

Chairman; Mr Fran Logan; Mr Bill Marmion; Mr Murray Cowper; Dr Graham Jacobs; Mr Chris Tallentire; Mrs Carol Martin

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**Division 73: Water, \$77 743 000 —**

Mr A.P. O’Gorman, Chairman.

Mr W.R. Marmion, Minister for Water.

Ms M. De Lacey, Acting Director General.

Mr R.D. Hammond, Director, Water Resource Use.

Mr J.M. Loney, Director, Strategic Policy and Water Services.

Mr G.J. Davis, Acting Director, Water Resource Management.

Mr P.J. Parolo, Manager, Finance and Administration.

[Witnesses introduced.]

**The CHAIRMAN:** I call the member for Cockburn.

**Mr F.M. LOGAN:** I draw the minister’s attention to page 862 of the *Budget Statements* and to the table headed “Service Summary”. Can the minister explain why there has been a \$20.533 million drop-off in service expenditure between last year’s budget and this year’s budget?

**The CHAIRMAN:** Sorry, member for Cockburn, but what page are you on?

**Mr F.M. LOGAN:** It is page 862.

**The CHAIRMAN:** We start on page 863 for division 73.

**Mr F.M. LOGAN:** It is page 864. I have a photocopy and it has gone right over the top of the page number. I refer to the table under “Service Summary” on page 864. There has been a \$20.533 million drop-off between the current financial year’s budget and next year’s budget, which is the one we are dealing with, and it continues to decline in the out years. Can the minister explain why there is a drop-off in that amount, budget to budget, and also why there is a drop-off in the out years? Most of the cuts to this expenditure, from what I can see, appear to be in catchment and waterways health. Does this mean that we are about to see a radical decline in the efforts to protect and improve our waterways?

**Mr W.R. MARMION:** The member is pointing to the total cost of services.

**Mr F.M. LOGAN:** Yes; I am looking at the total cost of services and the decline there.

**Mr W.R. MARMION:** Perhaps I will refer that to Mr Parolo.

**Mr F.M. LOGAN:** It appears that the biggest cuts have been to catchment and waterways health.

**Mr W.R. MARMION:** I have detail on each of the three items, but in terms of the total I will refer the question to Mr Parolo.

**Mr P.J. Parolo:** Just to clarify the point, the total cost of services is \$100 million and it then declines in the future years. That relates to the fact that the agency receives a lot of external funds; for example, from the federal government. What happens with a lot of the external funds that are received is that they will decline very quickly because the contracts or the arrangements—for example, with the federal government—are usually for only one or two years. What is more relevant is on page 863. The actual funding that is provided can be seen across “Delivery of Services” and “Item 106 Net amount appropriated to deliver services”. We find that to be quite consistent in the low \$70 million range, with some slight increases going into the future.

**Mr F.M. LOGAN:** I can see that in terms of the total appropriation, but I am talking about the way the money is spent. I accept that all budgets go up and down with respect to the subsidies and grants that are received. The summary of each of the three columns in the table on page 864 are added together to make the total amount below. It appears that catchment and waterways health goes into a severe decline in the out years, from 2010–11. Can the minister explain that? Obviously, that relates to the total. Is that where the grants have been declining, and does that correspond with my statement; that is, are we about to see a decline in the effort put in on our waterways?

**Mr W.R. MARMION:** If the member is relating it specifically to service 3, catchment and waterways health, the variation of \$8.099 million relates mainly to the ceasing of commonwealth and state natural resource management funding projects for salinity and waterways. I can give a breakdown of that. There was \$4.3 million in state NRM funding relating specifically to salinity in waterways, \$1.7 million under commonwealth water for the future projects, \$1.2 million for Swan River Trust and catchment council funded projects, and general movement in apportioning agency overheads. That is the \$8.899 million.

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**Mr F.M. LOGAN:** I thank the minister for that information; that does explain the decline. Why does the state government not pick it up?

**Mr W.R. MARMION:** Sorry, why does the state government?

**Mr F.M. LOGAN:** Well, the commonwealth NRM funding has run out. Why has the state not stepped in to allocate more funding to that particular service?

**Mr W.R. MARMION:** I will defer to the acting director general.

**Ms M. De Lacey:** When looking at those figures, the budget forward estimates in particular reflect allocations that have been made according to particular grants and things like that. The member will see a decline because we cannot predict when funding grants might come in. Year by year we might make applications for NRM funding et cetera, so members will see those changes year by year. At this stage, we know that we have that amount of funding. It is particularly around a number of grants. Next year, we might get additional funding in because we have made applications for those grants, but those grants are not reflected in the budget figures because we have not actually received them.

**Mr M.J. COWPER:** I refer to the “Asset Investment Program” on page 869 of the *Budget Statements*. It mentions initiatives in the Collie–Wellington basin to reduce salinity in Wellington Dam. My electorate has some 600-odd irrigators. Last year, due to the climate, the top half of those irrigators—some 300 irrigators—were reduced to 34 per cent of their water allocation. Water allocation is fundamentally important to the dairy industry in particular in Western Australia. We are hoping and praying for rain.

**Dr G.G. JACOBS:** The member has got some!

**Mr M.J. COWPER:** We have got some. One issue is that with the advent of some rain now, we are going to see a big salt slug permeate Wellington Dam. Those irrigators at the southern end of the irrigation strip who are supplied from Wellington Dam are losing productivity because of the salt content in that dam. There has been some procrastination over a number of years as to what should be done with that water and how to improve the quality of the water. Water will be an ongoing issue in Western Australia for some time. What can we do to assist the farmers in my electorate, and how can we better access the 167 gigalitres of water stored within Wellington Dam?

[8.40 pm]

**Mr W.R. MARMION:** The member is referring to the Collie River salinity recovery project, which has been running for a number of years. It progressed significantly over the past year, with the preparation of tender documentation for the detailed design and construction being completed, and a body of work has provided an assurance that the project is technically feasible but commercially challenging, given the complex water quality and chemistry. A financial estimates review performed towards the end of 2010 estimated that the capital and operating costs for the delivery of all three stages of the Collie River salinity recovery project was approximately \$50 million to \$60 million more than the \$30 million of joint commonwealth and state government funding that was previously available. As recommended in the independent ministerial review undertaken by the previous Minister for Water, there will be no further major capital expenditure on the Collie River salinity recovery project until and unless it is shown to be the preferred option supported by a cost–benefit analysis. Consequently the Department of Water, together with the South West Development Commission, will now determine whether there are feasible alternatives to the previous project, which was to desalinate the water from Eastern Creek. Those agencies are looking at better projects and more feasible alternatives in terms of the investment of public funds to deliver better water quality and quantity outcomes for the Wellington Dam. Obviously, one thing to look at is the initial charge of water that comes down through Eastern Creek; it is my understanding that it is about 14 per cent of the volume of water that goes into the Wellington Dam, but accounts for about 80 per cent of the salinity. Obviously, if we could stop that water going into the Wellington Dam, we could markedly reduce the salinity. Under previous governments, water was diverted into the Chicken Creek void. Indeed, the salinity level of the Wellington Dam has decreased to about 900 parts per million, but it is an ongoing problem. One idea was to desalinate the water and put it back in. Another solution might be to divert the saline water somewhere else, but, unfortunately, there is no pipe big enough. However, there is a Verve pipe that runs down the hill into the ocean; it does not have enough capacity, but if that salt water could be permanently diverted to the ocean through a gravity fed drain —

**Mr M.J. COWPER:** Could we not just divert it into the Collie River?

**Mr W.R. MARMION:** That could be an option, but at the moment the Department of Water, in conjunction with the South West Development Commission, will see what the best viable option is.

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**Mr M.J. COWPER:** I note from examination of other budget documents that royalties for regions funding is being spread across regions in Western Australia. The South West and the Peel region have probably been on the back end of the dishing out of moneys. I have no qualms at this stage about the money that is being spent in the Kimberley and other regions, but members should remember that this area is fundamentally important for the production of food in Western Australia and is the third-largest mining region in Western Australia. I would like to see the minister get some royalties for regions money to fix up the Wellington Dam.

**The CHAIRMAN:** Member, is there a question?

**Mr M.J. COWPER:** Is royalties for regions funding an option to be able to fund this probably?

**Mr W.R. MARMION:** I am probably the wrong minister to ask!

**Mr M.J. COWPER:** Will the minister go and see him?

**Mr W.R. MARMION:** That obviously remains a live option. There is a lot of industry starting up in Collie that requires desalinated water. Indeed, the Water Corporation is supplying a particular company with industrial water from Wellington Dam. That will need to be desalinated, so there could be a range of companies and industries in Collie that need to get rid of saline water through the desalination plant, so it is not out of the question for industry to partially fund that. One of the beneficiaries could be Harvey Water, because it actually has the rights to a fair bit of the water in Wellington Dam. If we got the parties together, there might be a solution and funding from industry. I am just suggesting this as a possible solution, but there might be others.

**Mr M.J. COWPER:** Will the minister take a leadership role on this matter?

**Mr W.R. MARMION:** The member may be right: it may be that I have to take a leadership role.

**Mr F.M. LOGAN:** I can help the minister out. I refer to page 870 and the heading, “Statement of Cashflows”. There is already royalties for regions funding for Collie desalination phase 2. This goes to the question that has been put to the minister. What is it for?

**Mr W.R. MARMION:** We do have some money already, but we might need more. Maybe the acting director general can clarify that.

**The CHAIRMAN:** Members, we need to hear just one person. If members need to ask another question, they need to indicate it and not just shout across the chamber.

**Mr W.R. MARMION:** I will ask the acting director general to elaborate on what the royalties for regions funding is for in respect of desalination of water and how much we need.

**Ms M. De Lacey:** There has been funding allocated in partnership with the South West Development Commission for stage 2. Those funds have been earmarked but they have not been allocated to us at this stage because we have not progressed with stage 2 for the reasons that the minister has already talked about in terms of needing to do further work.

**Mr F.M. LOGAN:** What is desalination phase 2?

**Mr W.R. MARMION:** It is Chicken Creek water being desalinated and put —

**Mr F.M. LOGAN:** Further to this question, because it goes to the point of water in the Wellington Dam, on page 866 there is a heading, “Explanation of Significant Movements”. Point 1 refers to a 54 per cent decrease in the 2011–12 budget income because of movement in funding. Can the minister explain what is meant by “movement in funding” and where the money has gone?

**Mr W.R. MARMION:** This obviously relates to the area we are talking about. I will ask Mr Parolo to explain where the money has moved.

**Mr P.J. Parolo:** Just to clarify, does this relate to note 1 on page 866?

**Mr F.M. LOGAN:** Correct.

**Mr P.J. Parolo:** In respect of the 54 per cent decrease, we actually have a variation of \$11 million. The movement decrease is \$5 million in funding associated with the Collie project, along with a reduction in funding received from the commonwealth government due to completion of projects. This refers to a number of projects that relate to the Bureau of Meteorology, the raising of the national water standards program, Water for the Future and funding for the Swan River Trust, which has been proportionately allocated across services in the department. There are a number of items in there, including the movement of \$5 million associated with the Collie River project.

**Mr F.M. LOGAN:** Further to that question, has any of that money been handed back to the commonwealth?

**Mr P.J. Parolo:** No—in short.

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**Mr F.M. LOGAN:** So that money has basically been expended.

[8.50 pm]

**Mr P.J. Parolo:** I will clarify one thing. A lot of the numbers are predicated on a forecast, to the best of our knowledge, at the end of the financial year at around January or early February. Depending on how the strategies or reviews are conducted, this will impact on the way in which funds are or are not spent. We have not expended those additional funds at this stage.

**Mr F.M. LOGAN:** The money came from the National Water Initiative, effectively. This goes to the point that the member for Murray–Wellington made. One of the projects that the National Water Initiative recommended was to build a small desalination plant adjacent to Wellington Dam. What has happened to it and when can we expect to see any of the National Water Initiative money, which the department has had for a long time, being spent on building that plant?

**Mr W.R. MARMION:** I ask the acting director general to answer.

**Ms M. De Lacey:** Those funds are currently being held. We have spent \$6.2 million on this project of the \$30 million that has been allocated to it. We can give the member information on where the funds have gone. We are aiming to have a clear pathway forward by the end of the calendar year about how we will progress this project in partnership with industry to deliver the same sorts of outcomes as those envisaged by the National Water Initiative. The initial informal discussions we have had with the commonwealth government so far indicate that it is prepared to consider reallocating those funds for a different proposal from us but for the same purpose. That is informal information at this stage; that has not been formally confirmed.

**Mr F.M. LOGAN:** Even with the reallocation of the funding, will the funds go towards building the desalination plant?

**Ms M. De Lacey:** Until the Department of Water, our industry partners and the water users can decide on exactly what is the best solution, we do not know exactly what the best solution will be and whether it will involve the construction of a desalination plant. What we do know is that it is about water quality and decreasing salinity. There may be other options. We have had discussions with Harvey Water about its proposals but those proposals have not been fully tested.

**Mr F.M. LOGAN:** If the minister looks at the National Water Initiative funding allocation, he will see that it was provided for a particular purpose. One purpose was for the diversion scheme, which has been built, and the other was to build the desalination plant to supply fresh water. I would have thought that the minister of all people would like to see more fresh water coming into the system. That fresh water was not necessarily to be used by industry; it was to be potable water. Why are we sitting here in 2011 looking at a budget that may or may not allocate that money to build a desalination plant while we are facing a drought? I cannot understand that, nor can the people of Collie.

**Mr W.R. MARMION:** The point is value for money. If we build a desalination plant, what are we trying to achieve? What will the fresh water be used for?

**Mr F.M. LOGAN:** It will be used for drinking.

**Mr W.R. MARMION:** Will it be piped from Wellington Dam to somewhere else?

**Mr F.M. LOGAN:** Yes, it can go straight into another holding dam.

**Mr W.R. MARMION:** So it can go to Collie?

**Mr F.M. LOGAN:** It can go back into the pipe or to Harvey or any of those dams that are linked.

**Mr W.R. MARMION:** If that is the case, it is not out of the question that that will be the best option. A better option might be to divert 80 per cent of the salt water that goes into Wellington Dam and divert the 14 per cent stream somewhere else forever. We must decide whether that is better value for money. This was before my time as Minister for Water. If the commonwealth government believes that diverting 80 per cent of the salt water does not form part of the National Water Initiative funding, we could go still ahead with building the desalination plan. I have been advised that the desalination plant will need more money than has been allocated and would have to be topped up. We would have to find more money to build the project. Will we get a better outcome by doing something else? I want to know what the options are and to make sure that we spend our money to get the best bang for our buck.

**Mr C.J. TALLENTIRE:** I refer to the first dot point under “Significant Issues Impacting the Agency” on page 864. The last sentence of that paragraph highlights the problem of managing increasing demand in the face of climate change and states that the department has reviewed its strategic priorities —

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**Mr W.R. MARMION:** Sorry, member. Someone reminded me that there was no pipe linking with Wellington Dam, so that would be another cost. I thought that was the case. Can the member for Gosnells tell me which page he is referring to?

**Mr C.J. TALLENTIRE:** I refer to the first dot point on page 864. The department has reviewed its strategic priorities to better address the needs of the state in the future in the face of climate change. Can the minister explain what has come of this review?

**Mr W.R. MARMION:** I have no specific knowledge of the review. Is the member talking about the strategic plan of the organisation?

**Mr C.J. TALLENTIRE:** The government has used the term “drying climate”, but it would be equally correct to use the term “climate change”.

**Mr W.R. MARMION:** That is actually a review of the Department of Water’s own operational strategic plan of deliverables. It is an in-house strategic plan. Because of the climate change of the organisational structure, the department is making sure that it is directing its internal resources, including human capital, towards addressing the changes in the climate. In particular, the main issue is the fact that there is less rainfall in the south west of the state than there is in the north. The department is making sure that its resources are prioritised. That includes water allocation plans for the south west. That is obviously important because of the lack of water, and in the north there is too much water —

**Mrs C.A. MARTIN:** There is never too much water.

**Mr W.R. MARMION:** We are looking at flood mitigation issues in the north. The department is being strategic in the way it allocates its resources so that it can provide better value for the taxpayers.

**Mr C.J. TALLENTIRE:** Can the minister provide a copy of the review?

**Mr W.R. MARMION:** We can give the member a copy.

**Mr C.J. TALLENTIRE:** Does the review outline the additional costs incurred by Western Australia in adapting to this drying climate?

**Mr W.R. MARMION:** The review is about the department’s own operating structure.

**Mr C.J. TALLENTIRE:** Is this it? It is 12 pages, with pictures! Is this how we are dealing with the way the state copes with a drying climate? This is a massive issue.

**Mr W.R. MARMION:** We are not talking about a strategic plan for how the state can address climate change; we are talking about a strategic plan for the Department of Water and how it should be structured to best address the changing climate of the department. We are talking about two different things. I think the member for Kimberley gets it.

**Mrs C.A. MARTIN:** I get it, but you are still not getting any of my water!

**The CHAIRMAN:** A number of members are on the list and we are running short of time. Member for Eyre.

**Dr G.G. JACOBS:** I refer to the major spending changes on page 863 and the progress of the implementation plan for the Gascoyne irrigation pipeline project. What is the implementation money to be used for precisely, and is there any money in the round of ongoing subsidies for the new pipeline, as there was for the old one?

[9.00 pm]

**Mr W.R. MARMION:** The Gascoyne irrigation pipeline project is basically a complete replacement of the existing ageing pipeline used by irrigators in the Carnarvon irrigation district. The intent in replacing the pipeline is to reduce water losses, increase water security and stimulate the region’s economy. The new pipeline asset will be capable of delivering up to 22 gegalitres of water per annum, with a peak flow capacity of 800 litres a second using the existing bore field delivery head, and 1 400 litres a second with pumping. The flow rate at each service will be high enough for a grower to take the annual allocation in four months up to a maximum of 0.7 litres a second per hectare. The actual Gascoyne irrigation pipeline project is underpinned by three agreements: the financial assistance agreement that defines the relationship with the Department of Water; the Gascoyne Water Co-operative financial assistance agreement, which was signed in December last year; and a memorandum of understanding that defines the relationship between the state and the regional development commission.

**The CHAIRMAN:** Minister, I have to stop you there. The time is now 9.00 pm, and it is the end of the time allocated for this division.

**The appropriation was recommended.**