

Busselton Water Corporation —

Mr R.S. Love, Chair.

Mr D.J. Kelly, Minister for Water.

Mr C. Elliott, Managing Director.

Ms N. Arrowsmith, Chief of Staff, Minister for Water.

Mrs A. Cowdell, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. 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 he 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 principal clerk by Friday, 31 May 2019. 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 through the online questions system.

I give the call to the member for Vasse.

Ms L. METTAM: I refer to the asset investment program on page 673 of budget paper No 2, which includes \$2.9 million allocated in 2019–20. Does the asset investment program referred to on this page include any capacity to extend growth into providing a potable water service to Dunsborough, and rural drainage to Busselton in the future?

Mr D.J. KELLY: No. As the member will remember, this proposal has been extensively looked at in the past. It was a commitment made by the then Premier during the election campaign in 2017. When we came into government, we looked at it. The proposal was not supported by the Department of Treasury, the then Department of Water, or by the Water Corporation. It was going to cost the government a significant amount without any clear indication of a benefit to Busselton Water customers. It is currently not on the agenda.

Ms L. METTAM: In relation to some of those Dunsborough water customers that I assume the minister is referring to, Dunsborough Primary School's water bill this year will be over \$100 000. Last year, the school's water bill hit \$84 000, and schools in the other catchment were —

Mr D.J. KELLY: They are not Busselton Water customers, so it is not appropriate for me to be answering that question during this session.

Ms L. METTAM: When the minister first announced that the transfer would not proceed, he estimated the transfer would cost the state between \$3 million and \$12 million over the first three years. Can the minister provide a breakdown of how he calculated those figures?

Mr D.J. KELLY: I have not got those figures with me, but that was the advice I received. As I say, this was some time ago. That was the advice that was given to me at the time.

Ms L. METTAM: Is it possible to provide that information by way of supplementary information?

Mr D.J. KELLY: They are not costs that would be attributable to Busselton Water. They would be costs incurred by the government elsewhere, so I do not think it is appropriate to deal with that in these proceedings. In any event, I think the member has already asked me questions on notice about that, and she should go back and have a look at the answers.

Ms L. METTAM: No breakdown was provided of how the minister came up with the figures. No answer was provided.

Mr D.J. KELLY: In any event, they are not costs that would be incurred by Busselton Water, so they do not properly fall under this division.

Ms L. METTAM: What is the projected volume and cost of the bulk water traded from Busselton Water to the Water Corporation for Dunsborough water supply each year, to meet the Dunsborough community's growing needs?

Mr D.J. KELLY: What section of the budget is the member looking at?

Ms L. METTAM: It does not have to relate to a section. This is a government trading enterprise.

Mr D.J. KELLY: I cannot give the member that figure precisely. I suggest she put a question on notice if she wants that sort of detail.

Ms L. METTAM: Can the minister provide it as supplementary information, as other ministers have?

Mr D.J. KELLY: It is just as easy for the member to do it as a question on notice.

Mr W.R. MARMION: That takes a lot longer, and we cannot come back to the Parliament to respond to the estimates if we do not obtain supplementary information.

The CHAIR: That is not a construction on the functions of the question system. The minister has indicated that he is not willing to provide the information. Are there any further questions?

Ms J.J. SHAW: I have a question on the particular reference that the member has made to this particular part of the budget.

The CHAIR: So you have a further question?

Ms J.J. SHAW: I refer to budget paper No 2, page 673, “Asset Investment Program”, which, as I understand it, is the member’s original question line.

The CHAIR: If it is not following directly from the member for Vasse, I prefer that you wait, because I have you down on the call for a fresh question.

Ms J.J. SHAW: That is fine; it is just that it is actually on the budget line item that the minister is pursuing here. Chair, I put myself in your capable hands.

The CHAIR: I understand that, but I think it might be getting into a new area. I think every question on Busselton Water will relate to the asset investment program. The member for North West Central has the next call.

Mr V.A. CATANIA: I refer to the completed works table on page 673, specifically the line items “Busselton Margaret River Region Airport”; “Pump Station – 2018–19 Program”; and “Special Project – Airport Upgrade”. Can the minister explain what the upgrade was for? Is it for a potential new terminal for the airport? The government is holding back \$10 million for building a terminal. I think more than \$60 million has already been spent on the upgrades to the airport. Has the Busselton water supply —

Mr D.J. KELLY: Is there a question there? What is the question, member?

Mr V.A. CATANIA: I will get there, minister.

Mr D.J. KELLY: I am just asking what the question is; that is all right.

The CHAIR: Carry on with your question, member.

Mr V.A. CATANIA: Can the minister elaborate on what the upgrade to the pump station, and the special project—airport upgrade are for? Are they for a potential terminal in the future?

[7.10 pm]

Mr D.J. KELLY: I will refer that to Chris.

Mr C. Elliott: Thank you for the opportunity. The two items referred to are the pump station and the airport upgrade project. The City of Busselton approached Busselton Water with a view to extending our water infrastructure out to the vicinity of the airport. It is for the airport upgrade as well as commercial developments surrounding that node. Our water infrastructure was several kilometres away from that location. The works consisted of a pipeline, a pump station and a disinfection unit. It brought our infrastructure to the site of the airport. It was in the order of \$2 million of infrastructure over two years.

Mr V.A. CATANIA: A sum of \$2 million has been spent on the upgrade to the airport, which still needs another \$10 million to build a terminal. Is that \$2 million wasted because the government has not invested \$10 million into a new terminal?

Mr D.J. KELLY: No.

Mr V.A. CATANIA: Does the minister have an idea of when the \$2 million pumping station and airport upgrade will be used for a terminal in the future? Does the minister have an idea of when that will occur?

Mr D.J. KELLY: As the member just heard, it was for extensions to the terminal for the upgrade to the airport and the surrounding commercial area. It was not just for the airport. I am not the minister for aviation or the

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Minister for Regional Development or the like, so if the member has questions about future plans for the airport, he should take them to the relevant minister.

Ms J.J. SHAW: I refer to page 673 of budget paper No 2 and the asset investment program. Is the minister able to explain how the corporation's asset investment plan will enable the corporation to continue to support a strong regional economy?

Mr D.J. KELLY: Busselton Water is a fabulous local business and it contributes greatly to the local economy. I might refer that to Mr Elliott to give us some detail.

Mr C. Elliott: Busselton is a very important regional centre. Our role is managing the clean water supply to the community. The biggest challenge is the sustained high growth of the area—Busselton and its neighbours, such as Dunsborough. The population swells to more than double in peak times, so we need a very resilient system to maintain service levels to the community. We are a small corporation; our asset base is about \$80 million. We need about a \$3 million capital program annually to sustain our assets. Budget paper No 2, page 673, introduces our asset investment program. It is \$13 million over the forward estimates period of four years. It is made up of six programs, but I will mention briefly the biggest of those six programs, which is the water treatment plant program. We need to maintain and develop our bore field, which accesses high quality water from the deep Yarragadee aquifer. We treat the water to remove iron and manganese. We deliver the water through pumps, tanks and pipelines. That constitutes about half of our ongoing capital program. The program also sustains many other things we do for the community. We have community programs and a very high commitment to sustainability and energy efficiency. Busselton is very flat, so it is a very unusual water supply, with no hills and no tanks on stands. Everything is on the ground, so every drop of water delivered is pumped. High energy efficiency is important, so we have solar investments on our buildings. In short, the annual average \$3 million capital investment program is needed to sustain the high quality of service we will provide Busselton and Dunsborough into the future.

Mr V.A. CATANIA: The managing director mentioned that Busselton Water gets its water from the Yarragadee. Is a sufficient amount of water coming from the Yarragadee? Over the last couple of years, has Busselton Water asked for any further water from the Yarragadee to meet its needs?

Mr D.J. KELLY: Busselton Water gets its water by licence through the department. The current licence is sufficient to meet Busselton Water's current demand. Obviously, that might change in the future. If that happens, there might be amendments to the licence. Currently, the licence meets its demand. One of the ongoing challenges Busselton Water faces is the impact of climate change. As the member heard, it is groundwater that sustains Busselton Water. The member may be aware of saltwater intrusion. It is something that the corporation has to constantly manage. Basically, when groundwater is pumped, the groundwater level drops. Because of the declining groundwater levels in the south west because of climate change, saltwater can come in and spoil the water source. That is a constant issue that Busselton Water has to keep an eye on. On our side of the chamber we understand that the impacts of climate change are real and that if we do not do something about them locally, nationally and internationally, businesses and services such as Busselton Water will continue to be challenged in the future. That is an ongoing issue.

Mr V.A. CATANIA: I have a further question.

The CHAIR: Member, this is a long way from the original question. I caution you that I might wind it up after this.

Mr V.A. CATANIA: The minister mentioned that Busselton Water gets its water from the Yarragadee. Does the minister support the corporation taking water from the Yarragadee?

Mr D.J. KELLY: The question of where the corporation gets its water is one for the department.

Mr V.A. CATANIA: You are the minister.

Mr D.J. KELLY: This session is for Busselton Water. I am the Minister for Fisheries.

Mr V.A. CATANIA: Does the minister support it; yes or no?

The CHAIR: Member, let the minister answer, please.

Mr D.J. KELLY: We take sustainability very seriously. The corporation's current take from that water source is the same as it was under the government that the member was previously a member of. I think the Leader of the Nationals WA used to be the Minister for Water, so if the member has any questions about the sustainability of the take, maybe that is something he can ask her.

Mr V.A. CATANIA: The question was: do you support it?

Mr D.J. KELLY: I currently support the licence because the assessment is that it is sustainable. That is the whole point of water management: is it sustainable? Our water supplies in WA are under immense challenges. It is not

just the Yarragadee. Because of the impacts of climate change, it is a challenge up and down the state. Some people think that climate change does not exist. Some people stick their fingers in their ears and pretend that it is not a problem. On this side of the chamber we take it very seriously. I know that Busselton Water takes it extremely seriously, because it knows the impact of decreases in groundwater and the impact of saltwater intrusion.

Mr W.R. MARMION: I understand and I agree that the high cost of pumping water because of the low-lying terrain is a major cost to the Busselton Water corporation. I thank the managing director for pointing that out. Can the minister tell me the current unit rate per kilolitre for Busselton Water, and what it is charging its customers? I am chasing those two figures.

Mr D.J. KELLY: The electricity charge?

Mr W.R. MARMION: The water rate. I said kilolitres. How much is it charging?

Mr C. Elliott: Our current water tariffs start out at \$1.07. This is the current year. The figures have been updated into next year. Our unit rate is \$1.07 for up to 150 kilolitres, then it jumps to \$1.49. Busselton Water has a large number of tiers—more than other corporations. We have six tiers. It ranges up to \$3.22 above 1 000 kilolitres.

[7.20 pm]

Mr W.R. MARMION: Roughly, how much does it currently cost to produce? I know that it obviously changes from year to year.

Mr D.J. KELLY: Sorry; produce what—the water?

Mr W.R. MARMION: Yes, per kilolitre.

Mr D.J. KELLY: The current tariffs are 100 per cent cost reflective. That answers the member's question.

Ms L. METTAM: I note the minister's comments about the importance of sustainability and the challenges of climate change. Again, I also refer to the government's decision not to proceed with the proposal for Busselton Water to take over the Dunsborough–Yallingup water supply. What is the minister's justification to proceed with the Water Corporation's delivery for the Dunsborough water supply, given its poor quality—derived water from low-yielding bores requiring expensive levels of treatment, as an alternative to a proposal that would have provided a more efficient model for the delivery of water supply as well as non-potable water for public open spaces and some of the sporting fields?

Mr D.J. KELLY: There are a lot of questions in there. I have already outlined why the government did not support that proposal. As I said, it was not supported by Treasury, the Department of Water or the Water Corporation. Overall, it would have been a significant cost to the state.

Ms L. METTAM: The minister has never broken down those costs.

Mr D.J. KELLY: As the member should understand, one of the components of that project was the Water Corporation being asked to gift millions of dollars' worth of assets to Busselton Water for no cost. Central budget would have had to compensate the Water Corporation for that. That was just one of the elements. When we looked at the whole-of-government approach to that proposal, it did not stack up. Interestingly, as the member is well aware, the Premier made the announcement that this was going to happen. The press report I saw said something like it had been through cabinet and it was going to happen.

Ms A. SANDERSON: That was the former Premier.

Mr D.J. KELLY: Sorry; the former Premier, as rightly pointed out by the member for Morley, announced it during the election campaign. The former Minister for Water never made any public statements about it, which would seem to me to indicate something. When we came to government, it was not supported by Treasury, the Department of Water and the Water Corporation. There would have been a significant overall cost to the state without any clear benefit to the customers of Busselton Water. I am not sure that I can be any clearer about why we did not proceed. If it was such a good idea, why did the previous government not do it?

Ms L. METTAM: Is the minister including the loss to the operational subsidy that the Water Corporation would no longer be receiving as a result of not providing the cost? Is that built into the cost?

Mr D.J. KELLY: I do not have the full business case here. I am telling the member what the advice from Treasury was at the time. There would be an overall net cost to government to implement that project. People get really frustrated when governments just look in silos and they do something and realise that something else will be affected. I know that the opposition is fixated on this issue, and it has been now for the best part of two years. It did not say much about it during the time it was in government but now that it is in opposition, it is fixated on this issue. As a good government, we have to look at all the elements and what is in the best interests of the state. The overwhelming advice I got was that that project was not in the best interests of the state.

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Ms L. METTAM: I understand that the previous financial model was developed by the Western Australian Treasury Corporation and adjusted as required by Treasury. When the government made this decision to back away or not support the growth model, it made a commitment to address the needs of the public open space in the Dunsborough community. It seems it has just handballed it to the local government. Is that the current status?

Mr D.J. KELLY: It is not really an issue for Busselton Water, but I am happy to answer the question. The government made a commitment to look at non-potable water in a range of areas in the south west that were under pressure. I think six or seven priority sites were looked at. Dunsborough was on top of the list. That work was done by the department in cooperation with the local government. It has come up with a preferred option. The local government is currently looking at whether it wishes to pursue that option. That is my understanding.

To suggest that it has just been abandoned is complete nonsense. If the opposition is telling people that, it is misleading people, the way it has done with this whole other issue. The department has worked really hard, cooperatively with the state government. I understand that Dunsborough was the first on the list for studies for alternative water sources. We are still working on it.

Mr W.R. MARMION: My question relates to page 673, specifically “Treatment Plants” under the heading “New Works”, an area that I am very interested in. I am aware of the water treatment plant in Busselton; I have been there a number of times. It says that the \$6.2 million upgrades are for a number of water treatment plants. What water treatment plants does Busselton Water Corporation look after?

Mr C. Elliott: We have three water treatment plants, all in the built-up area of Busselton. One is close to Port Geographe, one is in the town centre and one is in Queen Elizabeth Avenue. They are called treatment plants 1, 2 and 3. The first one was built about 100 years ago. We have bore fields surrounding each of those plants.

Mr W.R. MARMION: Specifically, what do the upgrades relate to? Are they related to the quality of water, volume or pumps? Can the minister explain what is happening at each of the three sites, please?

Mr C. Elliott: The water source is the Yarragadee aquifer, predominantly. We need to remove iron and manganese. It is a fairly routine treatment process. It involves sand, or gravity, filtration. There are typically four or five treatment units at each plant. Those treatment units need replacing every 30 years. The biggest project on our list in the current year is treatment plant 1. We have replaced four filters. Next year we will be replacing filters at plant 2. Other bigger projects include bore relining, putting new equipment down in the bores, tank relining, tank roofs and distribution mains. That is the predominant make-up of the \$6 million treatment plant program.

Mr W.R. MARMION: Basically, sand filtration is the mechanism and most of the \$6.2 million relates to replacing the sand filters in the three treatment plants. Is that the answer?

Mr C. Elliott: Yes.

Mr W.R. MARMION: Just to follow on from that, when I was Minister for Water, a lot of the locals in that area were opposed to fluoridation, and even chlorination, of the water. Has that issue dropped off? Are any upgrades required or is there pushback on those issues?

[7.30 pm]

Mr D.J. KELLY: My understanding is that it is not an issue that the community is currently concerned about.

Mr C. Elliott: If I can briefly answer, we have worked very hard now for six years with the community to get the understanding about the disinfection process. We have come a long, long way. Our customer surveys indicate that the community has a better understanding and they have got on board. There is still a residual element in the community that arcs up whenever there is a chance to raise the issue of chlorine, but our biggest success has been the exemplary water quality performance since we have chlorinated. It has been literally perfect, with a 100 per cent compliance, 365 days a year, for six years, and that is the best it can be.

The CHAIR: That completes the examination of the Busselton Water Corporation.