

Water Corporation —

Mr D.A.E. Scaife, Chair.

Mr D.J. Kelly, Minister for Water.

Mr D. Page, Chief Financial Officer.

Mrs K. Willis, General Manager, Customer and Community Group.

Mr L. Clarke, Chief of Staff, Minister for Water.

Ms A. Gismondi, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by close of business Friday, 3 June 2022. If a minister suggests that a matter be put on notice, members should use the online questions on notice system.

Are there any questions? The member for Cottesloe.

Dr D.J. HONEY: The Water Corporation website indicates that the Gngangara mound replenishment scheme phase 2 was due for completion earlier this year. Has that process been commissioned yet?

Mr D.J. KELLY: I am advised that work is still being done, not on the processing plant but on the injection bores themselves, so some work is still required before stage 2 can be commissioned.

Dr D.J. HONEY: Is there an estimated time line for when that work will be completed?

Mr D.J. KELLY: My advice is that diagnostic work, I suppose we would call it, is still being done on some of the issues relating to those bores, so there is not a firm time line to determine when they will be fully commissioned.

Dr D.J. HONEY: The minister has perhaps answered the question, but the figures in the table on page 825 show that 21 per cent of wastewater is recycled. Obviously, that phase 2 replenishment would be an increase of 12 per cent, but I see that the budget for 2022–23 is still that 21 per cent will be recycled. Does that mean the minister does not expect that system to be online this financial year; it will continue to be 21 per cent in the new financial year?

Mr D.J. KELLY: I am told that Mr Hambleton, the CEO, would be able to advise whether that target includes the additional 14 gegalitres, but he is not here because of illness. That is a statewide figure. The groundwater replenishment scheme will impact that figure by only one or two per cent. There are 100 wastewater re-use schemes around the state, and although the groundwater replenishment scheme would be the biggest, this is a whole-of-state figure; therefore, from a statewide perspective it will affect that by only one or two per cent.

Dr D.J. HONEY: Does the minister expect that when that scheme is implemented, we will see a recovery in the water levels in Gngangara mound?

Mr D.J. KELLY: My understanding of how that scheme works is that the water that is injected will enable an equal amount of water to be taken by the Water Corporation at a different site. It is a one-for-one project. In general terms, 28 gegalitres of recycled groundwater going in will not result in an increase in Gngangara water levels. Having said that, when that scheme was planned, the Water Corporation looked at whether there would be environmental benefits depending upon where the water was injected. My understanding is that the injection bore locations that were chosen are in areas in which there would be a benefit to local wetlands and the like. It will not result in 28 gegalitres more water in Gngangara mound, because it is a one-for-one scheme.

Dr D.J. HONEY: In November 2019, the government announced that maintenance activities for the Water Corporation would be insured and stated that this would result in maintenance cost savings. How many positions were insured, and does the minister have a system in place to measure maintenance cost savings?

[5.50 pm]

Mr D.J. KELLY: My advice is that about 400 positions were brought back in-house. Mr Hambleton would be able to give the member some more advice. Systems are in place to measure the cost of maintenance. In general terms, the advice I have received is that the insourcing of those services has gone according to plan and there have been no unexpected outcomes. If staff are the most valuable resource in an organisation, they will be very happy with

a decision to insource. For example, I met one staff member who had been at the Water Corporation for over 40 years. He started as a Water Corp employee. His job had been outsourced by the Court government. He had gone through a number of contractors and he said that throughout the whole time that he did basically the same job, he refused to wear the corporate colours of the contractors because he still felt like a Water Corp employee. Now that we had made the decision to insource his job, he said that he could proudly wear the Water Corp's colours and could now retire after 40-plus years feeling as though he was valued by the corporation. If you value anything, member for Cottesloe, you have to take into account the people you ask to work for you.

Dr D.J. HONEY: I think all organisations value their people, but it does not mean they all have to be in government. Minister, are there any metrics tracking the performance of maintenance costs? The contractor carrying out that maintenance work was on very strict KPIs and had to show a two per cent year-on-year cost saving as part of that contract. Does the minister have any metrics to show the efficiency or at least the cost of the maintenance activities; and, if so, can that information be provided, please?

Mr D.J. KELLY: I am advised that the Water Corporation keeps a close track on all its costs. I cannot give the member those costs; I do not have them available today. However, I would say in respect of the comment, which the member has made elsewhere, that the contractor must be doing a great job because they were required year on year to produce a two per cent efficiency dividend. The Water Corporation has a year-on-year efficiency dividend that it must deliver that is based on its business-as-usual level of activity. It is now 1.5 per cent, but I understand that that business efficiency dividend was brought in by Eric Ripper when he was Treasurer. Mr Page is saying that it was a bit before his time. I am happy to be corrected, but I understand that was an ongoing efficiency dividend the Water Corporation was required to deliver in lieu of open competition to keep the Water Corporation on its toes.

The member for Cottesloe said that the contractor that was replaced was doing such a great job because it had to deliver this efficiency dividend. That dividend was two per cent from the Water Corporation, so it was just an equivalent efficiency dividend that the Water Corporation itself had to comply with. That dividend figure has since been reduced to 1.5 per cent. The Water Corporation as a government entity does not get a free ride from Treasury. It has to constantly show that it is innovative and reducing its costs.

Dr D.J. HONEY: In relation to the asset investment program and the retained dividends, Water Corporation has now retained \$1.3 billion of earnings. Has any of that money been allocated to other activities; and, if so, what other activities has that money been allocated to?

Mr D.J. KELLY: It is specifically for the third desalination plant, so that money has not been allocated to any other activity.

Dr D.J. HONEY: What is the schedule for the next desal plant?

Mr D.J. KELLY: The indicative timetable for that to be operating is 2028. That lines up with the draft Gngangara groundwater allocation plan, which is out for public consultation. Under that plan, the amount of water that the Water Corporation will be able to take will be reduced by 30 gigalitres. That reduction in allocation is due to kick in in 2028. The plan is that that desal plant will be in operation by 2028 to coincide with that change in water allocation. Obviously, it is early days. No contract has been let. A whole lot of work has to be done. Environmental approvals are still being sought from the Environmental Protection Authority, but 2028 is the indicative timetable.

Dr D.J. HONEY: Within phase 2 of the replenishment program of the Gngangara mound, over 100 gigalitres of secondary treated wastewater will be going out into the ocean. One way of preserving the water level or increasing the water level in Gngangara mound and allowing horticulturalists to utilise that source without their licences being cut would be to recycle more of the secondary treated wastewater. Does the Water Corporation have any proposal to develop a phase 3 or at least another replenishment program to utilise that good water that is being pumped out into the ocean?

Mr D.J. KELLY: I remind the member that the previous government was talking about a reduction of up to 25 per cent for horticulturalists, and because of the good work done, primarily by the Department of Water and Environmental Regulation, only a 10 per cent reduction is being contemplated under that new plan. As for other plans to utilise further recycled water, the Water Corporation is always looking at these types of projects. I know the Water Corporation has worked on whether further managed aquifer recharge could use water from other, what we now call, resource recovery facilities. As yet, none of those projects are at a point at which they are viable within the current time frame that we need the next water source. I agree with the member that the water that is currently going out to the ocean is a potential resource that the state could use for Perth's water supply, but none of those projects is currently at a point at which it would be environmentally and financially viable to replace the next source, which will be a desal plant. I can assure the member that the Water Corporation always has that on the agenda.

Dr D.J. HONEY: Is there any contemplation that a third party could come in and utilise that water and recycle it for other purposes, thus avoiding pressure on government to do that?

Mr D.J. KELLY: The member may recall that the Barnett government identified the wastewater treatment plants in the metro area owned by the Water Corporation as candidates for privatisation. That would have been a disaster, because as we now know, that water is actually a resource for either drinking, industry or agriculture. It would have been a disaster to privatise those plants. Under the Water Corporation's current business model, it does recycle that water.

[6.00 pm]

The CHAIR: Given the time, that completes the examination of the Water Corporation.