



PUBLIC ACCOUNTS COMMITTEE

MEMBERS: **Hon. K. W. HAYWARD** (Chairman)
Mr R. T. CONNOR
Mr A. M. GRICE
Mr T. S. MULHERIN
Mr J. PEARCE
Mr D. J. SLACK

YEAR 2000 COMPLIANCE

TRANSCRIPT OF PROCEEDINGS

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Tuesday, 22 June 1999

Brisbane

WITNESSES

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The Committee commenced at 1.31 p.m.

The CHAIRMAN: I declare this Public Accounts Committee hearing open and I thank you all for your attendance here today. This hearing is being held pursuant to the Parliamentary Committees Act 1995 to examine issues related to year 2000 compliance. This is a Committee of the Queensland Parliament and, as such, represents the Parliament. It is an all-party Committee, which adopts a bipartisan approach. I would like to take the opportunity this afternoon to introduce you to members of the Committee: next to me is Mr Allan Grice, he is the member for Broadwater and my Deputy Chairman; next to him is Mr Jim Pearce, who is the member for Fitzroy; and next to him is the member for Burnett, Mr Doug Slack.

Evidence taken by this Committee can be published or reported in the Legislative Assembly at the discretion of the Committee. Hansard will make a transcript of the proceedings. You may make application before or during the hearing for any or all of your evidence to be heard in a private session. The Committee will consider your reasons for this and inform you as to whether or not such application will be granted and the reasons therefor.

I would like to say to all of the people appearing here today that public hearings are both a serious and a formal process and that the Committee requires your evidence to be given on oath or affirmation. What I would like, through you, Mr Wilson, is for everybody to state their full name and position for the benefit of Hansard.

Mr Wilson: I am Bruce Wilson, Director-General, Queensland Transport.

Mr Kersnovske: Brian Kersnovske, Group Manager, Business Directions.

Mr Grant: Peter Grant, Director of Business Improvement.

Mr Louws: John Louws, Senior Project Manager, Year 2000.

Mr Hickey: Brendan Hickey, the Director of Program Strategy and Support in the Maritime Division of Queensland Transport.

The CHAIRMAN: Thank you very much.

BRUCE WILSON, sworn and examined:

BRIAN KERSNOVSKE, sworn and examined:

PETER GRANT, sworn and examined:

JOHN LOUWS, sworn and examined:

BRENDAN HICKEY, sworn and examined:

The CHAIRMAN: Thank you very much. Mr Wilson, would you like to make an opening statement to the Committee?

Mr Wilson: Thanks, Mr Chairman. Yes, I would. My colleagues have introduced themselves, obviously. In coming today, we have come prepared to answer any questions you may have. We have prepared some material against the background of the questions that were put to us in the letter which the research director forwarded a little while ago. We would be happy to hand those out, if that would be useful to you. It might form a basis for addressing some of the issues.

The CHAIRMAN: Please.

Mr Wilson: Good. I will continue on. I would just like to make some background comments, and you will see those at the start of the handout, and then we can move on to other things as you might choose. I guess by way of background, in terms of where we are at right now, we undertook a comprehensive assessment of all computer applications and embedded systems across both Queensland Transport and Main Roads in early 1997 to identify the extent of rectification or replacement activity that might be required to assess year 2000 deficiencies. As a result of that, it was determined that the requirements of Queensland Transport would be largely met through an extensive program of replacement of its core business applications and the associated upgrading of IT infrastructure. This program, covering registration, licensing, financial, human resource and document systems, was already significantly under way and would be completed well in advance of the year 2000.

It was further determined by the joint QT and Main Roads year 2000 steering committee that, based on the assessment, individual program managers in QT and Main Roads would be responsible for the compliance of their business-specific applications in areas such as school, transport and maritime, as well as embedded systems within their program areas. Each department established a year 2000 project manager position in order to provide advice and support to business areas in seeking year 2000 certifications and undertaking rectification activities.

In June last year, QT sought to fill the position of year 2000 project manager on a full-time basis. That took some time, in fact, due to difficulties in attracting suitable applicants, and the appointee did not commence until December last year. Due to uncertainties that were raised through the reporting process for the department's overall positions to the year 2000 program office, immediate attention was given, commencing in January this year, to the implementation of the new Main Roads year 2000 methodology and system requiring the assessment of all products and services across all areas of the department. That has been making good progress since.

I might mention that Queensland Transport is meeting all the costs required for the year 2000 project work from existing budgets. That is an obvious constraint, given that we are also dealing with significant business growth. The department has the second largest IT network in the State—I might mention that that is us and Main Roads; we provide IT services to Main Roads—and we are ranked the 31st largest in Australia. In addition, the critical core business systems for the department handle around 70% of the Government's business transactions and they are generated mainly from dealings with the public. Identification and rectification work necessary to make the business systems and IT infrastructure year 2000 compliant has clearly been a major cost component already and there will be further costs incurred in the—

The CHAIRMAN: Mr Wilson, I was just wondering if we could have a brief summary, because we could be here until 5 o'clock.

Mr Wilson: That is it: finished. We could either talk about overall progress or the other issues as outlined here.

The CHAIRMAN: What I thought we would do is ask some questions and through that we might be able to find out some of those issues that you are talking about, if that is appropriate, because we have got a copy of this here and already I have seen a couple of questions that come out of this particular document. I was going to suggest that Mr Slack might like to ask the questions.

Mr SLACK: I take the Chairman's point, Mr Wilson, in relation to this document—that some of these questions that would be asked to you could well be covered in the document. I have some basic questions to ask and I have not had an opportunity to fully peruse the document. What are the department's mission critical applications in relation to Y2K, for instance, in your words?

Mr Wilson: Our two prime mission critical applications are TRAILS, which I have just made reference to, and also Gateway, which covers a number of financial and HR operating systems.

Mr SLACK: What is your current assessment of the department's overall exposure to Y2K?

Mr Kersnovske: I think in terms of section two of our paper, we have tried to outline there what our general position is in terms of our assessment. In terms of the major core application systems that we have just talked about, certainly TRAILS—the final release of the TRAILS system—has just been implemented in April this year, which places us well there. The SAP payroll system has been implemented in May. So again, that is the last major conversion of the SAP financial and HR systems. The document management system is due for implementation in the July/October period. So that is fairly well on target. We are also well into the implementation of the process for the corporate desktop and server consolidation programs of the organisation. So generally, we feel that we are fairly well placed there. We have also had an independent external audit of our position and that gives us confidence about our position and how we are reporting our position.

Mr SLACK: In this statement here in terms of overall progress, you make a claim that QT is assessed overall at 63% compliant. Bearing in mind that it is now the end of June almost, do you think that is a reasonable achievement?

Mr Louws: In terms of our objective to be ready for the year 2000—in time for that event—63% from where we were when I started on the project is satisfactory and our progress is steady.

Mr SLACK: When do you expect it to be completed? I am looking at the document here. What is your final date?

Mr Louws: There are projects in place that are currently under way that will continue through the next four to five months. We are looking at ways to improve that, but they are committed to and the work is being done. I do not believe that the business units that are doing those are taking them lightly, either. The work is being reported as effectively as the system will allow us.

Mr Grant: Just to add to that, our core business functionality is our TRAILS system. We have just implemented a major release of that product. We believe that system will already be Y2K compliant, but we are doing end-to-end testing on that in June and July. We plan to have that mopped up and cleaned up by August. So that is well and truly in advance of the beginning of next year and that is a system where 70% effectively of Queensland Government transactions take place.

Mr Wilson: If I could just add that, I guess, we feel we have a very strong story and I guess we feel a little bit frustrated by some of the numbers, because—and this was in my introductory comment and I think it is borne out in some of the other material here—our strategy really was to focus first and foremost on our mission critical systems and TRAILS was the biggest of the lot there. It took a lot of effort to get up and running. The really good news is that it is up and running. The concern, I guess we had—and this is another question asked—was about concerns we held about the reporting system. The reporting system tended to score each system equally. Our big frustration was that we were making really good progress on our two biggest systems, as I said, TRAILS and Gateway, and yet they were just being scored the same as everything else, and the "everything else" includes a lot of other miscellaneous things, which we are also picking up. But we believe we are actually in a strong position.

Mr SLACK: Just following that, in relation to the statement in 2, second last dot point, you refer to a May date—May 1999 projects being able to meet plan deadlines—and then you say "under the current rating system at the end of May 1999". I do not know when this brief was written, but has that been achieved?

Mr Kersnovske: That 63%?

Mr SLACK: No, dot point in 2, on the second page, where you say, "Also the deployment of an identified methodology across all Queensland Transport business units in January and February has produced subsequent results that have given confidence of the project being able to meet planned deadlines." That is fine. That is what you are saying. "Under the current rating system at the end of May 1999"—has that been achieved?

Mr Wilson: Yes, that is a fact.

Mr SLACK: And you are meeting the Cabinet requirements for the June date that they have as well?

Mr Wilson: Yes.

Mr PEARCE: In the February progress report you indicated that the existing reporting methodology does not weight highly integrated systems any differently to less significant stand-alone systems. What effect does this have in regard to reporting your department's actual position?

Mr Wilson: I guess the point is the one I made just before, that the reporting system does not differentiate between mission critical and highly interactive systems and the great plethora of small systems throughout the organisation. Because our greatest focus went onto the mission critical systems first, it had the effect of tending to give us a lower score than we believed was an accurate reflection of where we are at. What is significant is that our score has been rapidly increasing in recent times as we have moved from the mission critical systems that are

getting up to full speed and then started mopping up all the other bits and pieces type systems across the department. I do not know, Peter, if you have anything to add to that.

Mr Grant: To add to that, the TRAILS system, which is counted as one system in that report, was actually more than 20 systems integrated into one system. So if that report was done maybe three years earlier, you would have been looking at a whole plethora of systems there. But we scored that as just one system and it was significantly complete. But because it had a weighting of one and there were other systems in there also with a weighting of one, it actually pulled our overall number down.

Mr PEARCE: Are there any other concerns in regard to the existing reporting methodology in terms of communicating the department's real position?

Mr Grant: Yes, I can probably say a few things on that.

Mr PEARCE: Is that a "yes"?

Mr Grant: Yes. First of all, as I think we have already mentioned, the methodology does not really pay too much weight to the criticality of systems as well. We tended to feel, particularly at the beginning of the year, that we could not differentiate between systems that we thought were very critical and systems that were basically internal systems that would have had little impact on the public had they not been ready by January. We put our emphasis on the ones initially that we thought were more critical to providing the public service.

Another area where it has been difficult for us is that a large system such as TRAILS required us to come up with some fairly long-term plans which were put in place a couple of years ago. That system was implemented on the same day, and coordinated to be implemented on the same day, as the system at Suncorp-Metway, as the system at Queensland police. We also coordinated the release with 180 motor dealers being upgraded with another system across the State.

So we were locked into an Easter release of that system, a bedding down period subsequent to that and a Y2K testing process after that. We have been locked into that for more than a year and a half. For somebody to come up and then set new milestone deadlines that did not match that meant we really had nowhere to move in terms of adjusting our plan. The TRAILS system was a system where we had come up with a project plan, picked a date a year and a half in advance and implemented the system exactly on that date. That is pretty rare in this industry. Even though we have achieved that, we have not been able to map successfully against the Y2K reporting methodology.

The other thing that I would probably like to mention——

The CHAIRMAN: Sorry, I have just caught up with what you are talking about—I think I have. What you are actually saying is that the TRAILS system has not been fully released yet. Is that what you are saying?

Mr Grant: No. It was fully released at Easter this year.

The CHAIRMAN: So until then, you said you have not been able to fully test it because it had not been released?

Mr Grant: That is right. That was the next point that I was actually going to move on to. We implemented release 4 of the system at Easter this year. The system was actually built using a fourth generation tool called a CASE tool, which means that it is not implemented in the normal way that information systems are implemented. This allows us to get very high levels of accuracy and functionality, but it did preclude us from fully Y2K testing releases 1, 2 and 3 until we had release 4 in place. There was no point in doing an end-to-end test of the entire system until we had implemented release 4. The reason for that is that release 4 had a lot of impact on the previous three.

The CHAIRMAN: Can I say that I am sure my colleagues understand a lot of these terms, but I do not. Not that it really matters I do not think, but what is "fourth generation"? What does that mean?

Mr Grant: That means we use a tool called a CASE tool. Instead of a programmer sitting down and writing code to implement the system where they would write single lines of instructions in code, the way our system works is that we define business models for the organisation at a high level in the system and then the system generates the code automatically. That means that

the code has a very high level or rates of being error free, but what it does do is that every time we bring out a new release of the system, we fully regenerate it. So to Y2K test releases 1, 2, 3 and then fully regenerate the system and not Y2K test the thing end to end again would not have been a safe exercise. So we chose to do the Y2K test after we did the release of release 4.

Because the system has been designed from the word go to be Y2K compliant—and this goes back a couple of years—we had high levels of confidence that it already was okay, but we thought that an end-to-end test would have been a prudent thing to do, given the fact that we process 400,000 transactions a day and that 70% of the Government's business transactions goes through the system. On that basis, we have scheduled a test for June/July this year, but we have not been able to do that fully on the system until the whole thing was in place. We were locked into the implementation date in Easter this year because of the complexity of the install and the other arrangements we had to make externally to the department. Does that make sense?

The CHAIRMAN: So what you are saying is that you will not be able to test it in time this year?

Mr Grant: Yes, we will.

The CHAIRMAN: Sorry, in between June and July—it will be after that?

Mr Grant: We will be testing it in June/July and making any minor rectifications in August. We have been locked into that schedule now for more than a year and a half and we really have had no room to move outside of that scope. But I must reiterate, I guess, that this is a project that has really been so well managed that a year and a half before it went live, we picked the day it was going to go live and it went live on that day and it worked. That is a fairly outstanding achievement in this industry. So we have a very high level of confidence that, come August this year, we will make sure that the system is Y2K compliant.

Mr Wilson: Could I invite John Louws just to add to that?

Mr Louws: With respect to the TRAILS project being tested for year 2000, another factor that was significant is that, to be able to do that independently of the production system, we needed a completely separate and parallel environment. That was so that we could actually set the system dates to year 2000 horizon dates and roll it through those dates progressively. We could not do that in our production environment because that would compromise our day-to-day operations.

The arrangements that were necessary for that were fairly extensive and we have a one-month window at a cost of, I believe, about \$300,000 in which we have a totally parallel environment and they will be setting it to dates like 31 December and rolling it through for 24 hours to make sure that with the effluxion of time there are no problems and also again on dates like 28 February 2000 so that it goes to the 29th and then to 1 March. They are critical factors that could not be done on the production system. It had to be on a separate system that did not impact other operational issues. That is why we had to wait and get a completely independent, parallel environment.

The CHAIRMAN: If I could go on, through you, Mr Wilson, although someone else may answer the question, the March report that I have in my possession here, the monthly Y2K progress report that was done and signed off by yourself, which is why I directed it naturally to yourself, refers to the—I have now discovered what the acronym means—the product or service approach, described here as the POS approach, which has "provided business units with the ability to identify products and services critical to the successful and continuing operation of their business". Can you briefly explain what this POS methodology is so I can understand what we are talking about here?

Mr Wilson: I think probably John is best placed to explain that.

Mr Louws: The POS methodology is based on the fact that the lowest level component that a business unit requires to function successfully is a product or a service. We have placed the responsibility in the hands of each business unit to identify the products or services that they consider critical to their continued operation. They identified all products and services and how they established the critical——

The CHAIRMAN: I am sorry. Can you just give me an example of what you mean by products and services as you work it through so I know what you are talking about?

Mr Louws: A product would be Microsoft products if they use Microsoft. Specifically, you would go down to, say, Microsoft Excel if you were using a spreadsheet product or Lotus 123 if you were using that spreadsheet. That would be a product. A service would be contracted services, perhaps from a bus company to public transport. What then happened is, for each of those products or services that were identified, the business unit concerned allocated a risk to it, whether it was a high or significant risk to their business operation or whether it was a moderate or low risk. We have defined the critical ones as the high and significant risks and they are the ones we are addressing for rectification and readiness for year 2000.

The CHAIRMAN: First off for assessment and then for rectification?

Mr Louws: Yes. The assessment process was identifying.

The CHAIRMAN: Has that been successful?

Mr Louws: Yes. We have over 2,000 products and services identified and we have approximately 600 assessed as critical that we are addressing for readiness for year 2000 on a priority basis.

The CHAIRMAN: You said "addressing". So they have not completed rectification work yet?

Mr Louws: No. That will be ongoing.

The CHAIRMAN: How is the time frame for that?

Mr Louws: What we have done in the certificate process that was to be completed at the end of May, every one of those critical POS have been identified and assessed for the amount of work involved and projects in the hands of the business units have been identified. We required that, when they reported, the work either had to be done or it needed to be scheduled. Those schedules have to fit within the time remaining this year to get the work ready.

The CHAIRMAN: They would have to; time is running out.

Mr Louws: Yes. But what I am saying is that it was simply not possible to have that rectification done by the May or June deadline. Some of those projects will take a couple of months to do.

The CHAIRMAN: How does that work within the department? Is a big arrow or asterisk put above those that are urgent? How do you know? What identifies them as being incomplete but needing rectification work urgently?

Mr Louws: The fact that they are reported on the certificate and that we know the work is outstanding. The Queensland Transport year 2000 team is in the process of evaluating that for outstanding effort and also encouraging the business units that have that responsibility to make sure that they get that work that they have identified as necessary under way. It is an issue of resources and funding for the business unit.

The CHAIRMAN: So you identified 600 sites; is that right?

Mr Louws: Products and services.

The CHAIRMAN: The obvious question is: given that the rectification process is occurring, are you 100% complete in terms of that assessment, or will more products and services pop up?

Mr Louws: I will answer that a little more fully. In terms of our assessment, there were over 2,000. We are satisfied that has produced everything that the business units are aware of. We are satisfied that, of those 2,000, 600 represent the high and significant risks, or critical systems. Also, I have given a directive to all members of the POSSE that, if they identify a new product or service, they will immediately escalate it into the system and deal with it.

Mr Grant: We did provide all of the people who were doing that identification some training in advance. They were not going in cold in terms of the identification processes.

The CHAIRMAN: As a novice in dealing with these things, I am a bit concerned that if you identified 600 and you think there could be more out there that are critical—and that is what I thought you said—

Mr Louws: No.

Mr Wilson: We are not expecting more.

The CHAIRMAN: You are not expecting more?

Mr Wilson: No.

The CHAIRMAN: Is the assessment 90%, 95% or 100% complete?

Mr Louws: The assessment is 100% complete. What I was referring to is a discovery that surprises everyone. That is one of the issues of year 2000, anyway. We have put in our best effort—

The CHAIRMAN: I understand what you are saying.

Mr Wilson: We honestly believe that we have had a very thorough cull. As with any organisation, you can never sign your life away on the fact that something could not have been overlooked. But we are not expecting that. It was that context that we were talking about. A thorough investigation has been done that has led to identifying 600, which have then been thoroughly analysed.

Mr Grant: Just to make you feel a little better about the numbers, I point out that we did not just identify 600 of them once. This information was collected from various sources. Some of them were identified by 15 people. We rounded that down to one. The chances of missing them are very slim. It is not as if one person identified one and that was the only time. There was a lot of overlap in terms of the identification. With that much overlap you really would not expect to have—

The CHAIRMAN: Accepting that we have done the assessment, the most important issue then is remediation. Where are we with that?

Mr Louws: There are projects that are ongoing already and there are projects that have been identified, and they are scheduled to be started. The starting of those projects is in the hands of the business units. We see our role as following up with those business units and determining that they are taking the correct action.

The CHAIRMAN: So the assessment is 100% complete?

Mr Wilson: Yes.

The CHAIRMAN: Where are we at with respect to remediation? You have identified the 600. You probably need to know what has to be done to fix them. How are you going with fixing them?

Mr Kersnovske: Much of the major remediation is covered with those major applications, for example, things like the TRAILS environment and also the corporate desktop and IT infrastructure roll-out. That covers the vast majority of our remediation work. They are covered by clear plans to deliver by about November.

The CHAIRMAN: So where are we now, as at 22 June? Are we 50% complete?

Mr Louws: The actual rectification figure reported in May was 58%. That is a recalled figure. It may be different. The overall progress, as was stated earlier, was 63% in all categories. Rectification is at about 58%. One of the methodologies that we have adopted with the smaller products or services that we have identified is that, until they are 100% complete, we are not counting them as progress.

The CHAIRMAN: Is it your plan to complete these by, say, the beginning of November?

Mr Kersnovske: By about mid November we should have completed the corporate desktop roll-out, which is pretty much getting towards the last things that will be happening in the process. But prior to that you have the TRAILS testing occurring in the June/July period. There will be upgrades to the telephony network, which is occurring through investment in the early part of the year. There is a range of things that will take us through to that point.

The CHAIRMAN: And the six weeks after that will give you enough time, if you have not got there by the middle of November?

Mr Kersnovske: Most of the major stuff should be identified before that time through the TRAILS testing and the roll-out of the document management system and those sorts of systems. Also, the testing of the Unix environment over the next three months will still allow a fair time to consider any further rectification work.

Mr Grant: The mid November roll-out of our corporate desktop—our PCs—is one of the last things we are doing. We are prioritising that. We are rolling out all of the critical ones first. If come the end of November that does slip, that will not impact on anybody who is working on a critical system that could impact on the public.

The CHAIRMAN: Have you devised a contingency plan, for example, if something does go wrong and you do not meet that goal of the middle of November?

Mr Kersnovske: Contingency plans for each product and service have been developed as part of this process. We will also be looking at some broader process-type contingency plans as well over the next few months.

Mr Wilson: I think the short answer is: yes. As Peter said, in terms of the corporate desktop roll-out, for instance, which is one of the last things, our aim is to get all of those new desktops rolled out by that date. If there was some slippage—and this ties in with the contingency concept—it is not the end of the world, because we could use some non-compliant desktops for non-critical purposes. That has been, and is being, evaluated.

The CHAIRMAN: I misunderstood that, because I thought we were talking about the 600 critical products or services. I assume the exercise in mid November cleans up the 600 critical ones?

Mr Louws: I would expect them to be finished by then. But I interpreted the question you asked as a contingency in relation to our rectification being delayed?

The CHAIRMAN: Exactly. What happens if there is slippage?

Mr Louws: At the beginning of this project, in anticipation of the resources required, I spoke to different consulting houses to see whether they would be prepared to come on at short notice to consult with business units to provide resources if they did not have the expertise to see the project through. The involvement of those resources is in the hands of the business units. That contingency plan brings in people who have the capability to undertake the effort required for rectification. The business units, at this stage, have not called on that panel for any reason. That gives me some confidence that they have plans in place or are doing the work. But it will be followed up. Currently, we are putting together a program in which we will assess the remaining effort. That will give us a much better idea of how they are doing and how much help they will need.

Mr GRICE: I have a general question about the progress in the Maritime Division in terms of assessment, rectification and contingency planning for its critical systems.

Mr Hickey: We have undertaken an exercise of assessing that at this stage. With respect to the four critical systems that we report to centrally—and we have presented timetables for their being rectified—we will be well in advance of the end of the year. Then we have looked at our critical systems and come up with contingency plans. From the businesses' perspective, we have rolled them up into continuity plans and looking at making sure that the business is delivered for essentially our external and also our internal customers. We have worked back from that. We are now very confident that we will be able to meet all of those deadlines.

A lot of the work in maritime has been in collaboration with our external clients and their partners, for example, port authorities and the maritime industry, and particularly pilot service providers. In dealing with them, we have looked at fallbacks that we have identified as being critical, such as communications. We have looked at the potential for using landlines and mobile phones. We are working collaboratively with them to work out how we ensure that VHF hand-held radios and sets are maintained with power supply. We have started at the base level and built up. We use communications for our services, such as incident response, pollution response and VTS operations—keeping the vessels moving in and out of the ports. We have looked at that at the base level and built it up into the service that we are trying to provide. We are confident that we will be able to meet the deadlines.

Mr GRICE: GPS systems are likely to go down, but they will reset themselves; is that so?

Mr Hickey: That is what we are led to believe by the manufacturers. We have in fact got a contingency available; we have mariners who can actually navigate.

Mr PEARCE: The May report mentioned a concern about resources available for the rectification and contingency planning stages. In that report you identified that there was a risk.

Mr Wilson: Yes.

Mr PEARCE: Does the department have the resources available to undertake the rectification and contingency planning?

Mr Wilson: The short answer is, yes, we do. It has to come out of our existing resources, and that is putting a lot of pressure on the system. We are giving this the highest possible priority and we are making sure that we do make the resources available.

The CHAIRMAN: If you have pulled resources out of the system to do that, what projects have you put on hold or junked?

Mr Wilson: I do not think anything has been junked. "Resources" covers a wide range of things, including dollars. In that sense, some of the costs are essentially capital costs that are coming out of capital programs. Some are staffing costs. Also, it means that we are running a bit thinner in terms of staff in traditional areas. Those are the prime factors. We are stretching everything—

The CHAIRMAN: But you do not have any specific projects that have been abandoned or put on hold because of this?

Mr Wilson: No, I cannot think of anything specific that has been abandoned in that context.

Mr SLACK: What was the purpose of the independent external report?

Mr Wilson: We did that to seek an independent view about how well we were tracking. It was against the background that we probably touched on earlier, where clearly our numbers looked low in that early period for the reasons we described. We just wanted to make sure that our confidence was not misplaced. Pleasingly, the audit showed that our confidence was not misplaced. The audit found across the department a high level of commitment to resolving all issues and confirmed that, if we maintained that commitment, we could be confident that we would meet all year 2000 requirements. We were pleased about that. It also fed back that we were being very honest in our reporting, which we took heart from, too.

I guess early on, when we were sweating on TRAILS and those mission critical systems, it was a bit of a tough time. Not only have they got up; the range of other smaller systems are coming up, too. Our overall percentage level is increasing strongly. So we believe we are in a good position and that our independent audit has confirmed that.

Mr SLACK: While it said that you can meet the targets of 2000, etc., did it raise any concerns in respect of any aspect of the department's work to date and objectives?

Mr Wilson: It made clear that we had to maintain the commitment—that there was that commitment but it had to be maintained. We are certainly committed to maintaining it.

Mr Louws: The introduction of the POS methodology that Main Roads developed in one respect did introduce a change of methodology to the department in addressing the major corporate systems. It had a huge base of year 2000 issues dealt with. I focused on the business unit level to pick up myriad smaller systems. The POS methodology has facilitated doing that. Introducing it slowed things down initially, but now we are making steady progress and we have a very effective tracking system of where business units are, particularly on those critical systems. That is how we are going to track our follow-up and get the work under way. It is a good measure and it is a good control for us to have. If there was any impact on meeting the required deadlines, that was it. There was a risk involved, but I think the methodology is proving that it was a good risk to take.

The CHAIRMAN: You said before that you used existing resources more efficiently to deal with the Y2K problem. What has the Y2K problem cost to date in dollar terms?

Mr Wilson: It is probably impossible to give that figure because, as I think Peter mentioned, TRAILS was already a reality that was not originally conceived of to address the year 2000 problem but became part of the solution. I guess we could throw in the whole cost of TRAILS, but I think that would be misleading. Likewise, Gateway was similar. So I do not think we can cleanly excise an amount of work and quantum of projects and say, "That is what year 2000 has cost us."

The CHAIRMAN: But you would have had an original budget, surely.

Mr Wilson: For Y2K?

The CHAIRMAN: Yes.

Mr Wilson: No, not specifically for Y2K because, as I said, it really operated from TRAILS and Gateway in particular. A rough estimate—and I am wary about saying it, because it could be misleading—

The CHAIRMAN: I understand, but we are going to try to drag it out of you.

Mr Wilson: You could say it is something of the order of \$12m, for instance.

The CHAIRMAN: And you have some logical reasons for saying that?

Mr Wilson: Yes. Some logical reason, but a fairly heavy qualification along the lines I just gave.

Mr Hickey: I have an example from Maritime. In Maritime, in the business unit itself, we have a steering committee that is operating on it, we have a project team that is operating on it and we have harbourmasters up and down the coast who are devoting a lot of time and effort to ensuring that their work is done, that they are keeping abreast in communicating with our external clients and partners. In the end, a lot of effort has been expended on it.

We would say that, to date, all over we have roughly eight to 10 full-time equivalents working on the project. That is adding up all the little bits of people's time. We have just tried to make that calculation as an assessment of how it is going. We think that is an adequate commitment. As we get into our rectification work, the replacement of hardware and the upgrade of software on rather technical equipment will be when the actual expenditure of dollars starts to become important.

The CHAIRMAN: The reason I ask the question is obvious, of course. That is, you said that it was coming from existing resources. I accept that. That is the reality. One of the things that would concern me is that you still have to get on with the business of running the Transport Department.

Mr Wilson: Absolutely.

The CHAIRMAN: What I am concerned about is whether the key controls, the things that people do in their normal course of duty—whether they be financial or whether they be related to shipping, for example—are still being focused on as well. That is the point.

Mr Wilson: And they are.

The CHAIRMAN: Otherwise you get the slippage there, which is outweighed by—

Mr Wilson: That is so. I think the honest, best way to summarise it is that we are living through a very stressful period as people seek to do this as well as keep business going. In many areas, business is growing as well.

Mr SLACK: There is the other side of the argument in that you have your core responsibilities and the responsibilities you identified when you submitted the budget for approval. Is that then a restraint on what you are spending on this particular aspect of Y2K and is that limiting what work you can do?

Mr Wilson: There is obviously a constraint on how much we can spend on this. However, we believe we are on target to meet our Y2K requirements. We have an independent audit which confirms that. We believe that we will deliver this, despite the fact that, obviously, resources are constrained. Getting back to what I was saying: it is a time of high stress as we seek to deliver both.

In answer to an earlier question I said that I cannot think of anything that has been aborted to take this on board. There are probably some longer term development issues that might have slipped a bit in the process and the like, but right now our aim is to deliver our normal business, deal with business growth, which is significant in many of our areas, and deliver on Y2K as well.

Mr Grant: We are asking some people to work very, very hard. I really would not like to continue to do that for an extended period. We have some people who are very committed working very hard on this and they are really going beyond the pale.

Mr PEARCE: As part of the reporting process, are you required to give any indication with regard to your concerns about resources to complete the whole process by the end of the year, or is that just something that is not asked?

Mr Wilson: We often engage in full and frank discussions, with everybody from Treasury on, about resourcing.

Mr PEARCE: So the message has been delivered?

Mr Wilson: I think so, yes.

Mr SLACK: You are not frightened that the Treasurer will say to you that, as you were able to meet a \$12m cost in this, you may have too much fat in the Transport budget?

Mr Wilson: No, I do not think so. I think everybody knows how the system works in that regard. This is one of the reasons I am wary about giving any single figure, because it is not as if all of that \$12m was extra money that we would not have otherwise spent. A lot of it was in the process. Some of it has been borrowed. Some of it is loan money as well. Most of it would have been needed sooner or later. Some of it has been brought forward. That is a factor and that is a sort of borrowing, too, I guess. There is a totality to the picture that I think needs to be explained.

The CHAIRMAN: Would you like to make a statement in conclusion?

Mr Wilson: There is a summary at the end of these pages, but I just state again that we believe that we have approached this in a responsible and thorough manner and that we are on target to meet our year 2000 obligations. I think there have been a lot of solid achievements already to that end. TRAILS release 4 going live at Easter and the progress with Gateway are very major achievements that, as we have noted, do not show up all that strongly in the standard reporting methodology. But they are very solid achievements. On top of that, we are now coming through very strongly in the reporting process which picks up all the other bits and pieces type systems. There is a lot of work going into it. As Peter said, a lot of people are putting in a lot of commitment. We actually believe that it is a strong good news story, but the game is not over and we will remain committed until we get there.

The CHAIRMAN: Your next goal is mid September, I am sure.

Mr Wilson: Yes.

The CHAIRMAN: I thank you for your time and the time of the officers who came here today. I thank you for your frankness at the hearing today. I think it is very much appreciated by the Committee. The Committee certainly appreciates the assistance that has come from your office and that has been provided to us in examining this matter.

The CHAIRMAN: I welcome the Director-General and other officers from the Department of Communication and Information, Local Government and Planning. I thank you for your attendance here today.

This hearing is held pursuant to the Parliamentary Committees Act 1995 to examine issues related to year 2000 compliance. This is a Committee of the Queensland Parliament and, as such, represents the Parliament. I would like to take the opportunity—I know you have met them before—to introduce you to my Committee members. Next to me, of course, is Mr Allan Grice, the member for Broadwater and the Deputy Chair. Next to him is Mr Jim Pearce, the member for Fitzroy. And next to him is Mr Doug Slack, the member for Burnett.

Evidence take by this Committee can be published or reported in the Legislative Assembly at the discretion of the Committee. Hansard will make a transcript of the proceedings. You may make application before or during the hearing for any or all of your evidence to be heard in private session. The Committee will consider your reasons for this and inform you as to whether or not such application will be granted and the reasons therefor.

KEVIN JAMES YEARBURY, sworn and examined:

BILL GILMORE, sworn and examined:

PAUL WILTON, sworn and examined:

The CHAIRMAN: Kevin, would you please state your full name and position and that of your accompanying officers?

Mr Yearbury: My name is Kevin James Yearbury, Director-General of the Department of Communication and Information, Local Government and Planning. Accompanying me today is Bill Gilmore, who is the Manager, Local Government Operations and Development, and Paul Wilton, who is the Manager, Year 2000 Project Office. Both officers are members of the department.

The CHAIRMAN: Mr Yearbury, would you like to make an opening statement? And after that statement, some questions will come from the Committee members.

Mr Yearbury: Thank you, Mr Chairman, for the opportunity to meet with the Committee today. I will just make some introductory comments related to the role of my department in relation to year 2000 issues.

When the current Government came to power about 12 months ago, it decided that it would institute a formalised process of reporting in relation to year 2K issues, and my Minister, the Honourable Terry Mackenroth, was assigned responsibility for coordinating the reports to Cabinet in relation to budget agencies of Government—the electricity industry in Queensland, the gas industry in Queensland and the water supply and sewerage activities of the local governments of Queensland. I would, therefore, make the point that, in respect of the responsibilities of my agency, they are very clearly targeted at the monitoring and coordination of the reporting process, and the department itself does not take any specific or particular responsibility for the activities of the agencies themselves in respect of their year 2K programs.

If I could make just a couple of comments in relation to each of the reporting responsibilities that we have—in respect of the budget agencies of Government, there have been reports provided monthly to Cabinet since the beginning of this year. The latest report, which is the April report, has just been released by the Minister. In releasing that report, he made the observation that all departments had completed a minimum of 65% of their overall assessment and rectification work, with many as high as 80% or 90%. So in terms of the budget agencies of Government, I think the particular focus which has been brought to bear as a result of the formalised reporting has resulted in there being attention given within agencies to the work that needed to be done. And given that we are now in a situation where all agencies are at least 65% completed in terms of their assessment and rectification work six months out from the end of the year, I think that is good progress.

I have for members of the Committee, if they wish, a copy of the April 1999 report, which I am happy to table and make available to members. It is the latest report which was considered by Cabinet yesterday. That will give members a bit of an overview about where each of the budget agencies are with their programs.

In relation to the electricity reporting—the department has already provided for members a paper which outlines the scope of the review that is being undertaken there and a summary of the outcomes of the first stage. There is likely to be further follow-up work as a result of the findings of the first stage.

In relation to the water and sewerage area of local government—again, documents already provided to members of the Committee prior to this hearing have briefed them in relation to the scope of the work being done on water and sewerage systems. Again, there has been a report provided to Cabinet in relation to what has been given to the department by each of the local governments in Queensland that chose to respond to the request to provide advice as to where they were with water and sewerage rectification, and the summary of those results has also been provided to the Committee.

Finally, in relation to gas—the first report is expected to be provided to Cabinet in late July.

Thank you, Mr Chairman. I hope that those introductory remarks put into context the work of the department and where we are at.

The CHAIRMAN: Thank you. Basically, I think I should forewarn you that our initial questions will be focusing on the Y2K office and then, when that is concluded, we will look at issues to do with local government. So that we do not get them all over the place, I suggest to my Committee members that we concentrate on the Y2K office at this stage, so that will at least give people's minds the opportunity to address the issues if they come up.

Mr Yearbury: Thank you, Mr Chairman.

The CHAIRMAN: Mr Grice?

Mr GRICE: Kevin, you have covered my initial general questions, but could you just tell us a bit about the role of non-budget sector agencies?

Mr Yearbury: I will get Mr Wilton to respond specifically in relation to the GOCs. In relation to the statutory authorities—advice is being provided to the agencies of Government who have responsibility for statutory authorities that it is their responsibility to ensure that those statutory authorities have addressed the year 2K issue. We believe that, given that those statutory authorities report to a Minister, it is appropriate that those departments take responsibility for overseeing the preparedness of year 2K within those statutory authorities. So that is the situation with statutory authorities. In relation to GOCs and other non-budget agencies, I will get Mr Wilton to comment.

Mr Wilton: The Cabinet endorsed, in October 1998, a set of terms of reference, if you like, for the Y2K Program Office. One of the endorsements that was put forward to Cabinet was that the Y2K Program Office was going to undertake ongoing consultation in the area of essential emergency services to establish the extent of their preparedness for the year 2000. In light of that endorsement, the Year 2000 Program Office has actually been looking at essential services—determined as electricity, water and sewerage, and gas. In light of GOCs, at the moment we are reporting on all electricity industry related GOCs. And as at 8 June, Parliament has asked our Minister to report on all GOCs on a quarterly basis.

The CHAIRMAN: Just so that I understand this—and I might have just picked up on the end there—with the situation as it now stands, was there no requirement for the non-budget sector to report? Is that what you are telling me? And now they are being required to report on a quarterly basis?

Mr Wilton: There was nothing in writing—an endorsement by Cabinet—to say that we needed to report on GOCs apart from essential services. When the Year 2000 Information Disclosure Bill went through Parliament, there was the amendment to that Bill that our department—our Minister—was required to report to Parliament on a quarterly basis on GOCs.

Mr SLACK: You referred to the monthly reports to Cabinet. I take it that those monthly reports are based on the submissions from the departments. How do you gauge the accuracy of the information that is supplied by the agencies?

Mr Wilton: The CEO of each agency is required to certify those reports as true and correct.

Mr SLACK: So there is no other basis of assessment except on the word of the CEO of the agency?

Mr Wilton: That is the final, if you like, endorsement of that information. The Year 2000 Program Office does consult from time to time with agencies on specific issues.

Mr SLACK: Do you consider that sufficient? In answer to the last question, when you said that from time to time you do consult, is that your method of addressing any queries you may have?

Mr Yearbury: The consultation that occurs around reports tends to be more in the area of clarification and making sure that the information that is provided is understood and accurate in terms of the reporting that goes to Cabinet.

In response to the question: is that adequate? My response to that is that chief executives of agencies are the accountable officers and, therefore, it is appropriately their responsibility is to ensure that their agencies are year 2K prepared. To the extent that Mr Wilton has indicated that they are required to personally sign off the monthly reports, I believe that is an adequate reporting mechanism. To go beyond that could, in fact, be dysfunctional in the sense that too many cooks in the kitchen might spoil the broth.

Mr SLACK: The Transport Department is mentioned in your report here as having an independent assessment of their position in relation to that. Are there other departments that have done that? Is that an advisable way to go? Do you think that would be applicable to other departments—to verify the position?

Mr Yearbury: We are not aware of any other departments that have done what Queensland Transport has done in terms of bringing in a third-party audit. There is nothing to prevent departments doing that. I would go back to my earlier statement and say that if a chief executive was of the view that that would be a useful tool to enable them to meet their year 2K milestones, then, yes, that would be, in my view, a prudent thing to do.

Mr SLACK: Would you recommend that to any other chief executive other than of the Transport Department?

Mr Yearbury: At this stage I would not, no.

Mr SLACK: Do you say that you do not have any recommendations at this point in time?

Mr Yearbury: No.

Mr SLACK: Are you aware of how the accuracy of reporting is addressed in other jurisdictions?

Mr Wilton: I believe that the Victorian Government has actually had each of their reports recently audited by their audit department—the Auditor-General.

Mr SLACK: Would you consider there to be any advantage in that?

Mr Wilton: At this stage, it could prove to be a disruption to the Y2K programs of the individual agencies.

Mr SLACK: Is it a role of the Y2K Program Office to make comment on agency reports in terms of highlighting areas of concern or potential problems?

Mr Wilton: It is the role of the Year 2000 Program Office to highlight potential risks to Government.

Mr SLACK: So from what you are saying, you have not seen the necessity for that to occur at this stage?

Mr Wilton: With respect to an audit?

Mr SLACK: No, just generally in respect of the question that I asked: is the role of the Y2K Program Office to make comment on any agency reports in terms of highlighting areas of concern or potential problems—not the audit, the audit is something that you do not do; that is the Victorian audit that you are referring to. What I understand you are referring to is the CEO's report. From your knowledge and questioning of the departments in relation to the information given, I guess the basic question is: are you completely satisfied with the progress so far?

Mr Yearbury: The role of the year 2K office is to report to Cabinet in terms of the progress being made by departments in relation to a set program of milestones. Where there is slippage in terms of meeting those milestones, then I would expect as part of our reporting to Cabinet to identify for Cabinet that there is that slippage and draw to their attention where, in our view, that slippage may impact on critical systems—either critical business systems or critical systems in terms of health and safety.

Mr SLACK: Can I follow up that question and ask it in relation to the departments themselves? Have any of the departments raised queries relevant to the criteria that you use for the assessment?

Mr Yearbury: Yes, departments have—if I interpret the question perhaps a little more broadly and say: have departments raised issues in terms of the reporting mechanisms and the way the reports are made, yes, there have been departments who have raised that with us from time to time.

Mr SLACK: And what action have you taken in relation to that?

Mr Yearbury: The action we have taken in most cases is to sit down with those departments and give some explanation as to why the reporting is sought in the form that it is sought, to listen to them in terms of the difficulty that they have in terms of meeting those reporting requirements and, where it is possible—and to date I think in all cases it has been

possible—agreement has been reached on the nature of the reporting that they will provide. Just to give some explanation around that, as time has gone on, the focus for departments, and particularly chief executives, has been much more on the critical systems than on a whole-of-department year 2K preparedness. As I indicated in my earlier comment, there is increasing focus now on business critical systems and critical systems to do with health and safety. Therefore, the reporting is becoming increasingly focused around that.

Some of the very large departments have been raising the issue with us that the amount of resources that are needed to report across-the-board is actually deflecting resources away from reporting on the things that are really important. As a department, we are sympathetic to that point of view and have reflected that in our Cabinet reports in the last month or so and will be increasingly focusing our reports to Cabinet around those. That is the nature of the sorts of discussions that are going on with agencies.

The CHAIRMAN: Mr Yearbury, has the Y2K Program Office identified any emerging risks or problems in terms of agencies meeting the reporting framework?

Mr Yearbury: Mr Wilton may have further, more detailed information than I am able to provide to the Committee on that. My comment in response to that inquiry would be that, in the early stages of the reporting, there were a number of agencies who either were not able to report initially, because they did not have the reporting systems in place, or because they had not put, in their own departments, an appropriate infrastructure to address the Y2K issues.

Secondly, as I have indicated to a previous question, there were some difficulties in terms of the material that we got; it was not in a form which made reporting to Cabinet easy to do. As time has gone on and the dialogue with agencies has continued, both of those problems, I think, have been overcome. All departments are now reporting as they are required, so we do not have any budget agency that is not reporting, which indicates that the issue of their own internal processes has been sorted out.

As time has gone on, we have been able to refine the reporting process around those business critical and health and safety critical areas. So I guess my comment would be, yes, there has been some issues, on the part of agencies, about the difficulty of reporting, but they have been worked through to a point where I think both we as a reporting agency and those as agencies required to report are reasonably comfortable in terms of the process.

The CHAIRMAN: I understand what you are saying there. What are some of those risks or problems? What were they, or are they?

Mr Yearbury: As I indicated, in the early days, departments actually did not have any discrete or dedicated accountable officer, or unit, within their departments to actually meet the reporting requirements. In the early days, there were some reports that went to Cabinet that were not complete in terms of all the budget agencies, because the reporting mechanism had not been instituted within the agencies concerned. Secondly, the other main problem was related to what was it that Cabinet was expecting them to report on? Was it across-the-board? As you can understand with large departments—Transport, Health, Main Roads—there is a great scope of work which could potentially require year 2K resources, but within that there were more critical systems that needed to be addressed as a higher priority. The issue for us as the reporting agent and them was: what should we be focusing on and what—

The CHAIRMAN: So to get an understanding from your point of view and from their point of view about what were the priorities.

Mr Yearbury: Exactly, yes.

The CHAIRMAN: Mr Grice?

Mr GRICE: Just one question. What Y2K disclosures will agencies be required to make in their financial statements at the end of this year?

Mr Wilton: I have not got the exact information, but the Queensland Audit Office actually has a requirement for budget agencies to make some financial disclosure. To what extent that is, I have not got the information at hand.

The CHAIRMAN: Okay. That is fine

Mr Yearbury: Mr Chairman, would you like us to take that on notice?

Mr GRICE: We can do that, I think. We can get it from the Auditor-General.

Mr Wilton: The one thing I would say is that I do not think that it is a detailed reporting. I think it is fairly high level.

The CHAIRMAN: I think that it is important that you get it, but we will also be talking to the Auditor-General. With regard to the Y2K issue, are there any more questions? Can I get people to focus their minds on the next issue? Mr Yearbury, the next matter that we want to talk about is the issue of local government. Mr Slack might have some questions.

Mr SLACK: The audit report No. 4 1998-99 states that the Y2K office has developed a monthly reporting process as a means of reviewing local government year 2000 preparedness with regard to water and sewerage. Would you please outline that process?

Mr Yearbury: Are you able to do that?

Mr Wilton: Sure. The Year 2000 Program Office has developed a reporting tool to be used for GOCs and local governments. That reporting tool is a framework for the monthly monitoring of Y2K remediation projects within those entities.

Mr SLACK: Okay. What is the role of the local government year 2000 reference group referred to in the audit report No. 4?

Mr Yearbury: I will get Mr Gilmore to respond to that, as he is chair of that committee.

Mr Gilmore: Mr Slack, the local government Y2K reference group, its function is to raise awareness of local governments about Y2K issues and to monitor their preparedness in terms of Y2K.

Mr SLACK: In regard to the review of water and sewerage in the summary of services provided and the responses tabled on 8 June 1999, what has been identified as posing the greatest risk to service?

Mr Wilton: At this point in time, not a single item has been identified other than to say electricity. The Y2K program office intends to review the findings and to actually conduct a stocktake with the main local government and water and sewerage infrastructure owners over the coming next two months, looking to finalise a report in August. That will be conducted by our on-site reviews.

Mr PEARCE: The summary of responses indicates that three urban service providers, that is the Gladstone Area Water Board, Thuringowa City and Townsville City, have not yet responded. What action has been taken to follow that up?

Mr Wilton: In my response to Mr Slack, I mentioned the Stage 2, which was to target the main urban provider councils. What we will do is pick up those three councils under that regime where we will make approaches to them to actually come on site and review the work that they have done.

Mr PEARCE: Given all the work that has already been done, is there any assessment on the risk exposure of these entities?

Mr Wilton: The councils we have identified are the main providers of water and sewerage as in per population area and identified as high risk, if you like, on that basis just because of the population centres that they provide services to.

Mr PEARCE: Of the other organisations that did not respond to the review, what follow-up action, if any, has been taken and has the level of risk for those organisations been assessed?

Mr Wilton: Through the Y2K local government reference group we have asked the Local Government Association of Queensland to send out a further sheet prompting responses from those local governments which have been included. Some of those responses—facilities not automated was one of the options that we had on that paper just so we can get a better coverage and understanding of the risk, and there has been some direct contact with some of those local governments.

Mr PEARCE: What happens from here on in?

Mr Wilton: We have implemented a monthly monitoring program which we will continue down to the wire. We have highlighted that the major risk areas are the councils that provide infrastructure to the urban areas, if you like, and will target those with the on-site reviews.

Mr PEARCE: Are these people taking you seriously when you are raising your concerns with them, because they have not progressed so far? At this stage it is getting pretty late in the year.

Mr Wilton: I believe that a number of them are taking us very seriously and I think the results of the Stage 2 review will highlight that.

Mr Yearbury: Can I just make the observation that there are only very limited powers available to actually coerce local government into providing even the most basic report, much less becoming more up front in terms of what they are doing. The approach that Minister Mackenroth has taken is to be proactive. As you will have heard from Mr Wilton, there have been letters sent to each of the mayors of the councils. I have written to each of the chief executives of the councils. In response to Mr Pearce's question about councils that did not respond in terms of the first survey, we are actually now going out and asking specifically for on-site meetings and we will continue, I guess, to make available information to those councils. That might, if you like, encourage them to feel that if they are not part of that information reporting system they could themselves be exposed in terms of their local communities.

Certainly, in terms of Minister Mackenroth's position, his view is that we should be proactive to the extent we can, and we have outlined what our actions are. His view is that, at the end of the day, those councils are accountable to their local communities and so long as we have given them every opportunity to be part of a broader reporting system and, in fact, benefit from the sharing of information and being able to use the resources and the support that we are offering, in the end it is over to them. In the end I guess they will be accountable to their communities as to how well they have prepared for this.

Mr PEARCE: Thanks for that. That saved me coming back to that for more clarification. Of those service providers who responded, most indicated that they are more than half finished their Y2K rectification programs. Are these responses based on self-assessment?

Mr Wilton: Yes.

Mr PEARCE: Has there been any independent verification of just exactly where they are?

Mr Wilton: No.

Mr PEARCE: Do we really believe them?

Mr Wilton: That is an interesting question. I guess part of the Stage 2 review for water and sewerage is to go out with a water and sewerage engineer, a specialist in the field, with a Y2K specialist and with a member of the Queensland Audit Office. So those people should be able to make an informed judgment from the information provided at those on-site reviews for the major councils.

The CHAIRMAN: The Auditor-General said at page 34 in his audit report No. 4 1998-99, "Where local governments are not already into the rectification phase of their projects, it is unlikely there will be sufficient time left to complete the project." I recognise what you have said, Mr Yearbury, about the limitations that you have on dealing with these situations, but in the summary of responses some local authorities have indicated they do not expect to finish rectification or contingency planning until September or later. For example, as I understand it, Logan City and Rockhampton have indicated that they will not be finished until 30 November. The question that I ask you is: isn't this getting a little late? Isn't the time frame starting to become a little bit compressed?

Mr Yearbury: Certainly I would agree that programs which have some time after November as their completion date need to come in for some particular attention. The situation that the department finds itself in and the State Government finds itself in is that Queensland local governments are autonomous levels of government. In a sense, they have to take responsibility for their own business and carry the can if they do not perform.

To the extent that the State Government has some broader responsibility for community wellbeing, Mr Wilton and I have previously outlined what it is that we believe is within our power to do. The next stage in the process with local government is to get out on site with a qualified water and sewerage engineer, which we as the State Government are funding and making available to local government, with the view to, I think, raising awareness or raising consciousness within

councils as to the critical nature of their program around water supply and sewerage and providing where we can advice and expertise about how they can accelerate those programs.

If they are receptive to that advice and expertise, then I would hope that the next round of reporting would reflect that some of those deadlines can be brought forward. The difficulty we have is that we actually do not know in any precise terms at this point whether they are deadlines which simply are projected out based on current level activity and whether there is the opportunity to accelerate some of that work. Our next round of reporting, because it will be on site, so to speak, will provide better information as to whether there is any opportunity to accelerate those deadlines.

The CHAIRMAN: You made an observation about them being receptive to that advice. Are you telling me that some are not receptive to that advice? Is that what you are saying?

Mr Yearbury: No, what I am referring to is the extent to which they are prepared to take what we are offering in good spirit or whether they simply, as sometimes councils do, feel that any intrusion from State Government is an unwanted intrusion, whether they will simply go through the process of having a site inspection and then saying, "Thanks very much and we will look after it ourselves", or whether they want to say, "Yes, thank you. What can you do to help us improve the situation?"

The CHAIRMAN: Accepting—and I think it is obvious to everyone—you have been doing substantial work in this area, what concerns then do you have in regard to the supply of essential services with regard to these local authorities?

Mr Wilton: High level concerns at this point in time is the way that councils have addressed their supply chain, or should I better put that in terms of they have not addressed their supply chain. They are not well progressed.

The CHAIRMAN: Explain what that means to me—"supply chain".

Mr Wilton: What I mean by "supply chain" in terms of water/sewerage is that they need chemicals, they might have services provided by third parties in the process of actually providing that service. It is making sure that those people who are providing the services are able to do so as in their own rectification Y2K remediation programs are well placed.

The CHAIRMAN: I hope that I am getting the gist of this because what you are saying is that there are these problems, but the action you can take to minimise these risks—I think the impression that Mr Yearbury has given and I hope I have got this right—is that basically all you can do is work with them and hope that they will stick with you to address the problem.

Mr Yearbury: Yes, but can I say that State Governments in Queensland of all political persuasions and the department for which I am responsible in particular have had a very good working relationship with local governments. I do not believe that it is a situation where it might be as tenuous as you might be implying. I think for the most part when you have a look across the range of activities that State and local government interact on, there has been good cooperation whether it be in planning, transport facilities, environmental management, etc. Sure, there are occasions when the local council and the State Government have a different view about things, but in terms of a general working relationship, there has been a history of partnership. On an issue like year 2000, I do not think it is in anyone's interests, as the Committee itself has observed—

The CHAIRMAN: You are saying if there is no partnership there, forget about it.

Mr Yearbury: Yes. Whilst I am putting to the Committee the extent to which we have leverage, I am not anticipating that that is not going to be effective or at least helpful in the situation.

The CHAIRMAN: Except to say—and I am following up the issues raised by the Auditor-General—that some local governments are saying that they will not be finished until 30 November.

Mr Yearbury: Yes. As I said to you and the Committee, all we can do, having now just received that report, is to target in on those councils and provide advice, support and expertise, as we are proposing to do.

The CHAIRMAN: Mr Wilton said previously that the key risk—I think those were the words you used—for local governments is electricity. I am wondering if you could expand on that context.

Mr Wilton: To expand on my statement that the key risk has been identified as electricity?

The CHAIRMAN: Yes.

Mr Wilton: Without electricity a lot of pumping stations will not run. There is very limited ability for councils to provide gravity feeds in some areas for water and sewerage services, and their backup power is only for a short term.

The CHAIRMAN: I understand what you are saying now. It is very clear to me. Obviously, the issue then comes down to contingency planning. Has there been any work with these local governments? Is work going on with regard to contingency planning? As I have said—and as I think you have agreed—some of the time frames are getting a bit skinny. Is some work being done with regard to contingency planning?

Mr Yearbury: Certainly, in terms of the second round of visits that Mr Wilton has talked to the Committee about, contingency planning will be part of the discussions that are held with the council on site, so to speak. I am aware that certain councils are already contemplating contingency planning. For example, from newspaper reports I am aware that the Noosa Shire Council is now exploring whether it needs to bring in a generator as part of its contingency planning. There are some councils that are already thinking through contingency plans, particularly in terms of the issues that Mr Wilton has raised relating to electricity dependent systems. But again where councils have not developed their contingency plans to an adequate level, in our view or in the view of the engineer that we are engaging to go out and talk with councils, yes, that will be an area of particular focus in ongoing discussions with those councils.

The CHAIRMAN: I wish to return to a question regarding the Y2K Program Office and electricity. What involvement has the Y2K Program Office had in relation to the electricity industry?

Mr Wilton: The year 2000 program offices have been tasked with undertaking a review of the Queensland electricity supply industry.

The CHAIRMAN: I understand what you are saying. There was a Stage 1 to this review, was there not?

Mr Wilton: There was indeed, and that report has recently been tabled in Cabinet.

The CHAIRMAN: Perhaps you are going to tell me that it has just gone to Cabinet and you cannot answer the question. What entities were reviewed as part of that review?

Mr Yearbury: We are able to give you an answer to the question in terms of the scope of the review and what agencies were picked up in the review, if that is the question that is being asked of us?

The CHAIRMAN: Yes.

Mr Wilton: Under GOCs, the industry is broken down into the following structures—generation, transmission, distribution and retail. The generation GOCs are CS Energy Limited, Tarong Energy Corporation Limited and Stanwell Corporation Limited. Under transmission we have the Queensland Electricity Transmission Corporation, which trades as Powerlink Queensland. Under distribution we have the South East Queensland Electricity Corporation Limited, the South West Queensland Electricity Corporation Limited, the Wide Bay/Burnett Electricity Corporation Limited, the Capricornia Electricity Corporation Limited, the Mackay Electricity Corporation Limited, the North Queensland Electricity Corporation Limited and the Far North Queensland Electricity Corporation Limited. Under retail we have Southern Electricity Retail Corporation Pty Ltd, trading as Energex, and we have the Central Electricity Retail Corporation Pty Ltd, trading as Ergon Energy. Under private authority holders with a generation capacity in excess of 30 megawatts, which are mainly the peak load power stations, we have Oakey Power Holdings, AES Mount Stuart, Boral Energy, Transfield Townsville, Collinsville Operations, the Energy Equity Corporation Limited and NRG Gladstone Operating Services. Under miscellaneous entities we have North Power, which is a New South Wales GOC;

the Comalco Boyne Island Smelter, which is a major user; NEMMCO, as the market manager; and the Queensland Transitional Power Trading Corporation.

The CHAIRMAN: Those are the entities that were reviewed. Did any major concerns arise from that review?

Mr Wilton: The review results in terms of what was identified as "high impact" were very favourable.

The CHAIRMAN: What does that mean?

Mr Wilton: It means that they have well founded Y2K programs in place and the consultants that conducted that review were happy that those programs were well managed and in place and that the risk of failure due to Y2K was minimal. There are other entities which the consultants have listed as being not as well founded, and the year 2000 Program Office, in conjunction with the consultants, has proposed a Stage 2 review which will target those entities that were not considered to have well founded Y2K programs.

Mr GRICE: What was the first one on the list? What did the consultant say about that?

Mr Wilton: CS Energy?

Mr GRICE: Oakey was the first one that you mentioned—

Mr Wilton: Oakey Power Holdings?

Mr GRICE: Yes.

Mr Wilton: The consultants considered, based on the information provided at the time of the review, that its programs were not as well founded.

The CHAIRMAN: What does "not as well founded" mean? Can you explain this to me so that I can understand it?

Mr Yearbury: I think the assessment that we are involved in, as we have indicated previously to the Committee, does not allow us to say to you that there is an absolute guarantee about the technical work that is going on. All we can say—and indeed all the consultants can say—is that there is a level of confidence about the fact that these entities, firstly, have a dedicated program in place; secondly, that that program gives a level of confidence that they are actually able to drill down into their business systems and identify deficiencies or Y2K exposures; and, thirdly, that they have a planning mentality which says, "Having identified problems, we have rectification strategies and contingency strategies."

When Mr Wilton talks about whether or not they are well founded, it is about that level of confidence. The summary that comes out of the first round of the electricity review indicates that for base load generators, that is, the high-impact areas that he talked about, we are being advised that there is a fairly high degree of confidence that those generators are on top of the year 2K issue. There are other areas where they are saying that the programs are less well developed and there is not the same level of confidence. Those are the ones that we will be going back to in the second round—in much the same way as we talked about doing with local governments—to ask, "Is there a problem here? What do we need to do in order to get the same level of confidence around your business as we have with some of the other businesses?" As a general observation, I think that the year 2K process is very much—and this Committee has said this to me previously—about information sharing. It is about being able to set benchmarks and say, "These people are going well. What can we learn from them to help those who are not going so well?"

The CHAIRMAN: Thank you all for your time this afternoon. The Committee appreciates the assistance that your office has provided and also the frankness with which you have provided the answers in examining this matter.

The Committee adjourned at 3.25 p.m.

The Committee resumed at 3.45 p.m.

GORDON JARDINE, sworn and examined:

The CHAIRMAN: I welcome representatives of the Queensland electricity supply industry. Thank you very much for your attendance here today. This hearing is being held pursuant to the Parliamentary Committees Act 1995 to examine issues relating to year 2000 compliance.

As you know, this is a Committee of the Queensland Parliament and, as such, represents the Parliament. I take the opportunity now to introduce you to members of the Committee. Next to me is Mr Allan Grice, who is the Deputy Chairman and member for Broadwater. Next to him is Mr Jim Pearce, the member for Fitzroy, and next to him is Mr Doug Slack, the member for Burnett. Evidence taken by this Committee can be published or reported in the Legislative Assembly at the discretion of the Committee.

Hansard will make a transcript of the proceedings. You may make application before or during the hearing for any or all of your evidence to be heard in private session. The Committee will consider your reasons for this, and inform you as to whether or not such application will be granted and the reasons therefor. Public hearings are a public process and the Committee requires your evidence to be given on oath or affirmation. If you wish, you may make a brief opening statement and after that I will invite questions from my Committee.

Mr Jardine: I am Chief Executive of Powerlink Queensland, but I am here today in my capacity as chairman of the steering committee of the Queensland electricity supply industry's year 2000 program. With me is the coordinator of our system testing and contingency planning activities in the industry, Mr Keith Hoffman, and our public relations coordinator, Liz Cooper.

As I mentioned, I appear here on behalf of the electricity industry's year 2000 program. The electricity supply chain starts at the power stations and the power travels through the high voltage transmission grid to the regional distribution networks, where it is delivered to industrial, commercial and residential consumers.

The QESI Y2K program is a voluntary cooperation exercise involving all segments of the supply chain—the power stations, both Government owned and private, the transmission grid, the seven, about to become two, regional distribution networks and the two retail corporations. All 18 entities as participants in QESI Y2K have agreed to share vital technical information with each other and work together to produce integrated contingency planning. I must emphasise that the responsibility and accountability for year 2000 readiness rests with each individual organisation.

The QESI Y2K program is focused exclusively on power system reliability—in other words, keeping the lights on. Our program does not concern itself with other systems such as billing, accounting and so on. The objective of QESI Y2K is to deliver normal, everyday levels of power system reliability during and after the transition to year 2000.

A key player in the operation to today's power system in Queensland is NEMMCO, the National Electricity Market Management Company, which is owned jointly by the States, including Queensland, which participate in the national electricity market. NEMMCO is managed by an independent board of directors.

Since the commencement of the national electricity market in December 1998, NEMMCO has taken over responsibility in Queensland for market operations, power system operations and power system security. Thus, NEMMCO determines minute to minute which power stations are to operate at what output and which parts of the network should operate and at what transfer capacity. NEMMCO performs these functions from its national dispatch and security centre north at Mansfield in Brisbane. Consequently, a major part of the QESI Y2K program involves working closely with NEMMCO on joint readiness activities, including the preparation of integrated contingency plans.

There is a misconception that the power system contains endless quantities of embedded chips which are Y2K susceptible. In fact, the power system is substantially low tech, dominated by wires and poles, electromechanical devices and mechanical plant. There is a very small number of digital systems, mostly for monitoring and control, and only a small percentage of those have functions which are date dependent. These have been the focus of each participant's testing programs. None of this testing has found anything which would cause a loss of power supply. The testing has involved live tests—in other words, roll forward of dates into the year 2000—in substations, control centres, generating units and, in the case of Stanwell Power Station, a whole

power station. The significance of the Stanwell test is that it is the most modern, most computerised station in Queensland.

Notwithstanding these positive test results, QESI Y2K is preparing contingency plans, just in case. Such plans are, in any event, part of the everyday business in our industry, since power interruptions can arise from a wide range of events such as storms, cyclones, car accidents and mechanical plant failures. The industry's people are well trained and experienced in the execution of these plans, which are designed to restore normal operation in the shortest possible time. On behalf of the 18 participants in QESI Y2K, I am pleased to be at your service today.

Mr SLACK: I think you answered the thrust of my questions in your opening statement, but I will refer to some of the statements you made in relation to the generation, transmission, distribution and retail sectors that are involved. Would you give an overview of how they are being coordinated? You mentioned NEMMCO and the role it is playing, but how are these being coordinated and what reporting framework has been established in the coordination process? You referred to 18 participants. Could you name those 18 participants?

Mr Jardine: I will start with the coordination process. One of the primary roles of the QESI Y2K initiative is to coordinate our testing across the interfaces—in other words, where the generation sector meets the transmission sector and where the transmission sector meets the distribution sector—to make sure that our testing procedures in each individual corporation on each side of that interface are in fact checked across on both sides of the interface for completeness. So that is part of the coordination that we are doing in our QESI Y2K program. The other thing we are coordinating is our contingency planning, to make sure that our contingency plans are integrated with ourselves, again across those connections, and then are ultimately integrated with the plans from NEMMCO.

I will have to refer to my list of the members of the group. They are the NRG Gladstone Operating Services Pty Ltd, Transfield Townsville Pty Ltd, Stanwell Corporation Ltd, Tarong Energy Corporation Ltd, Queensland Transitional Power Trading Corporation, CS Energy Ltd, Oakey Power Holdings Pty Ltd, Energex Ltd, South West Queensland Electricity Corporation Ltd, Mackay Electricity Corporation Ltd, Wide Bay-Burnett Electricity Corporation Ltd, Capricornia Electricity Corporation Ltd, North Queensland Electricity Corporation Ltd, Far North Queensland Electricity Corporation Ltd, Queensland Electricity Transmission Corporation Ltd, Central Electricity Retail Corporation Ltd, AES Mount Stuart joint venture, Energy Equity Corporation Ltd and the Boyne Smelters Ltd.

Mr SLACK: You spoke about the coordination and the role you play in coordination, but what exact framework is used to do that? What is your structure of reporting—the mechanics of it?

Mr Jardine: We are doing coordination on two fronts. One is on the more technical aspects. That is the area Mr Hoffman is in charge of. He runs coordination sessions and information sharing sessions which are very technical in nature. In other words, people come along to those sessions to share information on some equipment, on systems and control systems and on elements of systems that they have tested and they share that information with other people so that everyone can learn from each other. He also runs technical coordination through a mechanism of contingency planning where, again, joint contingency planning is done in those sessions. So they are really done as face-to-face meetings of all the participants on a regular basis, typically once or twice a month. Mr Hoffman himself then goes to regular meetings, typically on a monthly basis, with NEMMCO in relation to those technical matters.

On the other side of the equation, we are sharing public relations type information—communicating with consumers, communicating with the public at large. That is done by Elizabeth Cooper, who coordinates with the public relations and communications people firstly within the QESI participants and then on a national basis through the Electricity Supply Association of Australia's national forum, again on a monthly basis—sharing information with the other States at that level so that we can learn from each other.

Mr PEARCE: Just so I can understand this, you are here representing all the entities within the power industry? Is that what you are saying?

Mr Jardine: I am representing our year 2000 program.

Mr PEARCE: So all those entities would report back to you? So you have a good understanding of how they are placed at this time?

Mr Jardine: We share information on our readiness and they report, through to the steering committee that I am the chairman of, on their readiness on a quarterly basis. So we have statistics across the industry on where they are at with various things, such as how far they have gone on their testing, on their remediation and on their contingency planning, by sector—generation, transmission, distribution—for the whole industry.

Mr PEARCE: Is there a compliance timetable for the industry?

Mr Jardine: There is no fixed or imposed timetable. Within our QESI Y2K group we are working to a timetable to make sure that we are all ready in around the September time frame. This really is dictated largely by the fact that we have to tie in to NEMMCO's contingency plans. NEMMCO itself, if you like, is running to a timetable to have contingency plans finalised by August/September. Because our plans have to integrate with theirs, it will take another month after that to get that integration.

Mr PEARCE: Is there a monitoring process in place? If there is, how seriously do you take that monitoring process? It just seems a little bit all over the place, as far as I can see.

Mr Jardine: It is not all over the place. It is a voluntary program. I guess that is the difference. There is no central authority with power and authority to direct people to do things. It is a voluntary program where the responsibility rests with each corporation, but we have agreed to cooperate to the maximum extent we can. Part of that cooperation involves being very open with each other and sharing information on where we are up to, which things we have tested, what we have not tested, where we have found problems, what we are fixing, what we have yet to fix and so on.

The CHAIRMAN: You are saying that there is an open information sharing process here but, in effect, these organisations are competitors in the marketplace, are they not? They are competing with each other in the marketplace.

Mr Jardine: Some of them are.

The CHAIRMAN: Can you be sure then that some of them are participating properly within this information-sharing process? If you compete at all levels, or certain levels, and if you are dealing with other competitors, how can you be certain of the accuracy of the information that you are getting if you do not check it?

Mr Jardine: I guess what we are seeing is that the people who compete with each other—which is primarily the generators competing with each other and the retailers competing with each other—have all adopted an approach where, for this particular exercise—for year 2000—it has been seen as so important that everyone works together, not only on a State level but that is happening nationally as well in this State and in every other State.

The CHAIRMAN: I understand that, and I hear what you are saying. But I would have thought that just the very nature of competition would be such that it would be a competitive advantage for someone to be at least perceived to be well advanced in their Y2K program as against not well advanced; so you would tend to up play it rather than downplay it, if you understand what I am saying.

Mr Jardine: There are a few things that dictate against people trying to generate competitive advantage, one being that they are starting out with a philosophy of cooperation on this particular issue. The other one is that the transition period into year 2000 is typically a low demand period on the electricity system. It is not going to be a situation where people are out there playing cutthroat with each other trying to get shares of the market, for example.

The CHAIRMAN: I was not necessarily thinking of on the date, if that is what you are saying. I am thinking of now. The nature of it is that they are competitors in an industry.

Mr Jardine: Yes.

The CHAIRMAN: I am impressed by your confidence that, given that they are competitors in the industry, they are so into information sharing when it comes to this. It is unique, I have to say.

Mr Jardine: I have been able to sit through a number of these information-sharing sessions where each of these entities has gone up and presented the information. And they are sharing technical information in terms of, "Here is the sort of equipment, the elements, the components I have tested. Here are my results. Here is what I am doing. Here are my contingency plans. Here is what I have checked about my supply chain."

Mr PEARCE: How many of those operators are not meeting the timetable? I bet they all are.

Mr Jardine: Sorry?

Mr PEARCE: How many of these operators are not meeting the timetable that has been set down for the addressing of the compliance?

Mr Jardine: Most of the organisations are on target to meet the timetable. The constraining factor is not the participants in the electricity industry; the constraining factor is how fast NEMMCO can move with its contingency plan. And you might understand that NEMMCO has to come up with contingency plans that work nationally, not just in Queensland. It is coming up with standard approaches to the thing across the country, because it is running a national electricity market.

Mr PEARCE: So have all the operators commenced development of contingency plans?

Mr Jardine: Yes.

Mr PEARCE: It just seems so unreal. It is all too good.

Mr GRICE: You mentioned that the philosophy of all the parties was one of togetherness. But philosophy is not what is going to provide electricity to the people when they turn their lights on—if there is a problem—is it? With regard to testing at each supply stage, when was this conducted? And what risks have been identified?

Mr Jardine: The testing varies depending on where you are in the supply chain. The first step in the process is to assess the elements in the supply chain to see where the risks might be and where things ought to be tested. As a general statement, most of the systems which are potentially susceptible to a Y2K date issue are in the control systems in the modern power stations, in the control systems in the transmission network, and a few of them in the control systems in the larger distribution networks, like Brisbane. Once you get out further into the distribution network, there are very, very few Y2K devices at all. So if you look at the power chain, most of the focus has been on power station control systems and major transmission substation control systems. That is where most of the testing has been. That is where all of the date roll-forward testing has been done. Most of that testing is complete. I do have information across each sector in terms of percentage completion at this date, if that would be useful.

The CHAIRMAN: Yes, sure.

Mr Jardine: I could table that information for the Committee.

Mr GRICE: Do you have anything on what sort of risks have been identified?

Mr Jardine: What the testing has shown is that most things work when you roll the date forward. The areas where there have been elements found which have not passed a Y2K test are things like the bulk metering systems, where the transmission network meets the power stations or where the transmission network meets the distribution network. There have been a significant number of metering systems found to be non-compliant, and they are being replaced.

The CHAIRMAN: You identified before that probably the most vulnerable area as part of the supply chain is not specifically the actual areas but it is what you call the control systems within particular areas. Just so I understand it—the competition exists in, what, the generation and in the retail area?

Mr Jardine: That is right.

The CHAIRMAN: Given what we know—and from what you have told us—that they are right up to date with this, it is interesting, because the report of the Y2K Program Office in the department referred to the results of Stage 1. I think you would have it there. It says, "The results of Stage 1 of the review indicate many regional distributors are less well advanced in their Y2K programs." I thought it was an interesting philosophical thing, that the one that is not competing

is not advanced, yet the two that are competing seem to be right up to date. That would support Mr Pearce's assertion that they may not be quite frank about what they are saying.

Mr Jardine: What it might indicate is that, when you have a market, one of the things that drives people in a market is their profit motive. And if you are operating all the way through the transition without a hiccup, you are going to make money. If you are not operating, you are not going to make money. So the thing driving the generators may be the profit motive of: if you are there and running and your power station is working, you are going to make money, and if you are not there, you are not.

The CHAIRMAN: I understand that perfectly. As far as the regional distributors are concerned—as I said, the report said that many of them may be less well advanced in their Y2K programs. How are those problems for those regional distributors being addressed, given that they have at least put up their hands and said, "Hey, we are not there"?

Mr Jardine: I will comment on that by saying a few things. Firstly, the report that comments about the regional distributors is based on visits to those distributors that the audit team did in January. So it is quite ancient information in the time frame of year 2000 programs. The latest information from all of those regional distributors—and the latest information is based on a major information-sharing session which QESI had Friday last—was that most of those regional distribution corporations are now well advanced. And the reason for their being less advanced in January and now well advanced in June has been initiated by those audit visits in January. The audit visits identified that they did not have enough resources tied to it. If there is a correlation at all, it is the fact that the regional distribution corporations are relatively small organisations compared to the major generators—the big distributors like Energex and the Powerlinks of this world. The regional distributors are relatively small organisations, and that is reflected in the amount of resourcing they were putting onto Y2K earlier in the year. Since then, they have put substantially more resources onto the thing. That is the first step that has been done.

The second step is that they have been able to leverage off the information sharing from people like Energex. So Energex, which also has a distribution network, has a lot of the same sorts of equipment in its distribution network as the regional distributors have. A lot of common purchasing of equipment has been done over the years throughout the distribution network. So they have been able to leverage off what has been learnt in other parts of the network, as well; so a combination of more resources and shared learning.

The CHAIRMAN: So given that there are problems—if I am right in making that assumption—when do you expect them to be addressed? When will they be remediated? When will that happen?

Mr Jardine: The distribution organisations, as they reported on Friday, have not identified anything in any of their testing that requires remediation. So they are well advanced with their testing, but they have not found anything that requires repair or replacement.

Mr GRICE: With regard to contingency, what plans are being developed to address potential distribution failures through the system?

Mr Jardine: As you might imagine, the distribution networks actually have probably the best developed contingency plans of all, because they get to deal with contingencies all the time. Storms and people driving cars into power poles and so on cause great havoc in the distribution network. So they have contingency plans in place on restoring the power as quickly as possible after those sorts of events. So in terms of contingency plans readiness, the distribution guys are further along because they are less dependent on, for example, NEMMCO, the national market company. So they are very advanced in their contingency planning process.

Mr GRICE: Explain to me: where is the similarity between somebody hitting a power pole and the millennium bug or the change into 2000?

Mr Jardine: It has the same impact on the supply chain in the sense that the lights go out.

Mr GRICE: It is not a car hitting a pole.

Mr Jardine: No, but they have a whole process in place of people on stand-by, people on readiness. They have control centres, call centres, emergency crews on stand-by all the time to

handle these events—the only difference being that, if you have a Y2K problem, it is likely to be in a control system, and you have different people on stand-by; you have technicians rather than field workers, for example.

Mr PEARCE: And it is likely to be more widespread, too, rather than isolated incidents.

Mr Jardine: It would depend on where it was. For example, the contingency plans in places like Energex, which has a substantial network of larger equipment, and places like Powerlink, which has the transmission grid, involve putting people into the key substations and key control centres and having additional people at work and on stand-by during the key dates.

Mr GRICE: I can understand the contingency is there with people ready to throw themselves into the breach. But what is the technical contingency plan? We know that these people are in the habit of reacting quickly and getting here and doing that, but they have not had any practice with this. What is the technical contingency plan?

Mr Jardine: The other contingency plan for any of these networks is you can actually operate them manually, so you can bypass the control systems. That is why the contingency plans include having people in these key sites, in these key substations, where there are these control systems; so that if the control system does not work, the people are there and they can manually bypass the control system.

Mr GRICE: That is the answer I was after.

Mr SLACK: From what you are saying, you do not need any other assistance or guidance to be given to consumers or the major interfaces in relation to a failure that is related to Y2K, because of your situation—that you can bypass the system. Therefore, you would not anticipate it to be out for any length of time. And it would be a similar position to, say, storm damage, technically—that the lights go out, although it is a different cause. And because you can operate it manually, that cause could be overcome. But assuming that you can operate it manually, for how long can you operate it manually?

Mr Jardine: You can basically operate it manually indefinitely, because that is the way the power system was operated before digital control systems came along.

Mr SLACK: So you have a contingency plan there to do that. Do you have any other proposals, though, to alert customers as to the nature of the failure, if it was to occur, and, in those circumstances, to reassure people that they are going to get their power?

Mr Jardine: Part of the contingency planning process is a complete communications process, if you like—public and media communications process. Again, all of the corporations, and particularly the distributors, have those in place now. They have a whole information process in place to tell people which faults they are aware of, in which regions they are aware of the faults, how long it is going to take to fix it, and all those sorts of things.

Mr PEARCE: The continuity of supply of electricity at this time is the real issue, because it impacts on so many things, like health, water, sewerage, transport systems. If we were to lose the power supply, it has a pretty serious impact on the whole of the community. Although I hear where you are coming from about this information sharing, I still have a little bit of a concern about the way you seem to be coming at it—"She's right, there is nothing to worry about. It is all under control, don't worry about it." It just concerns me that that is the message that is coming across to us. Whilst a lot of these people are sharing information with you, really who is checking that information that is coming to you to see how accurate it is? That is the concern that I have.

Mr Jardine: Most of the corporations involved, firstly, their boards have engaged independent auditors to check out their own organisations. So any information that is coming to us is either coming from a process where there is an independent auditor in place as well or you have also got the Government running their own independent audit process on top of that. So we have got independent auditors engaged by individual corporations and, sitting on top of that, independent auditors engaged by the Government. So there is quite a level of checking in the thing.

Our confidence comes from a combination of things. It comes from the fact that there are so few devices out there that are date dependent in the first place. That is point one. The second point is that all the testing that we have done on those has not found anything that would cause a problem. The third one is that we have well-developed contingency plans that we have had to

put in place for all sorts of different events over the years and people who know how to execute those plans. So if you put those three together, that is where our confidence comes from. It is not a blind confidence.

Mr PEARCE: So there has been a process of rectification—of anything that has to be rectified. Have any problems been identified?

Mr Jardine: The main ones were these bulk flow meters, which are being replaced.

Mr PEARCE: Have you got any idea what sort of costs to date the Y2K rectification in the industry has cost us?

Mr Jardine: The whole readiness program, which includes assessing things, testing and rectifying and the contingency planning in Queensland, we think it is a ballpark figure in the \$60m to \$80m area by the time we are done.

The CHAIRMAN: Year 2000 performance measures have been included in the employment contracts of chief executive officers in public sector budget agencies. Have similar measures been considered or adopted in the electricity industry?

Mr Jardine: I am not aware of what each individual corporation has done. That would be a decision for each individual corporation to build into their remuneration and performance measures.

The CHAIRMAN: So you would have no idea?

Mr Jardine: I have no idea what is happening in other corporations.

The CHAIRMAN: What is happening in Powerlink?

Mr Jardine: In Powerlink, there are performance targets which include year 2000 readiness.

The CHAIRMAN: Mr Grice?

Mr GRICE: I just smile at the fact that there are confidential performance contracts with individual corporations on the one hand but there is no—

The CHAIRMAN: Information sharing on everything else.

Mr GRICE: It is open slather.

The CHAIRMAN: Mr Jardine, that concludes this hearing. Thank you very much for your time today. The Committee appreciates your assistance that you have provided in examining this matter. Thank you very much.

Mr Jardine: Thank you.

The Committee adjourned at 4.18 p.m.