

**Water Corporation —**

Mr D.A.E. Scaife, Chair.

Ms S.F. McGurk, Minister for Water.

Mr P. Donovan, Chief Executive Officer.

Mr E. Hambleton, General Manager, Assets Plan and Delivery.

Ms K. Willis, General Manager, Customer and Community.

Mr D. Page, Chief Financial Officer.

Dr S. Gallacher, Chief of Staff, Minister for Water.

[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.

The minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information she agrees to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by 12 noon on Friday, 2 June 2023. If the minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

I give the call to the member for Roe.

**Mr P.J. RUNDLE:** Paragraph 9 relating to energy infrastructure on page 813 of budget paper No 2 states —

Government has approved funding of \$188.8 million in 2023–24 towards the Flat Rocks Wind Farm Stage 2.

Can the minister please share with us when she expects stage 2 of this project to commence?

**Ms S.F. McGURK:** Last year the government took a significant step towards achieving its target of net zero emissions by securing the development of water rights to what will be one of Western Australia's largest renewable wind energy projects—Flat Rocks wind farm, stage 2, which the member referred to. Up to 24 of the project's 200-metre high wind turbines are expected to generate a quarter of the total renewable energy the corporation needs to achieve its target of net zero emissions across all its operations by 2035. The corporation's plan to secure 400 megawatts of additional wind-generated renewable energy will generate enough clean energy to supply water to around 640 000 households a year as well as offset 240 kilotonnes of greenhouse gas emissions.

The corporation is currently developing a business case for the development of the review for government. The Water Corporation is proposing to consider government approval for stage 2 of the wind farm development for that business case development. It is a significant project. It requires proper business case consideration about how it will be implemented. That is what the corporation is in the process of doing now.

**Mr P.J. RUNDLE:** Has the minister or her representatives met with the Flat Rocks wind farm committee and answered the questions and concerns it raised after the recent purchase?

**Ms S.F. McGURK:** There is ongoing community consultation. It is not envisaged that the wind farm will be in operation until 2025–26. After getting budget approval, from the government's point of view, it is still fairly early days. It is envisaged that there will be community consultation on the actual turbines and how they will operate et cetera closer to their development.

**Mr P.J. RUNDLE:** Will Water Corp be engaged in sourcing labour, housing and so on to build these turbines et cetera or will the government just be handballing that off to some builder to build the turbines and provide the labour et cetera?

**Ms S.F. McGURK:** No, the Water Corporation will not be building the turbines or constructing them in place. It will contract that work to specialist builders.

**Mr P.J. RUNDLE:** Has Water Corp visited the shires of Kojonup and/or Broomehill–Tambellup to hear their concerns and to witness the impact that the construction of stage 1 under Enel Green Power is having?

**Ms S.F. McGURK:** In short, no. The Water Corporation has secured the rights to the wind farm. Approvals have been secured as part of those rights. At this stage, it is considered to be too early to engage with the community when construction and development of the wind turbines are still a number of years off.

**Mr P.J. RUNDLE:** The minister says it is too early. I suggest that it is not too early. I believe it is important that the Water Corporation visits that area, considering that \$188.8 million has been allocated to this project. Will the minister be visiting the area very soon?

**Ms S.F. McGURK:** I am advised that the corporation has met with community group representatives and visited those involved in stage 1 of the project to learn from that development.

**Mr P.J. RUNDLE:** Going back to the minister's initial answer that she had not met with them, she said she has had community consultation, so she has met with the group concerned and she has visited the site of stage 1.

**Ms S.F. McGURK:** I am advised that the Water Corporation has met with people who are impacted by stage 1 of the development, and community representatives, so not the community as a whole. There have been no large meetings with the community but Water Corp has been getting some feedback about the impact of stage 1 of the wind farm.

**Mr P.J. RUNDLE:** Considering those meetings, does the minister have any doubts or concerns about whether the project will go ahead?

**Ms S.F. McGURK:** I am advised that the community has outlined its concerns about the impact of stage 1 and the buffer zone around the site and its distance to houses. We will take into account what impact this has on the local community and how we can alleviate and accommodate those concerns in any way we can.

**Dr D.J. HONEY:** The Water Corporation has insourced maintenance, so Aroona Alliance was dissolved. Aroona Alliance achieved and delivered a two per cent year-on-year saving. Can the minister please explain, firstly, what maintenance efficiency measures have been put in place for Water Corp since that work was insourced?

[9.10 pm]

**The CHAIR:** Where are we at?

**Dr D.J. HONEY:** I believe that I do not have to refer to a line item for corporations.

**The CHAIR:** That would certainly be contrary to the statement I read before we commence every division.

**Dr D.J. HONEY:** Not for the corporations.

**The CHAIR:** We need some reference to the budget.

**Dr D.J. HONEY:** I refer to page 808, "Utilities: Interactions with the Consolidated Account, Dividend Payout Ratio and Government Trading Enterprise Information".

**Ms S.F. McGURK:** Can the member slow down?

**Dr D.J. HONEY:** I refer to the table on page 808.

**Ms S.F. McGURK:** I will have to take the member's word for it. I do not have budget paper No 3 with me.

**The CHAIR:** We are on page 808 of budget paper No 2.

**Dr D.J. HONEY:** I refer to part 12, "Utilities".

**The CHAIR:** The member is asking a general question about the budget for the Water Corporation.

**Ms S.F. McGURK:** Yes; sorry. Can the member repeat the question? It was a bit distracting.

**Dr D.J. HONEY:** Certainly, minister. I refer to the Water Corporation insourced maintenance from Aroona Alliance. Part of the justification, at least given at the time, was, apart from other things, that we would continue to see or in fact generate savings. Aroona Alliance was consistently delivering its target of two per cent savings on maintenance year on year as part of its contract when that was dissolved. My first question is: minister, what measures of maintenance cost efficiency are used by the corporation currently?

**Ms S.F. McGURK:** Those insourced positions include some 170 roles in the corporation's metropolitan production and treatment team and 250 in its metropolitan operations and maintenance team. The decision to insource those roles was made following a careful review of the previous alliance delivery model and in the interests of driving better long-term outcomes for customers of the corporation in Perth and Peel. The review identified benefits from insourcing, including long-term operational efficiencies, improved customer service standards, heightened safety, a stronger and more inclusive workplace culture and more favourable employee conditions, and the Water Corporation continues to make progress towards realising these benefits. It is confident that it now has greater consistency and adherence to the corporation's best practice and certified corporate safety and management system and that insourcing has created a culture whereby incidents can be openly reported without fear of reprisal.

Finally, I make the point that former alliance employees have access to more entitlements and benefits such as the corporation's superannuation co-contribution scheme and increased personal long service and wellbeing leave, which I am sure the member would support.

**Dr D.J. HONEY:** My question was quite specific. Does the corporation use any measures of maintenance efficiency or is this just something that has been done at the direction of the minister of the day? Was it determined to be done whatever the cost as a philosophical decision or does the corporation measure the efficiency of maintenance services as a basis of comparison in justifying this decision?

**Ms S.F. McGURK:** I will repeat what I said before, and I hope the member will pay attention to it because it addresses the question that he raised. The decision to insource was made following a careful review of the delivery model under the previous alliance. It was made in the interests of driving better long-term outcomes for Water Corporation customers in the Perth and Peel area. A two per cent efficiency target was required by the previous contractors. This was largely achieved at the expense of planned maintenance work. This government is prioritising investment in Perth's water and wastewater. Water Corporation is still required to innovate and to meet efficiency targets, but not at the expense of employees' entitlements and wellbeing and safety.

**Dr D.J. HONEY:** The minister mentioned that this was to improve planned maintenance and she has made the assertion that planned maintenance was being sacrificed under the previous arrangement. What change has there been in the planned maintenance metrics for Water Corporation since this new arrangement has been made?

**Ms S.F. McGURK:** I might ask the CEO, Mr Donovan, to answer.

**Mr P. Donovan:** Since the insourcing of the alliance, we have been refocused on a proactive asset management approach that was, as the minister said, de-prioritised under the former alliance model, which had a cost driver to reduce short-term costs. Obviously, we are an operator of long-life assets so we need to take a long-term view in delivering long-term outcomes for our customers. That means that sometimes we need more planned maintenance to prevent more costly asset failures in the longer term and the resulting impact that that has on customer interruptions and the like. We certainly are delivering a more effective and efficient delivery across all our operations than if we had continued with the alliance. As the minister states, we are still required to deliver a 1.5 per cent efficiency target year on year, which is built into our budgets.

**Dr D.J. HONEY:** I spent 24 years in the industry, so I am very familiar with maintenance and maintenance metrics. Planned maintenance is a metric. Does the corporation have a metric that shows improvement or is it simply an assertion that this is better because people feel it is, and it is not based on measurement?

**Ms S.F. McGURK:** I will ask Mr Donovan to answer, but I think it is important to note that the corporation's board that made a decision around this gave careful consideration to the concerns identified with the alliance operating model. The lack of a single point of accountability of how processes were integrated across the whole business and maintenance and operations within the metropolitan area not being consistent with work practices in regional areas of the state were indicative of a lack of integration across the alliance than in-house employees doing this work. I ask Mr Donovan to answer.

**Mr P. Donovan:** As the member would appreciate, there is a link between the amount of planned maintenance that is completed on an asset and how it is managed through its life cycle. Obviously, the consequences of underinvestment in planned maintenance leads to an increase in the number and magnitude of failures, and that leads to reactive maintenance. All those metrics are certainly monitored closely through all our facilities. As I said, the corporation has refocused on proactive asset maintenance to prevent those longer term large-scale asset faults that have the consequence of impacting supply to our customers.

**Dr D.J. HONEY:** I appreciate the general statements, but I am still not hearing anything about data. The chief executive officer can sit there and say the corporation is doing better, but I doubt he would accept it from his subordinates—through the minister—if they just came to him and said not to worry and that everything is okay. Is it possible to provide maintenance information showing the change in planned maintenance compliance from the Aroona contract to the current arrangement by way of supplementary information?

**Ms S.F. McGURK:** The member has numerous opportunities to ask these sorts of questions during the normal course of the parliamentary year, and I would ask him to do that. Some of this information will be sensitive to the corporation and there are times when the corporation does employ outside contractors to do commercial projects, so I cannot guarantee that that information will be available. If it is able to be tabled, I am happy to do that if the member puts the question on notice and we can properly consider the scope of the question and whether we are in a position to answer it.

[9.20 pm]

**Ms M.J. DAVIES:** I am interested in the farmlands water supply project and the investment status of that project.

**Ms S.F. McGURK:** I might ask my adviser to speak.

**The CHAIR:** Mr Hambleton.

**Mr E. Hambleton:** If the member is referring to the four specific projects in rural areas funded out of the national water grid, which are three catchments and the pipelines, they are underway. One of the catchments in Cranbrook has been completed and the pipeline is underway. The Katanning to Kojonup pipeline I think is underway at the moment. Those projects are being progressed at the moment.

**Ms M.J. DAVIES:** Maybe it has been renamed but there was, under the previous government, a specific farmlands water supply project that dealt with the water loss experienced in the agricultural regions' network in the pipes that were put together by a combination of the Water Corporation and farmers back in I think it was Kim Hames' day. There was a line item in the budget and it was funded. The program was prioritised according to the amount of water that was being lost in the system so that upgrades could be made to those pipelines. Does that program still exist?

**Ms S.F. McGURK:** It does. I will ask Mr Hambleton to speak.

**Mr E. Hambleton:** Thank you for the question. It is actually one of the programs the corporation is quite proud of because, firstly, it delivers some significant savings, and, secondly, we have been able to use it to bring on several Aboriginal contractors who are delivering most of the work for the corporation. From year to year, the amount of money we spend on that program goes up and down based on need and based on performance levels. It is a program that we like to keep going because it is used to make sure we support Aboriginal procurement in the area.

**Ms M.J. DAVIES:** Thank you; that is good news. How do I find out how much money has been allocated to the program across the forward estimates and which projects are being delivered?

**Ms S.F. McGURK:** I will take that question on notice. I am sorry I am being a bit vague but I cannot see it. It is not listed as a separate line item, so I do not have specific information about it. I am happy to take that question as supplementary information.

**The CHAIR:** Do you want to provide supplementary information?

**Ms S.F. McGURK:** Yes.

**Ms M.J. DAVIES:** Thank you, minister.

**The CHAIR:** Can I clarify the supplementary information we are providing? Perhaps Mr Hambleton can assist.

**Ms M.J. DAVIES:** It is details of the farmlands water supply program—how much is being invested over the forward estimates and what the projects are.

**The CHAIR:** It is how much is being invested over the forward estimates for the farmlands water supply program and what projects are being funded under that program. Is that correct, minister?

**Ms S.F. McGURK:** Yes.

**Ms M.J. DAVIES:** Thank you.

[*Supplementary Information No B7.*]

**Mr P.J. RUNDLE:** Could I have a status update on the Katanning to Kojonup pipeline the minister mentioned previously, if that is okay, minister?

**Ms S.F. McGURK:** Yes.

**Mr E. Hambleton:** The latest I understand is that works are underway or about to commence. I think contracts have been let, so work should be underway soon, if they have not already started.

**Mr P.J. RUNDLE:** Is that to replace the whole 40-kilometre section?

**Mr E. Hambleton:** It is a pipeline replacement project, yes.

**Mr P.J. RUNDLE:** I will be disappointed not to see people out there welding sections all day, every day during the summer! That is good news.

**Ms S.F. McGURK:** We will see what we can do!

**Dr D.J. HONEY:** Through the minister, with that program, is the corporation looking at underground pipelines as opposed to high-temperature processed underground pipelines or steel surface pipelines? It seems that steel surface pipelines introduce a whole lot of maintenance activity and I do not know of any major mining operations, which typically pump much larger volumes of water than those lines over considerable distances, that use steel anymore.

**Ms S.F. McGURK:** I will ask Mr Hambleton to answer that question. I think it may be a little indulgent because I am not quite sure what line item the member is talking about.

**Dr D.J. HONEY:** It goes to cost.

**The CHAIR:** It is not so much that it does not have a line item but it is probably a little far from the general authority's budget. Mr Hambleton.

**Mr E. Hambleton:** The corporation uses a range of pipeline materials depending on the nature of the project being delivered. Almost all our pipes these days are delivered below ground. Whether it is steel or HTP, it is rare that we would build an above-ground pipeline these days. That is a difference between us and mining companies, which I think has been mentioned before. For most of our assets, we are aiming to get 100 years of life out of them, so steel is still our preferred option, particularly for large-diameter mains and high-pressure mains. The Kalgoorlie pipeline is an example. As we replace that, it will be with steel mains belowground. We are using high-density polyethylene and other materials in other locations where we do not have high pressure or the need for a 100-year design life.

**Mr P.J. RUNDLE:** I appreciate the indulgence. Further to that, will the Katanning to Kojonup pipeline be above or below ground and will it be poly or steel?

**Mr E. Hambleton:** The —

**The CHAIR:** Sorry, Mr Hambleton. I have to go to the minister first.

**Ms S.F. McGURK:** Yes; permission granted.

**The CHAIR:** Mr Hambleton.

**Mr E. Hambleton:** Are we right? Okay. That pipeline will be below ground. To be honest, I will have to come back to the member on the material, but it is more than likely that it will be steel.

**Mr P.J. RUNDLE:** Would the minister be able to provide that as supplementary information or come back to me?

**Ms S.F. McGURK:** I am sure we can send the member an email on that one.

**Mr P.J. RUNDLE:** Thank you.

**Ms M.J. DAVIES:** I refer to page 809 and significant issues impacting the government trading enterprise. Paragraph 1 is a general statement but it references “increased social and environment expectations” and the GTE’s operating environment will continue to be shaped by that. I am curious what engagement there has been on the charges that will come as a result of the Aboriginal Cultural Heritage Act because obviously the corporation will have a significant workflow that will intersect with it. Will the Water Corporation as a government GTE be exempt from charges or will that be factored into its funding?

**Ms S.F. McGURK:** As the member is aware, we were asked with the previous agency, the Department of Water and Environmental Regulation: what is the intersect between the Aboriginal Cultural Heritage Act and the work of that agency? I said then that I think it would be better asked to the Minister for Aboriginal Affairs, particularly because it is early days for that new regime. The corporation now has responsibility under either native title or a whole range of other intersecting regulatory regimes that it needs to navigate. I do not imagine that this will be particularly onerous, but it is still in the development stage in terms of the impact on particular agencies.

[9.30 pm]

**Ms M.J. DAVIES:** I did ask the Minister for Aboriginal Affairs during that division and the answer was that government agencies would be paying but there was capacity for them to be exempt. I wonder whether there have been any conversations. It would clearly be something that the board and executive would need to anticipate. It is only a matter of weeks until the regime comes into play and that must be factored into the works that are hitting the ground or in train already.

**Ms S.F. McGURK:** It is not envisaged that the financial impact will be such that it could not be accommodated within the corporation’s work. The corporation, along with the other government trading enterprises, is looking at what impact it will have as distinct from normal government agencies.

**Ms M.J. DAVIES:** Has the regime—not the charges—been identified as a risk to the time lines for works already in the pipeline, given the new time frames being talked about as part of the act and the substantial infrastructure capital works program that the Water Corporation has?

**Ms S.F. McGURK:** As the member would appreciate from her involvement in this portfolio, the level of detail, and often complexity, with even just normal maintenance work on the existing assets, let alone construction of new ones, means that there are any number of variables that need to be taken into account. The impact of the enactment of the Aboriginal Cultural Heritage Act will be no different. It will be considered by the corporation on a project-by-project basis and responded to and implemented accordingly.

**Ms M.J. DAVIES:** Can I confirm that no specific team at the Water Corporation has been assigned to managing the new legislation?

**Ms S.F. McGURK:** There is an existing Aboriginal approvals team that has have some expertise in different language groups around the state and other relevant pieces of legislation, and it will consider the impact of this act and its implementation.

**Dr D.J. HONEY:** I refer to page 810 of budget paper No 2 and the heading “Retained Dividend”. There is a retained dividend referred to there of \$2.1 billion to contribute to funding the Alkimos seawater desalination plant. Has the Water Corporation looked at alternative models? For example, it has been put to me that there are numerous reputable private operators that would happily take on the capital expense of that project for a suitable take-or-pay arrangement or some suitable commercial arrangement by Water Corp for water from the facility. Has the Water Corporation examined alternative models for the provision of that facility or has it looked only internally to provide that new facility?

**Ms S.F. McGURK:** The government has made a commitment to build a desalination plant and for it to be a government-owned asset. As the member pointed out, significant dividends of the corporation have been set aside towards that project. I was just discussing with Mr Donovan that there has been interaction with the alliance proponents for early works and construction of the plant itself. They will be done by a private provider, and the extent of their ongoing maintenance and part operation of the plant will also be part of the consideration for the project. But, ultimately, it will be a government-owned facility and it will be an asset retained by the Water Corporation.

**Dr D.J. HONEY:** Just to be clear, is the minister indicating that that was not examined as a commercial option—that is, a build-own-operate external provider, then having some commercial arrangement to provide water to Water Corp versus Water Corp owning the entire physical asset? Was that a Water Corp decision or was it a government policy decision?

**Ms S.F. McGURK:** I do not have that information in front of me. As the member appreciates, I was sworn in as minister in the week before Christmas 2022, so the decision had already been made. I am not saying I do not have responsibility for that decision; I endorse it wholeheartedly, but this government has been very clear in its opposition to privatisation and support of government-owned facilities, and I think we have been vindicated many times in that decision, not the least in regard to the energy sector. I cannot answer that question, I am sorry, but I support the decision that has been made, and the contribution has been made by the corporation, via the government, if you like, to make such a significant down payment on the facility through the retained dividend.

**Dr D.J. HONEY:** Does the minister have any information on the anticipated capital and operating costs of the facility, and by “operating costs” I mean the cost per kilolitre of water provided to the interconnected scheme?

**Ms S.F. McGURK:** I do not at this stage. There are negotiations occurring with the alliance proponents in regard to this project, so the information is still being worked through in terms of the different proponents bidding for the work.

**Dr D.J. HONEY:** I refer to page 812 of budget paper No 2 and the asset investment program. Paragraph 3.2 refers to the Wanneroo south groundwater scheme. We have already had a discussion in a separate area about the Gngangara water mound. Can the minister explain why we have to invest in more groundwater bores in the mound given that Water Corp has significantly reduced its take from the Gngangara mound, as the minister outlined in another session earlier?

**Ms S.F. McGURK:** I might hand over to Mr Hambleton. I have some ideas on a higher level, but I will hand over to Mr Hambleton. It is still accessing some of the water.

**Mr E. Hambleton:** Yes, the corporation still takes a significant volume of water from the Gngangara mound—over 100 gegalitres a year. The member may be aware that construction of a lot of the infrastructure that was put in place started in the 1970s and some of those assets are now approaching the end of their design life. Also, as we work with the Department of Water and Environmental Regulation as our regulator, we grade it and we get a better understanding of the impacts of our extraction. We are looking at both replacing existing assets approaching the end of their design life and moving extraction assets to new locations where there is a lesser impact on the groundwater-dependent ecosystems and we can take a more balanced extraction from the aquifer. It is about replacing some existing assets that are at the end of their life and also installing new assets at locations where there are less environmental impacts.

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

[9.40 pm]