

Chairman; Mr Dave Kelly; Ms Mia Davies; Mr Vincent Catania; Mr Chris Tallentire; Mr Peter Tinley; Mr Shane Love; Mr Mick Murray; Mr Ian Blayney

Water Corporation —

Ms W.M. Duncan, Chairman.

Ms M.J. Davies, Minister for Water.

Mr P.D. Moore, Acting Chief Executive Officer.

Mr R.M. Hughes, Chief Financial Officer.

Mr A.I. Vincent, General Manager, Planning and Capability Group.

Mrs A. McAllister, Senior Policy Adviser, Office of the Minister for Water; Forestry.

The CHAIRMAN: This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information she agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 30 May 2014. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I now ask the minister to introduce her advisers to the committee.

[Witnesses introduced.]

The CHAIRMAN: Are there any questions? The member for Bassendean has the call.

Mr D.J. KELLY: Has the Water Corporation done any assessment of the positives and negatives of the privatisation of either the desalination plants or the wastewater treatment plants; and, if so, what has that assessment shown?

Ms M.J. DAVIES: Can the member indicate to where he is referring in the budget papers? I need a page number.

Mr D.J. KELLY: Clearly, in respect of the asset investment program, there are a number of places where —

The CHAIRMAN: Member for Bassendean, under the requirements that I read out earlier, we ask that members preface their questions with a page number and line item if they can.

Mr D.J. KELLY: I am sorry; it is the table titled "Works in Progress" on page 786 of budget paper No 2; in particular, the line items "Southern Seawater Desalination Plan Stage 2 Expansion" and "Metropolitan Wastewater". Has the Water Corporation done any assessment of the pros and cons of privatisation of any of those wastewater treatment plant assets or desalination plant assets? If so, what has that assessment shown?

Ms M.J. DAVIES: I understand the premise of the member's question to be whether or not there has been any work done on asset sales because there has been some discussion in the budget and the Premier has indicated that there has been work done. Certainly, we have been working through some of the assets. The corporation has looked at a number of its assets and part of the program. The report is with the Premier at the moment and that is a decision made at that level. Yes, there has been some work done but I am not privy to the outcomes of the reports. That is a decision for the Premier.

Mr D.J. KELLY: I would think that being the minister she would in fact have seen the work that the Water Corporation did on this. Has the Water Corporation not provided any of that information to the minister?

Ms M.J. DAVIES: Member, some work has been done about asset sales. That information has been done; there has been a broad across-government look at a number of assets and the Premier has been quite upfront about that. That information has been provided at request and the work has been done. Yes, I am aware that the work has been done but I have not seen the detail of that work.

Mr D.J. KELLY: What does the detail that the minister has seen show?

Ms M.J. DAVIES: I have not seen the detail of the work, member. The work has been done. Announcements about asset sales will be made in the coming months. I think the Premier has been very clear about that.

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Mr D.J. KELLY: I am sure that the Water Corporation has done modelling on whether or not the sale of any of those assets would have any impact on prices charged to both individual customers or to businesses. Can the minister tell us what impact the Water Corporation thinks the sale of either of those two classes of assets will have on prices to customers?

Ms M.J. DAVIES: Until released by the Premier, all information is, in fact, cabinet-in-confidence, so I cannot provide the member with the detail.

Mr V.A. CATANIA: I refer to “Expenditure in the Regions” under “Asset Investment Program” on page 785 of budget paper No 2. I notice that there is \$170 million allocated to be spent in 2014–15 in the north west of this state, which, as has parts of my electorate of North West Central, had huge investment through the royalties for regions program and developing Pilbara Cities. Minister, I would like to know exactly how the Water Corporation is marrying up with the development that is occurring in the north west such as Pilbara Cities. What support role is the Water Corporation actually providing?

Ms M.J. DAVIES: I clarify that the member is talking about the investment in the north west and how the Water Corporation is supporting the development of the north west.

Mr V.A. CATANIA: That is it.

Ms M.J. DAVIES: This Liberal–National government has had a very strong focus on regional development. Providing adequate water and wastewater services has been very important to this development. In the Pilbara, through royalties for regions and the Pilbara Cities program, we are growing Karratha and Port Hedland into communities of up to 50 000 people and in order to support this vision, the Water Corporation is investing \$3.5 million to upgrade the Yule River borefield. It will increase the borefield capacity from eight billion litres a year to 10.5 billion litres. Two new production bores will be constructed and 27 kilometres of water main will be built to increase the reliability of water supply to Port Hedland.

There is also investment in the Karratha wastewater treatment plant with \$600 000 allocated in the 2014–15 state budget. This upgrade is necessary to cope with increased wastewater as a result of the very rapid growth in that part of the world—as I am sure the member is aware—as well as the development of the region. The upgraded plant will treat about 10 million litres of wastewater every day and it will include 6 million litres a day of wastewater recycling facility. It will also provide irrigation water for the town’s sports and recreation facilities, which is further securing the town’s water supply.

One million dollars has been allocated in the budget for the relocation to South Hedland of the Port Hedland wastewater treatment plant. Redirecting wastewater to South Hedland will enable us to close the Port Hedland plant, which will free up real estate for development. The member can see that there is quite a considerable amount going on. As part of the relocation we are building a pipeline to carry the treated wastewater back into Port Hedland and the recycling will free up some of the potable water supply, which, obviously, is important in a town like Hedland with its very high demand for water. In the member for North West Central’s electorate we are upgrading the water storage and distribution in Onslow with a \$14 million allocation this year.

Mr C.J. TALLENTIRE: I thank the minister for that response. I am interested to know the cost per kilolitre of those Pilbara water supply initiatives.

Ms M.J. DAVIES: Okay; I will probably have to take that on notice, member.

Mr C.J. TALLENTIRE: Can we detail it out with each of their supplies so we can make a comparison of the cost of delivering a kilolitre across the state?

Ms M.J. DAVIES: The cost per kilolitre of water for each of the schemes within the Pilbara Cities project.

Mr C.J. TALLENTIRE: That is right.

The CHAIRMAN: Are we clear that the minister is providing that information as supplementary information?

Ms M.J. DAVIES: Yes, we are.

[*Supplementary Information No B48.*]

The CHAIRMAN: Does the member have a further question on this?

Mr D.J. KELLY: No, not on this issue.

The CHAIRMAN: The member for Bassendean is next.

[7.10 pm]

Mr D.J. KELLY: Thank you very much. Minister, further to the question that I asked about the potential sale of assets, the announcement by the Premier of a policy decision of government that these types of assets might be

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considered for sale was made in the second half of last year. Can the minister tell me whether the Water Corporation had done any work around the potential benefits or pitfalls of the sale of these types of assets prior to the Premier making that announcement; and, if so, could the minister share that information with the committee, given that if that work was done prior to that announcement, it could not possibly be considered to be cabinet-in-confidence?

Ms M.J. DAVIES: I have already advised the member that the information relating to this issue will be cabinet-in-confidence, and the work that has been done in relation to this forms part of what will be a future cabinet decision. So, for that reason, I am not willing to provide those details.

Mr D.J. KELLY: I just do not understand, if the policy of the government to consider these assets for sale only changed in the second half of last year, and if the Water Corporation had done work around this issue, for example, two years ago, how that work could possibly be considered to be cabinet-in-confidence if it was done at a time when cabinet was not even considering this issue. The Premier basically said that he wants to have a conversation with the public about the potential sale of these assets. It seems to me at the moment that the minister is preventing us having a conversation because she is not releasing any information.

Ms M.J. DAVIES: The Premier has not released any information, and any information that has been provided to assist government to make a decision around asset sales will be part of the decision that is cabinet-in-confidence. So, that information is feeding into a decision that may or may not be made by cabinet —

Mr D.J. KELLY: Even if it predates the policy decision?

The CHAIRMAN: Order! The minister.

Ms M.J. DAVIES: — and, for that reason, in my view it is cabinet-in-confidence and I am not prepared to provide the information.

Mr P.C. TINLEY: Further on that, in that case, has the minister's department provided any information to Treasury in relation to the potential forward booking of asset sales, and their value?

Ms M.J. DAVIES: Can the member clarify what he is referring to?

Mr P.C. TINLEY: I am referring again to capital works.

The CHAIRMAN: Is this a further question following on from the member for Bassendean?

Mr P.C. TINLEY: Yes, it is a follow-on question, under the asset investment program. I will repeat my question for the minister. Has the minister's department, or her office, provided information to Treasury for the purpose of the booking of further asset sales, and their value?

Ms M.J. DAVIES: Member, I do not see that as a different question from the question that the member's colleague asked previously. All the information that relates to potential asset sales will be considered as part of a cabinet decision, and therefore it is cabinet-in-confidence and I am not prepared to provide that information this evening.

Mr P.C. TINLEY: The minister said she had no knowledge, yet now she is saying she does have information. I refer the minister to her first answer to the member for Bassendean, when she said she did not have any of the details, she was not involved, and it is up to the Premier. Those were the minister's words. Is the minister telling me now that she does know the detail or she does not know the detail?

Ms M.J. DAVIES: Just to clarify for the member and his colleague, I have said that any information that is used to make a decision by cabinet is cabinet-in-confidence. The Premier and the cabinet have yet to consider this matter; therefore, I am not prepared to provide that information.

The CHAIRMAN: Does the member for Willagee have a separate question?

Mr P.C. TINLEY: Yes. I refer to page 786 and the heading "Funded By", which relates to the asset investment program. The last line under that heading is drawdowns from the royalties for regions fund, with an estimated expenditure of \$109 million. That figure is booked. But why is there no further estimated expenditure from drawdowns from the royalties for regions fund in the out years?

Ms M.J. DAVIES: The royalties for regions funding allocation for 2013–14 is \$109.332 million, comprising \$104.442 million for Pilbara essential services, and \$4.890 million for regions infill sewerage, Hyden. Further detail of the individual funded projects is as follows. The first is water source upgrades—upgrade to water production and transfer rate from Yule borefield by four billion litres per annum. The second is South Hedland wastewater scheme upgrades—upgrade of South Hedland wastewater treatment plant, disposal expansion, and upgrade to South Hedland wastewater pump station No 1 in Hamilton Road. The third is Karratha wastewater scheme upgrades—treatment capacity at wastewater treatment plant No 1 to 10 million litres a day is complete,

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and Searipple Road wastewater pump station and Balmoral Road wastewater pump station in Karratha is complete. The fourth is Onslow water scheme upgrades—water supply production, transfer and distribution capacity from the Cane River borefield increased. The fifth is regional infill sewerage at Hyden, which is in my electorate—linking of existing septic tanks of 128 lots in Hyden to effluent disposal ponds.

Mr P.C. TINLEY: With respect, minister, I did not ask what the \$109 million was allocated against. I asked a question about the out years and why there is no allocation on the drawdown.

Ms M.J. DAVIES: Because they are all completed, member.

Mr P.C. TINLEY: So is the minister saying to me that the drawdown from the royalties for regions fund in 2016–17 is zero?

Ms M.J. DAVIES: I can check that with my advisers, but those projects that those numbers refer to have come to an end; they are completed.

Mr P.C. TINLEY: So there will be no further spend from royalties for regions in the out years—in the next four years? The minister might want to get some advice.

The CHAIRMAN: Can the minister nominate her adviser, please.

Ms M.J. DAVIES: Sorry. Peter Moore.

Mr P.D. Moore: The \$109.332 million is a royalties for regions allocation for 2013–14 only. For the subsequent years, as far as the Water Corporation would be concerned, if there were projects to be funded out of royalties for regions, we would have to make a request for those funds—seeking for that allocation to be put in the budget. No requests are being made in the out years at this point in time.

Mr P.C. TINLEY: Does the minister not find it interesting that her department and the corporation itself have made no requests for a drawdown from a fund that the minister and her party have made a centrepiece of their participation in the government? Who is asleep at the wheel here? Why is the Water Corporation not spending royalties for regions funding in 2016–17? Surely the size and nature of these projects is so large that if we have not booked these projects for next year or even allocated them in the budget, there is some seriously dodgy accounting going on.

Ms M.J. DAVIES: Member, I reject the dodgy —

Mr P.C. TINLEY: Then please answer the question for me.

Ms M.J. DAVIES: I guess the member understands the way that royalties for regions works, in that they have to develop business cases. The business cases go through the Department of Regional Development, and this is done in consultation with the Minister for Regional Development. So, as projects come to fruition, we account for the funding. Mr Moore, would you like to add to that?

Mr P.D. Moore: Thank you, minister. The Water Corporation and its funding is not generally covered under royalties for regions, and that has been made clear from the start of the program. The funding for last year was a specific set of funding associated with Pilbara Cities. Beyond that, if we look at previous records, there is maybe \$3 million to \$5 million a year for some specific activity that is associated with the principles of royalties for regions. Our funding is provided under our borrowing scheme to fund water services and we do not generally access royalties for regions.

Mr P.C. TINLEY: Thank you. Good answer.

Mr R.S. LOVE: I refer to budget paper No 2, page 786, the heading “Works in Progress” and the line items under the subheading “Country Water”. I know that a lot of work has been done to secure Perth’s water suppliers, but could the minister explain how the Liberal–National government is continuing to secure water sources for the regional areas of the state?

Ms M.J. DAVIES: Thank you, member for Moore. In 2014–15 the Liberal–National government will be spending \$350 million through the Water Corporation on regional water and wastewater infrastructure, which will ensure that we provide the necessary services to support the growth of the state. That includes upgrading the goldfields and agricultural water supply scheme to make sure there is extra capacity to meet future demands. We are also undertaking work on Logue Brook Dam, including constructing a new spillway, and undertaking some work on the Denmark dam to secure water supply for that region. In Broome, we are drilling new production bores to increase the amount of water we can supply, and in the Warren–Blackwood area we are linking the town of Greenbushes to Millstream Dam. The dam has recently been upgraded and the project forms part of the plan to meet the long-term water supply needs of Boyup Brook, Hester, Greenbushes, Balingup, Myalup, Kirup, Bridgetown and Manjimup. We are also upgrading the Plantagenet main and pump station, which will increase

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the amount of water that can be delivered from Albany to Mt Barker. Across the state there is significant investment in infrastructure, particularly tanks, to make sure that we can store the water we need.

[7.20 pm]

Mr C.J. TALLENTIRE: On a point of order, what the minister is saying is very interesting, but I note that we are on the Water Corporation division, and I do not think that the projects that the minister is referring to are Water Corporation projects.

Ms M.J. DAVIES: No; they are absolutely. We are building new tank infrastructure. Wundowie, Gnowangerup and Denham are scheduled to have tanks upgraded or replaced this year. We are spending \$350 million this financial year on regional water and wastewater services. I thank the member for the question.

Mr R.S. LOVE: The minister mentioned wastewater. I see that there is an allocation for Toodyay in the budget, which is good to see as it is in my electorate. Perhaps the minister could explain what that is for.

Ms M.J. DAVIES: I will defer to Mr Vincent for the particular project.

Mr A.I. Vincent: We have allocated \$3 million to an upgrade of the Toodyay wastewater treatment plant, primarily to upgrade the effluent disposal system and some inlet works at that plant to service the growth requirements and the ongoing treatment and management of wastewater in Toodyay.

Mr D.J. KELLY: Further to the question that I asked about the potential sale of assets, I understand that the minister is not prepared to give us any information about the basis of that decision. Is she at least prepared to give the public of Western Australia a guarantee that the government will not proceed with those sales unless it guarantees that there will not be an increase in costs to customers?

Ms M.J. DAVIES: As the Premier has outlined in Parliament, future asset sales will be considered by cabinet in the coming months. I do not have a time line for that, but all the detail that has been provided will be considered and the outcome will be a benefit for the state.

Mr D.J. KELLY: With respect, I did not ask the minister about the work that has been done or the time lines; I simply asked whether the government is prepared to give a guarantee that it will not go ahead with asset sales if it will result in higher costs to customers.

Ms M.J. DAVIES: This government is charged with making decisions in the best interests of everyone in Western Australia, and I am sure that we will apply that to the decision if and when it comes.

Mr D.J. KELLY: Given that the government has already increased water prices to Water Corporation customers by 90 per cent, I would have thought that in the best interests of the customers of Western Australia it could at least give a guarantee that it will not sell some of these assets if it will result in higher costs. Is the government not at least prepared to give that guarantee to the public of Western Australia?

Ms M.J. DAVIES: I am prepared to give the member a guarantee that the decisions of this government will be made in the best interests of all Western Australians. When the time comes to make that decision, we will apply the same rigour to it as we apply to all the other decisions that we make. We are governing in the best interests of Western Australians.

Mr D.J. KELLY: Given that the stated purpose of the potential sale of the wastewater treatment plants or the desalination plants is to reduce state debt, would those two classes of assets be treated in a different way from an accounting point of view vis-a-vis state debt, and can the minister tell us what they are and whether that would be a consideration in determining whether or not a sale takes place?

Ms M.J. DAVIES: The member is asking me to hypothecate about a decision that has not yet been made by government. Those decisions will be made by government in the future. The member is asking me for a comment.

Mr D.J. KELLY: No, I am not.

The CHAIRMAN: I think we have got to the end of the road on this, so I give the call to the member for Gosnells.

Mr C.J. TALLENTIRE: I refer to the asset investment program outlined on page 785 of the *Budget Statements*. In last year's estimates hearing, the then minister was asked how much money had been allocated to address the problems identified with burst water mains in the CBD. The response was that the investigations were not complete and further investigations were needed. The then minister gave an undertaking at that time to make public the investment made in response to the problems in the CBD. Can the minister now advise where in the asset investment program there is an allocation to address the CBD situation and can she advise how much it is?

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Ms M.J. DAVIES: I thank the member for the question. I recall that during last year's estimates hearing, there was quite some discussion in and around pipe repairs. There had been some significant bursts in Wellington Street and I remember that there were questions about the amount of money that had been assigned for the repairs. At that stage investigations were underway, and I think the minister reported back to the house in subsequent weeks and months on the progress that had been made on defining the issue. We have a program to repair, maintain and replace all the infrastructure. Over the next four years, approximately \$450 million has been allocated to the Water Corporation's asset renewal program. In 2014–15, \$110 million has been allocated to the program. We have increased the investment in water pipe replacement from \$9 million in 2009 to \$44 million in each year. In 2014–15, the planned spend is \$4.9 million and it increases to \$7 million in 2015–16, but perhaps Mr Vincent could provide some further advice on that specific issue.

Mr A.I. Vincent: The allocation in 2014–15 for the renewal of assets across the state is \$110 million. That includes the \$44 million that the minister referred to for pipe or mains renewals. Included within that is an allocation of \$4.9 million for the CBD, which I think was the original question, and that will amount to about \$26 million for the CBD across the four years of the forward estimates period.

Mr C.J. TALLENTIRE: Thank you for those responses. Is \$4.9 million the amount that has been allocated so far to burst pipe repair in the CBD?

Ms M.J. DAVIES: Mr Vincent.

Mr A.I. Vincent: The allocation for 2014–15 is \$4.9 million. I do not have the figures immediately at hand for the current spending in this financial year, but certainly the allocation for 2014–15 is \$4.9 million at this stage.

Mr C.J. TALLENTIRE: I understand that 11 kilometres of pipeline was identified as needing repair, so can the minister give us a figure on how much was applied to repair that 11 kilometres of pipeline.

Ms M.J. DAVIES: The information I have is that \$26 million will be applied specifically in the CBD over the forward estimates.

Mr V.A. CATANIA: I refer to page 786 of budget paper No 2. There are two storage tanks in Onslow that are quite critical with the growth that is occurring from the development of Wheatstone and other major projects in the small town of Onslow. How will the Onslow storage and distribution upgrade affect the water supply for the town of Onslow, noting that it is growing at a rapid rate? There will also be replacement tanks in Denham. It is critical to change the tanks or upgrade the infrastructure, which has obviously been neglected for a very long time. I want to know how that work will benefit the town and provide the security that is needed for the growth that is occurring.

[7.30 pm]

Ms M.J. DAVIES: Thank you member. The member and I visited Onslow not too long ago. There is certainly a great deal happening up there. We need to make sure we have appropriate water resources for the very rapid growth we are seeing in that part of the world. In 2014–15 the budget allocation is for \$14 million to upgrade the water storage and distribution for Onslow. We are constructing a two million litre ground-level tank with an inlet and outlet main and we are increasing the distribution capacity from 1.2 million litres a day to 1.9 million litres a day. That is demand due, basically, to what is happening off the back of the Gorgon gas project. Onslow does not have enough storage capacity to satisfy scheme requirements for emergency storage as per the criteria for our drinking water supply, so in Onslow the Water Corporation is partnering with Chevron to augment the town water supply through a desalination plant. There is quite a lot happening in that space to make sure that we do not inhibit the growth coming off the back of quite a significant state project. In Denham there is an allocation of \$4.5 million for an elevated tank. Essentially, they are in poor condition and need replacement. It is part of our ongoing asset investment program.

Mr M.P. MURRAY: I refer to the fourth paragraph under the heading "Expenditure in the Regions" on page 785 about the provision of \$60 million allocated to the south west. The minister may be aware of the growth around Bunbury, although the budget papers do not seem to reflect that. She may be aware that a small town such as Dardanup is in desperate need of a sewerage pumping station. The current station has run to its limit. I believe it has been on the agenda, but as hard as I look through the budget papers I cannot see any money allocated to it. Can the minister explain where it may be or why it is not there?

Ms M.J. DAVIES: It will be one of the aggregate numbers on page 786. I can certainly find out for the member where it is in the asset investment program. We might need to take that on notice. It will be identified if it is part of the asset investment program, and I do not have the full list in front of me. It will be in one of the aggregates on page 786.

The CHAIRMAN: We will provide supplementary information. Can the minister define what she will provide?

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Mr M.P. MURRAY: I would like the programming for the wastewater system for the Dardanup town site.

Ms M.J. DAVIES: I will undertake to provide programming information for the wastewater system in Dardanup.

[Supplementary Information No B49.]

Mr P.C. TINLEY: In its recent report the Economic Regulation Authority expressed the view that the wastewater charges are approximately 20 per cent higher than they should be due in part to taking a higher rate of return on its assets than it should as a government-owned entity. Does the minister continue to reject the assessment of the ERA? Would the government expect any private operator of the wastewater treatment plants to expect a higher or lower rate of return on these assets?

Ms M.J. DAVIES: Where is the member referring to?

Mr P.C. TINLEY: The asset investment program on page 786.

Ms M.J. DAVIES: Sorry; I am not being difficult; I cannot hear.

Mr P.C. TINLEY: I am referring to the asset investment program on page 786 for want of having a budgetary item. The question was in relation to charges that accrue from the ERA report. Does the minister want me to repeat it?

Ms M.J. DAVIES: Yes, please.

Mr P.C. TINLEY: In its recent report the Economic Regulation Authority expressed the view that the wastewater charges are approximately 20 per cent higher than they should be due in part to taking a higher rate of return on its assets than it should as a government-owned entity. That is the ERA's statement in its own report. I am sure the minister is familiar with it. Does the minister continue to reject the assessment of the ERA? Would the government expect any private operator of the wastewater treatment plants to expect a higher or lower rate of return on those assets?

Ms M.J. DAVIES: I can answer the first part of the question. A question about any private operator is again a hypothetical in my view. We have invested very heavily in water and wastewater infrastructure in the state over the past five years—\$3.5 billion over the forward estimates in further investments in the wastewater area. We have increased charges. I assume the member is referring to the tariff increases across the board. They are to reflect the fact that it is expensive to deliver services in such an enormous network of more than one million properties connected to the Water Corporation network. We make significant upgrades to maintain those services to a reasonable level—in fact, a very good level. We have had incredible population growth in the state and I think, from that perspective, being able to maintain this very vast network, the charges reflected in the budget papers are a good cost signal to our consumers that it is an expensive business. In my view, perhaps not with wastewater but certainly with water services in previous years under the previous Labor government, it was indicated, by I think Treasurer Ripper at that stage, that we needed a stronger cost signal between the cost of delivering services in this state particularly.

Mr P.C. TINLEY: With respect, minister. Thank you. Do I take it from what the minister is saying that she rejects the ERA's finding that the charges on wastewater are 20 per cent higher than they should be?

Ms M.J. DAVIES: The ERA made a recommendation and we took a different view.

Mr D.J. KELLY: The government asked the ERA to review the tariffs that the Water Corporation and others impose. It was very clear that customers are being overcharged by approximately 20 per cent for wastewater treatment services and that is in large part due to the fact that the Water Corporation takes a higher rate of return on its assets than the ERA believes it should as a government-owned entity. That was a very clear statement. In an environment in which the government is hitting people with significant charges, for the government to continue to ignore that cannot give customers confidence that it has their best interests at heart rather than ensuring the Water Corporation —

The CHAIRMAN: Do you have a question, member for Bassendean?

Mr D.J. KELLY: How can the minister possibly continue to reject that recommendation in an environment in which the government is putting up charges quite significantly?

Ms M.J. DAVIES: When we set fees and charges we have to strike a balance between limiting the impact on households and ensuring we manage the cost of delivering these services. I have just explained that we have invested very heavily into wastewater and water infrastructure over the past four years. We will continue to make those investments. It is a massive network. The ERA has made a recommendation and the government has

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taken a different view. We always seek to strike a balance between limiting the impact on households and making sure we have appropriate resources to deliver the services we are required to.

Mr I.C. BLAYNEY: Under the heading “Expenditure in the Regions” on page 785 of budget paper No 2 it states —

A total of \$35 million will be spent in the Mid West in 2014–15, including \$5 million in Geraldton to boost water supply capacity to both Nanson Road tank and Hall Road tank to meet future increased demand.

Can the minister outline that and perhaps the other projects that make up the \$35 million, please?

Ms M.J. DAVIES: I have some information on the Geraldton elevated tank water distribution. There is \$5 million in the budget for 2014–15. That will increase the water distribution between tanks in Geraldton and we will construct a seven-kilometre dedicated transfer main to boost the water supply capacity from the Nanson Road tank and the Hall Road tank required to meet the increased demand in the region. We are using a staged approach to expand the bore field that supplies the Geraldton regional water supply scheme to cater for future growth. There is quite significant activity going on in the member’s part of the state and we need to make sure we are not limiting that growth.

[7.40 pm]

Mr D.J. KELLY: I refer to the asset investment program and to the wastewater programs referred to on page 786. In September 2013, the Water Corporation published its “Statement of Corporate Intent”, which reads in part —

... the assets that comprise our various wastewater systems across the State have seen a gradual increase in their risk rating in recent years. This is as a result of growth in demand combined with lower than optimal levels of maintenance repair and replacement works across many schemes due to funding constraints.

This risk may manifest itself with more frequent overflows from wastewater ponds and sewer blockages and lower quality discharge from Wastewater Treatment Plants into sensitive marine areas.

What action did the minister take to address these warnings, and how has that been reflected in the asset investment program in the budget?

Ms M.J. DAVIES: The member would likely be aware, if he has read the statement of corporate intent, that we operate 34 000 kilometres of water mains, more than 15 000 kilometres of sewer mains, and 2 500 kilometres of drains across 2.5 million square kilometres, so it is quite a feat to manage a network of that degree. We have a very rigorous and comprehensive program to maintain, repair and replace all this infrastructure. Over the past four years we have invested more than \$4 billion, and over the forward estimates we are investing \$3.5 billion into upgrading wastewater services and water sources. We have increased the investment in some of the pipes. I can say, having worked through and alongside the Water Corporation executive team and board, that they have a very rigorous prioritisation program that manages the risk, essentially, to that network. I might ask whether Mr Peter Moore would like to make a comment.

Mr P.D. Moore: Part of the paragraphs in the statement of corporate intent relate to the fact that in recent years a lot of our investment has been going into securing Perth’s water supply by way of constructing the desalination plants and other assets to ensure that we do not suffer the consequences of a changing climate. There has been a deliberate movement of funds to achieve that, and in the next five years we will be focusing more on upgrading our wastewater treatment plants and infrastructure as a result of that delay in expenditure over the last period of years while we were spending the money on the desal plants.

Mr D.J. KELLY: My understanding is that a similar comment was made in the statement of corporate intent in 2012. So, notwithstanding what the minister has said, the Water Corporation itself is saying that it has these concerns. From the answer to that question, is the minister saying that that concern will disappear from the Water Corp next year or the year after?

Ms M.J. DAVIES: I have explained that there is quite a rigorous risk prioritisation program for the infrastructure. I just point out that the Water Corporation operates within the terms of its operating licence, so the concerns of the member and the identification of risk in the statement of corporate intent are the Water Corporation identifying that it is a potential risk but that it operates within its operating licence. We are investing a considerable amount going forward to try to address this, as Mr Moore has just indicated to the member.

Mr D.J. KELLY: I appreciate what the minister says about the Water Corporation operating within its licence. However, the language used in the statement of corporate intent is pretty strong; the minister would have to

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admit that it is pretty strong. Is the minister prepared to give an assurance that the concern that the Water Corporation is raising, and has raised in at least the last two statements of corporate intent, will disappear in the coming years—in a very short period?

Ms M.J. DAVIES: I have given the member an indication that significant investment has been directed towards improving our wastewater services over the forward estimates. I reiterate that we operate within our operating licence. The Water Corporation has a very strong risk mitigation prioritisation for investment into its infrastructure. I agree with the member that some very strong statements are in the statement of corporate intent, but it is from an engineering point of view, and the Water Corporation is looking at it through a prism of risk management. Therefore, the Water Corporation feels—Mr Moore can probably comment on this further—that it has started to address some of that by putting in further funds. I will defer to Mr Moore, but I would not expect that we would be able to say that that risk will disappear overnight. It is a big system.

Mr P.D. Moore: I think it is fair to say, certainly with some of the investment in Pilbara Cities and some of the issues with wastewater in that zone, that the significant expenditure that has gone on in Karratha and Port Hedland in the last year or so has certainly addressed what were some fairly significant issues with the wastewater capacity in both those towns. The new treatment plants have more than doubled the capacity and will provide expansion opportunities for years to come. We are starting, as the minister said, to focus some investment in upgrades in the metropolitan wastewater treatment plants. Upgrade works are to be done at Woodman Point and at some of the other plants progressively over the forward estimates period. The same thing applies in the rest of our wastewater system. We have undertaken a very rigorous risk review of how we will look at our pumping stations to ensure that they do not fail and cause any impact to the environment, and we are putting in place the investment to ensure that happens. As the minister said, it is not going to happen overnight; it will probably take the forward estimates period to do a lot of the work, but we are progressively addressing the higher risk areas, and I think the sort of statements that the member has seen in the SCIs for the last couple of years will start to disappear as we address the situation.

Mr C.J. TALLENTIRE: I refer again to page 785 and, in the second paragraph, to the \$110 million that is to be spent on the asset renewal projects. I refer to the Auditor General's report that came down in February about the 43 gigalitres of water that had leaked out and been wasted across the WA supply scheme area in 2012–13. I am keen to know how the minister is progressing with implementing the recommendations of the Auditor General's report. There were five key recommendations. How many of these recommendations will be fully implemented by the end of 2014, as recommended by the Auditor General?

Ms M.J. DAVIES: I will refer this question to Mr Moore.

Mr P.D. Moore: I do not think we can provide that information directly. At the moment, I do not have the five recommendations in front of me. We are addressing them, although I could not quote them to the member.

Mr C.J. TALLENTIRE: I can read them out if Mr Moore would like me to.

Mr P.D. Moore: If the member chooses.

Mr C.J. TALLENTIRE: The first recommendation is —

include undetected leakage from pipes as a factor in its pipe replacement planning and investment decisions

The second recommendation is —

take a risk based approach to ensure pipe references to original construction drawings and survey field books are contained in its spatial information system

The third recommendation is —

review how information on leaks and bursts and from its leak detection program could be better linked across its IT systems

The fourth recommendation is —

make gathering information about the location of leaks and bursts mandatory and regularly check to see that it is being gathered

Finally, the fifth recommendation is —

review how information and learning about larger incidents of leaks and bursts could be better captured and disseminated to ensure lessons are learnt and resulting actions are followed up.

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Ms M.J. DAVIES: Perhaps I can answer that question. We always welcome the interest of the Auditor General. Obviously, it is in our best interests to make sure that we are operating in a transparent manner. I met with the Water Corporation very recently after the report was handed down, and we accepted that the Auditor General's recommendation around including undetected leakage as part of the asset replacement process was something that we would investigate. It is on the agenda for me every time I meet with the corporation to provide an update on where we are at with meeting some of the recommendations. We are working our way through them. In a general sense, the Auditor General noted in that report that we had a pretty good track record, despite the fact that we had had some fairly high-profile bursts. Again, I go back to my earlier comments. We are making quite a significant investment in our assets over the coming forward estimates.

One of the other things referred to by the Auditor General that has already been done was the move away from a repair-when-it-is-broken approach to maintenance and replacement to a risk-based assessment approach, and the Auditor General acknowledged that that was a good decision. We are already starting to address some things, but I guess we are still working through some of those recommendations. It is really important to note, as the member would be aware, that there is water loss in all schemes, but I think it is unacceptable from a community point of view if we do not try to work towards minimising that, especially while we are asking people to save water.

[7.50 pm]

Mr C.J. TALLENTIRE: Which of the recommendations does the minister expect to be fully implemented by the end of 2014?

Ms M.J. DAVIES: Member, we are working through them, and some will take some considerable time. I have already said in the house this evening that the network is extensive; some of the issues we are dealing with are in the goldfields and agricultural sections of the country network. There is some incredibly old infrastructure there, and leaks out there can go undetected for some time. Work is being done to try to detect them, and we have applied funds over the forward estimates to try to better mitigate leaks in that part of the network because that is where there are a considerable number.

Mr V.A. CATANIA: The member for Gosnells just asked the start of my question. I refer to "Expenditure in the Regions" on page 785 of the *Budget Statements*, which reads —

In the Goldfields and Agricultural region, \$30 million will be spent in 2014–15 ...

I would like to know a little more about where and on what that \$30 million will be spent, if the minister has the information. As the minister knows, the agricultural region plays a major role, and it is very dear to the minister's heart, being the member for Central Wheatbelt.

Ms M.J. DAVIES: I can give the member some examples of the investments shown in the budget forward estimates. There is the Wundowie high-level tank and pipework that we have talked about, and also we are duplicating the goldfields and agricultural line pipe. There is \$3 million for a duplicate water main in the goldfields and agricultural region, and we are constructing an alternative five-kilometre water main as part of an emergency management plan for pressure main failures. This will ensure a sustainable water supply to a number of towns and a large pastoral catchment. As I mentioned in my previous answer, this part of the network does not have a large population around it and there are areas where leaks can go undetected; this is some of the work that the corporation is doing to try to reduce and mitigate some of those risks. After conversations with the executive and the board, it seems that the network has been added to over many years, making it difficult to assess some of the risks in that space. That is why a considerable amount of funding will go into regional asset renewal over the forward estimates, and it will be very much welcomed, I am sure, in my part of the world. The other one is the Wundowie high-level tank and pipework, and we are upgrading the tank and pump station in Wundowie, which will cost around \$3 million.

Mr D.J. KELLY: I refer again to "Asset Investment Program" on page 785 of the *Budget Statements*. How much funding is in the asset investment program, if any, to accommodate the Water Corporation's program to reduce pipe pressure in the metropolitan area? In addition, what possible negative impacts could that program have on customers? A potential impact that has been raised with me is on people who incur a cost because they need to reset, for example, sprinkler systems. I have also had raised with me that there may be implications for businesses with regard to emergency services on a site. If there are additional costs to consumers, either private or business, will the corporation meet any of those costs?

Ms M.J. DAVIES: This, again, is one of a suite of programs that the Water Corporation is introducing to try to manage some of those leaks and bursts. It is an internationally accepted way of managing and maintaining a network, and \$120 million will go into rolling out the technology across the state. It is a 20-year program, so it is extensive in time and investment, and it will save 10 billion litres of water every year. The member would be

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aware that there was a trial in Rossmoyne, Shelley and Waterford between 2008 and 2010, and some of the issues the member raised were concerns raised by those residents at the time around the implications for reticulation and irrigation systems. One of the results of the trial, which was very successful in managing some of the leaks, bursts and water losses in that area, was us working very closely with irrigation specialists to make sure that when the program is rolled out, we reduce the pressure to a level that should still allow an irrigation system to work efficiently. Part of the consultation over the next six months with the residents of Beckenham, where we are starting the pressure management program, will be that if there are customer concerns when it gets introduced, the Water Corporation will go out free of charge and work with them to try to assess the issue and settle the problem. But we are told that if we bring the pressure down to 35 metre head—almost double the minimum of our operating licence—properly installed irrigation systems should operate perfectly well. I think the member mentioned something about customers who required —

Mr D.J. KELLY: Fire and emergency.

Ms M.J. DAVIES: I might need to get someone to provide a comment on that one. In my view the pressure management story is a good one. It will save considerable water for the community and reduce the number of supply interruptions because there will be fewer leaks and bursts in pipes. We have done an enormous amount of work to try to get the settings right so that there will be minimal disruption to the customer. The customers will not see a reduction in their pressure overnight; it will be done incrementally so that we do not see any challenges within the house and outside the household. Would Mr Moore like to comment on the fire and emergency services?

Mr P.D. Moore: The pressure it will come down to, again, should not impact on any of the existing fire services in the buildings; they should be all rated for that. Nevertheless, as the minister has said, we will consult with the customers. In the first area we are undertaking, I think no businesses have that fire service impact—I am not entirely sure that there are none. The reason it is taking so long to roll this program out is the amount of consultation we want to do with customers. It probably also should be said that in reducing the pressure, we do not just reduce the pressure at the input point; it is reducing the pressure in the area with flow-modulating valves so that the minimum pressure that anybody gets is 35 metres. We do not just turn it down to 35 metres at an inlet point; anybody in the area gets at least 35 metres. It is very efficient, as the minister said. Ultimately, yes, a lot of work has to be done with the customers to ensure that we can do it with minimum disruption to them. I have to say that when we did the trial areas they came down from, I think, about 60 metres to, ultimately, about 35 metres, and there was quite a bit of concern about what the impact of that would be. The people in those areas are now living quite comfortably with 35 metres, and we certainly are not having any concerns from those customers now about that level or the impacts it is having on their sprinkler systems or otherwise.

Mr M.P. MURRAY: It seems to me that maybe people in country areas are more in front of the game than those in city areas. In one of my areas with low water pressure, a guy is digging a well so that he can have a shower because he would have to stand under it to get a couple of extra metres because the water pressure is that low. It has been wound back due to bursts. I suppose in the first instance, would we work out how the 35 metre —

[8.00 pm]

The CHAIRMAN: You have one minute, member for Collie–Preston, so put your question.

Mr M.P. MURRAY: How do we know it is 35 metres that has been put there? People are having to water on the wrong nights to get the sort of pressure to get their pop-ups to work. What checks and balances are being put into country areas to make sure that the water pressure is not below the required standard?

Ms M.J. DAVIES: Member, we are obviously not going to introduce pressure management in areas where there is already low water pressure. I am happy to take on notice or discuss the areas in your electorate—I assume that is what you are referring to—where there are concerns; clearly that is an issue in terms of our customer service and I would not like to think it was going unattended. I am very happy to have a further conversation with the member.

Mr M.P. MURRAY: I thank the minister; I will put a question on notice.

The CHAIRMAN: Thank you, members. That concludes consideration of the Water Corporation.