unfortunately it is just a list, so it is not possible to access any audio.

Mr WOODS: Were you able to access the audio?

The Hon. DUNCAN GAY: No.

Mr HARRIS: We would have liked to ask you what procedure you followed on the computer to get to that. I have been unable to do it. It has either been hacked or it was a programming variation when the site was built. I do not know, but it seems that it occurred external to the department. It is either design and creation, or I would say it is hacking.

The Hon. DUNCAN GAY: How can you be sure about that?

Mr HARRIS: I suppose it is impossible to be totally sure of anything.

Mr WOODS: Does it really matter?

The Hon. DUNCAN GAY: It is a matter of security for a site, or whether it was done internally.

Mr HARRIS: The IT section of the department is looking at it. We have removed access to it now. It is important to note that the material is from an external source; it cuts across. It is a hot link to another source. It is not contained within our servers or anywhere within the storage systems of the department. It is a hot link in the same way we have a hot link to groups like the Property Council of Australia. I do not know whether they can access back through to our system.

The Hon. DUNCAN GAY: You are not saying the Property Council did it?

Mr HARRIS: As I said before, one is never entirely sure of anything.

CHAIR: Minister, will you accept questions on notice? Rather than invite you to come back it would be better to have them on notice.

Mr WOODS: As long as I do not get 100 ridiculous questions. We have limited ability.

The Hon. DUNCAN GAY: We have noticed that.

Mr WOODS: We have not got the time, the ability, or capacity to be pressing buttons to listen to rock and roll music. We are more than happy to do that as long as we do not get a big list.

CHAIR: You have taken some on notice already. When will we get the answers to those?

Mr WOODS: Let us say 35 days. That is the norm.

The Hon. TONY KELLY: It is a standard, unless they can get them earlier. To be fair the Minister has not seen the questions yet.

The Committee proceeded to deliberate.
