

Water Corporation —

Ms W.M. Duncan, Chairman.

Ms M. Davies, Minister for Water.

Mrs S. Murphy, Chief Executive Officer.

Mr R.M. Hughes, Chief Financial Officer.

Mr P.D. Moore, General Manager Operations.

Mr A.I. Vincent, General Manager, Assets Planning.

Mrs K. Flower, Senior Policy Adviser, Office of the Minister for Water.

Mr J.A. Nyman, Senior Policy Adviser, Office of the Minister for Water.

The CHAIRMAN: 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 can be 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 that the minister 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 principal clerk by Friday, 3 June 2016. I caution members that if the 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: I give the call to the member for Bassendean.

Mr D.J. KELLY: At an estimates committee hearing today, concerns were raised about the standard of sewerage, drainage and other work at Elizabeth Quay. Has the Water Corporation been involved in any of that work? I can see the chief executive officer is already shaking her head. Has the Water Corporation been involved in any way in work at Elizabeth Quay? Is the Water Corporation aware of any problems, noncompliance or otherwise, at Elizabeth Quay? I assume that the work at Elizabeth Quay joins the Water Corporation's systems at some point; therefore, is the Water Corporation either involved in or aware of any of the problems at Elizabeth Quay?

Ms M.J. DAVIES: No; the Water Corporation has not been officially involved in the construction work at Elizabeth Quay. I know that, certainly, the CEO offered the Water Corporation's expertise when it became evident that there were difficulties at Elizabeth Quay. I am happy to pass to Mrs Murphy to advise what that was. But in terms of the member's general question, no; there has not been any involvement of the Water Corporation.

Mrs S. Murphy: No, we had no formal role in any of that, but when it became public that there were some water-quality issues with the water features, we offered assistance from some of our water-quality experts. I believe that their advice has been taken into account in some of the repair work that has been happening. We know nothing about the reported sewerage issues. It is a separate development; it is not a Water Corporation system.

Mr W.J. JOHNSTON: Will any of the assets constructed by the Metropolitan Redevelopment Authority at Elizabeth Quay become gifted assets of the Water Corporation?

Ms M.J. DAVIES: I am not sure, but I assume that any of those types of projects eventually become the responsibility of the Water Corporation. I am happy to hand across to Mrs Murphy to answer that specifically.

Mrs S. Murphy: Mr Moore is probably more across this. The Perth main drain and main sewer are our assets, and they were moved as part of that development, but that work was done under our supervision.

Mr P.D. Moore: During the construction of Elizabeth Quay, a number of water pipes and some other infrastructure had to be moved as a result of the construction. That work was funded by Elizabeth Quay and, as Sue said, we supervised that work and that infrastructure has been handed over to us, but that has nothing to do with the current issue.

Mr D.J. KELLY: Mr Moore said “the current issue”. Is the minister aware that the problems at Elizabeth Quay have gone beyond the water park? Extensive problems with sewerage, in particular, including non-compliance have been reported. Is the minister aware whether any of those issues relate to the Water Corporation’s assets or potential future assets?

Ms M.J. DAVIES: Member, obviously we are aware of the issue because it has been reported in the paper, but, at this time, I understand that the Water Corporation has no responsibility for that issue. Advice was offered about the water playground. I understand that any assets gifted to the Water Corporation have to come across at a standard that the Water Corporation is aware of and understands because it becomes part of its asset base. I do not know whether Sue wants to add to that.

[Ms J.M. Freeman took the chair.]

Mrs S. Murphy: It is even stronger than that, because we have done the work with our contractors and our assets are no longer part of Elizabeth Quay. The point was to move our assets away from Elizabeth Quay so they were not affected by the development. But our assets continue; they are not part of that development at all.

Mr W.J. JOHNSTON: I refer to the groundwater replenishment plant. I understand that it will be expanded to 28 billion litres. Is that part of the existing asset investment program, and, if not; what factors might trigger a move to expand capacity?

Ms M.J. DAVIES: At the end of this year, we will complete the first and second stages, essentially, and 14 gicalitres will come online. It was always anticipated that we would go to the full 28 gicalitres and, certainly, we are having conversations internally in government as to when that is brought on. If it is brought on, we anticipate that it will be done within the Water Corporation’s forward capital works asset investment program as it currently stands.

Mr D.J. KELLY: What does the minister estimate that will cost?

Ms M.J. DAVIES: Those conversations are ongoing internally. Obviously, the decision has not been made. The decision as to when to trigger that increase in capacity has not been made yet, but, certainly, I think the success and acceptance of that program across the state is quite significant and we see it as a real opportunity for us to meet the target we set for recycling in the integrated water supply scheme.

[5.10 pm]

Mr D.J. KELLY: The minister must have some idea what she thinks it will cost.

Ms M.J. DAVIES: I can pass to Sue in relation to more broadly the work that needs to be done specifically. We have not made a decision to progress with that project.

Mr D.J. KELLY: I understand that.

Mrs S. Murphy: There is money over the four-year period for a future source—\$230 million—but that is not just to build the plant. The key to the second tranche of the groundwater replenishment is where we inject. We have been doing a lot of modelling and work with the Department of Water about the optimal place to inject. Where we inject in the aquifer affects how pressurised that aquifer is and we can get some environmental advantages further around the scheme. Until we know exactly where the optimal places for injections are, we do not know how long the pipelines have to be. There is still a bit of work to do around that. There is a budget of \$230 million, which is spread over the forward estimates. Depending on timing, there might have to be some rearrangement within the various years of the forward estimates but the absolute amount of money is in there. Whether we need all of that, depending on how long the pipelines have to be or whether we can do something else for under that amount, there is certainly enough money in there to cover it.

That is not the only option in the forward estimates. We are also looking at some debottlenecking and expansion of the two existing desalination plants—Perth and the southern seawater desalination plant. There are some options to spend capital on those plants and increase them. There are some other tweaks in our scheme of how to manage the dams. We have already made a lot of changes to how we manage our dams and which dams we retain that have little water and, in that way, we can lower evaporation. There is some further work to do in that space. A suite of new sources, if you like—losing evaporation is a new source—is identified. There is a finite amount in the forward estimates that covers what we need but the priority and order of those decisions will require some involvement with government, and it requires us to keep monitoring what is happening with climate as well.

Mr D.J. KELLY: There are two parts to this next question. First, my understanding is that doubling the size of that plant is by far the biggest option—the biggest new source. If there is anything else that compares with that, I would be happy if the minister told me. Second, what are the criteria or the triggers? Presumably, one of them is how much it rains this winter. What are the triggers that will determine whether the button is pushed on that project?

Ms M.J. DAVIES: They are all things that we constantly monitor. Yes, we do look at rainfall and obviously we consistently look at the improvements that we have made across the entire network. Sue mentioned a whole raft of other investments that have been made. I think realistically that is probably the next source that we will see come online simply because of the success and the acceptance by the community to this point for the first 14 gigalitres. We will continue to have those conversations internally in government and with the Water Corporation and the Department of Water.

Mr D.J. KELLY: I asked whether there is anything else anywhere near as big as doubling that plant amongst the suite of sources that were mentioned and I asked what the criteria are. I understand that there will be a conversation within government, but surely for a project of that size, there must be some established trigger points that the minister can share with us, given the amount of taxpayers' money that is involved, rather than just saying that there will be a conversation within government.

Ms M.J. DAVIES: I have indicated that within the forward capital works program in the budget, there is enough funding to accommodate either that or a number of other source options. Certainly at this point we are not looking at anything larger than bringing on the second stage of the groundwater replenishment, so the member can be relatively confident that we will make that decision in the coming months or year, dependent on a range of modelling that happens within the organisation. The member would understand that we do not want to bring projects on earlier than we need to, because it gets reflected in the costs that we pass on to the taxpayer and the general budget of the Water Corporation. We need to make sure that we hit the go button at the right time.

Mr B.J. GRYLLS: Winning over the public on groundwater replenishment has been quite a substantial achievement. When it was first mooted, there was much opposition. Is ongoing work being done to assure the public of its safety? If this is going to be the big new source of water for the next 10 to 15 years, more options like this might become available. It is obviously important that we keep winning the hearts and minds of the consumer. Is ongoing work being done in that space?

Ms M.J. DAVIES: During the run-up to the beginning of construction, a large number of people went through the information centre. The Water Corporation tested people's acceptance of groundwater replenishment prior to, and then having gone through, that process, and afterwards there was quite a significant conversion rate in terms of acceptance. I am not aware of the work that we are continuing to do but certainly that centre has been closed down because it is now a construction site while we go to the 14 gigalitres that will come online at the end of this year. As part of the Water Forever plan, we anticipate that we will be looking for other sites for groundwater replenishment around the system. It is certainly one of the things that we see as a real benefit because it allows us to match population growth with the Water Corporation's take from various aquifers. It is a nice, neat supply-and-demand balance and also manages the environmental aspects of the Water Corporation taking water from our precious groundwater resources. I do not know whether Sue wants to mention education.

Mrs S. Murphy: As the minister said, the education centre that we had on the site has been closed during the construction period but the finished 14-gigalitre plant will have an education centre and public visiting facilities attached to it. Depending on when the plant is doubled in size, we will endeavour to keep that open during construction. The member is right; ongoing education is important.

The technical skills to do the recycling are important but they are not cutting edge. The really cutting-edge thing that we have achieved with the groundwater replenishment work has been bringing on the opportunity. I think it is a credit to both sides of politics that they have appreciated how critical that is as part of Perth's water supply and have supported the project, because we have seen other jurisdictions in which that is not the case.

Mr D.J. KELLY: It would not have had the same bipartisanship if we had done it.

The CHAIRMAN: The member for Bassendean, who is obviously very anxious to move on, has a further question.

Mr D.J. KELLY: The minister mentioned other sites that she is looking at. I see that work will be done on the Woodman Point and Subiaco wastewater treatment plants. Is any of that work a precursor to or part of assessing the setting up of those wastewater treatment plants to enable aquifer recharge at those sites?

Ms M.J. DAVIES: I will ask Sue to answer specifically. I understand that when the Water Corporation was doing the Water Forever planning—that was a consultation process with the community—it tested the acceptance of the community in various areas and locations of where that might be an acceptable outcome to utilise groundwater replenishment. Sue can answer whether we are gearing up to go down that path.

Mrs S. Murphy: Our public planning states that every wastewater treatment plant in Perth could be used some time in the future to replenish the aquifers under it. The aquifers under each of those plants vary in suitability. The new wastewater treatment plant that we built at Alkimos some years ago is located and sized with space next to it for some form of groundwater replenishment. Similarly, we have just built a new wastewater treatment plant

at east Rockingham that can also deal with that. Woodman Point has the ability and the space for groundwater replenishment but the aquifers near Woodman Point are not of the same quality as the aquifers further north, so there are some complexities around that. Equally, we could inject into the aquifers at Subiaco. Some of the treated wastewater from Subiaco is used to water McGillivray Oval and adjacent sporting facilities. Some other options are being researched through the CSIRO to use some of the less highly treated water as a barrier for saltwater intrusion for the existing aquifers in that area. We state publicly, and our advertising to our customers says, that we believe that groundwater replenishment is a great solution that grows with our community and we would like it to be considered for all the large treatment plants. Very small treatment plants in some of the regional areas already recycle all of the water, but not for drinking water purposes.

[5.20 pm]

Ms M.J. DAVIES: We can go down that path because the Department of Water is making quite a significant investment in understanding the aquifers so that that information is available for the Water Corporation and anyone else who requires it. There has been a concerted effort to understand in a great amount of detail the aquifers, particularly around the rural water supply strategy, so that we can make those decisions when and if we need to.

Mr R.S. LOVE: I refer to the heading “Expenditure in the Regions” on page 664, and the details on the goldfields and the agricultural region. Can the minister update me on the farmlands water supply project, which is underway, and the progress in its development? I believe there has been an ongoing problem with some wastewater in Geraldton, and mention has been made of improvements in Geraldton. Can the minister outline those improvements?

Ms M.J. DAVIES: The farmlands water supply project, which covers the southern part of the member’s electorate right through to the wheatbelt, was made a priority within the Water Corporation’s program because of the significant amount of water loss experienced in that area. A report by the Office of the Auditor General highlighted the amount of water that we were losing through that system. It is an old system that has been enhanced and added to over a number of years, so we need to invest in it to reduce the number of leaks and breaks. The Water Corporation did a significant amount of work with the local chamber of commerce and businesses to ensure that some regional businesses were afforded the opportunity to do the work that they could do. The member would be interested to know that eight of the first pipeline replacement contracts have been awarded to wheatbelt businesses, and all of them have Aboriginal employees. One of the things we talked about was trying to increase opportunities for not only Aboriginal businesses, but also wheatbelt businesses. We are putting in place a metering program to better understand where those water losses occur and to monitor the water to enable reactive repairs. However, this program is about being proactive and getting in there before the system fails. The program will deliver around 64 kilometres of replacement pipeline and some joints will be replaced as well, which tend to burst in extreme weather events such as at the start of winter and during significant heat. It is quite a significant program. I would have thought that the member would have a significant number of people coming into his office complaining about leaks and bursts. People do not like it when their water is wasted. Regional Western Australians in particular know that it does not rain too much and they are acutely aware of how valuable that resource is. From my perspective, it is a good program. The member talked about Geraldton. In 2016–17, there is an allocation of \$4 million to improve wastewater infrastructure in Geraldton. The upgrade to the Geraldton wastewater treatment plant will improve odour control, and effluent and sludge handling capabilities. We get to talk about some glamorous things in this portfolio.

Mr R.S. LOVE: Over the years there have been some complaints from people in the Karloo–Utakarra area about odour. Will this address that issue in some way? I am talking about the Geraldton expenditure, obviously.

Ms M.J. DAVIES: The odour issue at Utakarra is a very contentious issue and has been ongoing for some time. I met with the residents, and the local Water Corporation managers have put a number of interventions in that plant. They are also talking about diverting some of those flows. It was quite a wicked problem to solve. At first blush it appeared to be something that we could fix relatively easily, but it actually required some significant monitoring and efforts to figure out exactly what was going on. I think we have touched base. We had a community reference group there for some time to make sure we addressed the concerns of residents. By and large, the majority of those complaints have decreased.

Mr D.J. KELLY: The minister referred to the farmlands water supply project. Did the minister’s office in particular play any role in convincing the Water Corporation to prioritise that project ahead of other projects?

Ms M.J. DAVIES: The farmlands project went through a business planning process, and I will ask either Sue or Ashley to go through the process used to develop a business case. Certainly, there have been a number of complaints of which I have been personally aware as the member for Central Wheatbelt. In terms of managing

the whole portfolio, the OAG identified that the farmlands section of our infrastructure was losing a lot of water and that it had a high rate of breaks and leaks. I had a discussion with the executive and it then went through the Water Corporation's normal business planning process. I will refer to Ashley Vincent who is in charge of —

Mr A.I. Vincent: The farmlands project has been a priority for us for a number of years. We identified that the number of leaks and breaks through that part of our network was significantly higher than anywhere else in the state, and that goes back over six or seven years at least. We have been doing some extensive assessment work and risk modelling to build a better picture of the condition and performance of that network. In order to put ourselves in a position in which we could sensibly and reasonably target those parts of the network that were most frequently failing or at greatest risk, we have targeted things such as underlays and sections of the network that were in a poorer condition. This program reflects the performance of that network, which was worse than anywhere else in the state.

Mr D.J. KELLY: As part of the business case, did the Water Corporation factor in time to deal with complaints from the minister's office about the state of the pipes?

Ms M.J. DAVIES: I would not have thought so. I would have thought that it made a decision in the same way that it makes decisions around all the business cases it develops. I am more than happy for Sue or someone else to describe exactly how a business case gets put together.

Mr D.J. KELLY: No, I do not need a description of how a business case is put together. I just want to know whether the Water Corporation factored in time dealing with complaints from the minister's office as part of its business case.

Ms M.J. DAVIES: I would suggest no. That is not how the Water Corporation conducts its business.

Mr B.J. GRYLLES: The decision to break up the contracts into smaller bundles to allow local contractors to get access is one of the more innovative things I have seen. Often local contractors say that they cannot get into government contracts. All sides of politics have buy local policies that seem to work at various levels. Are there learnings from that process that can be shared with other agencies? I think that is one of the best examples that I have seen.

Ms M.J. DAVIES: In all my portfolios I try to create opportunities for local businesses to benefit from state government expenditure. I think that is important, particularly for certain sections of the community. We have done the same in the forestry portfolio for the sandalwood process. From a Water Corporation perspective, we would certainly be willing to share those learnings, but it is not rocket science; it is just going out and talking to the local chamber of commerce and making sure that the businesses involved are geared up and ready to take on the work. If they are not big businesses, we give them enough lead time to take on the work or aggregate with another business to meet the needs of the contract. I would have thought that that is something that most agencies can do. It probably takes a little more time and effort, and it is not necessarily what some of the organisations would think of when they put out contracts, but from my perspective it is the right thing to do.

[5.30 pm]

Mr C.J. TALLENTIRE: My question relates to page 664 of the budget papers and the 830 kilometres of arterial drainage the Water Corporation is responsible for. I am curious to know how many litres go through that system in a year, and what responsibility the Water Corporation has for that water. I read that it is principally around the conveyancing of the water, but what about its chemical composition and the toxins that might be in it? Is the corporation responsible for that? What kinds of chemicals might we find in the water? This leads to a question about the impacts they might have on the receiving environment, which is inevitably the Swan–Canning estuary.

Ms M.J. DAVIES: This is a really interesting policy area, and one we are looking at with particularly Busselton Water to see whether we can drive some innovation. As it currently stands, the Water Corporation is responsible for—Sue can correct me if I am wrong—the maintenance of the actual asset, but not the quality of the water or effluent in the drain. As we deal more and more with a drying climate, we are starting to see the potential for that to become a resource and another source of water for public open space or recycling. But at this stage, under the Water Corporation's regulations, it is not responsible for the quality of the water that flows through the drains. Busselton Water does not come under this one, but we have particularly been having conversations with it about trialling a model used by Melbourne Water, whereby there is a more integrated model of use of all the assets. That is something we are working through at the moment. Does Sue want to add anything?

Mrs S. Murphy: Yes. Our statutory obligations are about flood protection, not water quality. Clearly, over time, as the minister said, as the climate dries, the water quality tends to become worse. The bulk of the pollutants or chemicals that we do not want are coming through subsoil flows into those arterial drains. It is not necessarily that people are dumping anything unfortunate into the drains; it is coming from previous land uses that may go back for

100 years. It is a classic wicked problem in that there are many, many players, and we do not control the land use. If it is going to be addressed, it will take a whole-of-community as well as a government and agencies approach to address it. The Water Corporation has been involved in a number of trials to look at various ways to strip nutrients and various ways to use those areas. The pollution is one aspect; nutrient stripping by planting and such can work, but it can often impede the flood protection that is the principal purpose of the drain under our requirements. So sometimes there is some tension there. Increasingly, we find that it is not just about pollution or flood protection; it is about local amenity. Historically, the most efficient flood protection drain was a concrete-lined channel; people do not want to live with a concrete-lined channel in their community if the alternative is to take it back to a more natural landscape. We have been working with quite a number of local councils about ways to keep the flood flows okay and meet those requirements, but make it into some form of local amenity—be it a compensating basin that can be used as a lake. There was a very unfortunate accident some years ago when a small child crawled out of home at night and into one of those compensating basins that was being used by the local shire and drowned. There are a whole lot of liability issues and it becomes a very complex issue. I think we all understand that any water in our environment is precious going forward—not necessarily to drink or to use as water, but as part of the aesthetic of an increasingly urban community. Although there is no regulated role for us to manage water quality, and although we cannot put up our hand and say that we will financially bear that burden, we can work as proactively as we can with all the various participants and do some trials to see what works best. Some of the local governments have been very proactive in this space.

Ms M.J. DAVIES: I would add also that the Department of Water and, I think, the Water Corporation are members of the Cooperative Research Centres Association's liveable cities program. One of the things the CRCA is looking at is the practical application of managing the resource collectively. For example, developers, when planning, look at using not a concrete U-drain but some of those more innovative styles of drainage that also become public open space. That needs to be worked through. The community needs to understand that it comes at a cost. We need to understand that the trade-off for accessing an additional resource is how we actually deliver it. It is a really complex one, and local government raises it with me very regularly.

Mr C.J. TALLENTIRE: Minister, could the costs involved in monitoring water quality, and perhaps cleaning it up, not be covered or recouped through the various rates charged or drainage charges? Was that not the original intention of the drainage charges people pay on their water bills?

Ms M.J. DAVIES: No, it was not. I understand that they were just for the management of the actual asset. This is where it gets challenging, because when we get to what used to be the development front, it transfers into local government responsibilities, and so there are ownership structures. We have an internal project with the Department of Water and Water Corporation to look at some of these challenges with the Department of Planning and a number of other agencies that I cannot recall at this point in time. That is one of the areas we have identified as needing more work.

Mr D.J. KELLY: Minister, my question is about the Minnivale asbestos incident. Has Water Corp done any assessment, modelling or forecasting as to how much that incident may cost the Water Corporation into the future, with liability for either affected employees or members of the public or any of the other associated costs; and, if so, what does that forecasting or modelling show?

Ms M.J. DAVIES: I will hand to Sue because I am not sure that is quantifiable.

Mrs S. Murphy: I do not have all the detail here because I have prepared for the budget. I can tell the member that—I think we have explained along the way—we have done extensive trials of the actual materials used. It appears highly unlikely that anyone was actually exposed to any level of asbestos above the threshold level that WorkSafe WA deems an acceptable level in society. In this case, it appears that we have not actually exposed anyone to anything that bad. But we do not walk away from the process breakdown. The process breakdown meant we could have. Post that incident, we formally changed our processes and the way we move information around our business. We have formally inspected all our sites and placarded about asbestos to make sure it is very clear. We are introducing a QR code that people can scan with their iPhone that will tell them, on every one of our sites, whether there is asbestos or dangerous goods there and what state they are at. The fact is that there is asbestos on many of our sites, and there is asbestos all over the state of Western Australia. The cost of removing all that asbestos is billions and billions of dollars, and none of that is in our planning. What is in our planning are the areas our people access regularly where there is risk; we have a budget to prioritise and work through the removal of that asbestos. As to ongoing work exposure to asbestos, we believe we have changed our procedures and systems so that our people should never be exposed to asbestos. But the fact is that historically in this state asbestos was used a lot as a building material. Many of the people who work for us are on our asbestos register and have been for decades. People who worked for the Water Corporation and who used to work for the then Public Works Department in Dumas House are all on that register because there was asbestos in that building originally. Asbestos is an enormous issue —

Mr D.J. KELLY: I appreciate the background, but my question was quite specific. It was about whether the department thinks there will be any long-term liability.

Mrs S. Murphy: No.

Mr D.J. KELLY: The answer to that is no?

Mrs S. Murphy: Our employees are all covered by workers' compensation. Should there be such a liability, should that occur—all the experts assure us that we have not actually exposed anyone to anything in that particular case—that is part of the workers' comp scheme anyway.

The CHAIRMAN: Does the member for Cannington have a further question?

[5.40 pm]

Mr W.J. JOHNSTON: How many days was it from the date of the incident until the Water Corporation first realised that there was a risk that the material involved was asbestos? Also, how long was it from the discovery that it might be asbestos until WorkSafe was advised?

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

Mr W.J. JOHNSTON: This is a government trading enterprise. Did the minister not listen to the Chairman at the start? We can ask anything about an organisation if it is a GTE.

Ms M.J. DAVIES: Can the member ask his question again then?

Mr W.J. JOHNSTON: How many days were there between the incident and when the Water Corporation first realised that the material might have been asbestos? Also, how long was it from that realisation until the first advice to WorkSafe?

Ms M.J. DAVIES: I will not have that level of detail in front of me. I am not sure whether any of my officers will, but we can provide the answer by way of supplementary information if the member would like.

Mr W.J. JOHNSTON: Excellent.

The CHAIRMAN: Can I get the minister to repeat what she is going to provide?

Ms M.J. DAVIES: My understanding is that the member wants to know when it was first identified on site —

Mr W.J. JOHNSTON: When did the Water Corp first realise that the material at Minnivale may contain asbestos? We know the date of the incident at Minnivale. When did the Water Corp first form an expectation that it might have included asbestos? From that date, when was WorkSafe advised?

[*Supplementary Information No A87.*]

Ms M.J. DAVIES: We did table a very detailed time line of the incident.

Mr D.J. KELLY: Can the minister tell us her understanding of the status of any investigations by WorkSafe? Are they ongoing or have they concluded?

Ms M.J. DAVIES: WorkSafe does not provide us with that information. My understanding is that we have done the work and provided all the information that was required by WorkSafe and the Department of Environment Regulation, and that they are comfortable with the actions that we outlined as part of the Water Corporation's response to the incident. I am not sure whether Sue has had any further advice from WorkSafe about that.

Mrs S. Murphy: No, we presented everything to WorkSafe. It indicated that it was happy with the remediation work that we were doing with the process changes. It asked us to report back on the changes we had made and we have done that. WorkSafe indicated that it would continue to monitor the changes that were being made and the asbestos placarding and notification processes. We sent those reports to WorkSafe and I have heard nothing back since then. For the dates, I have to be clear that there was not actually an incident. We became aware that asbestos was on the site when a regular inspector went to the site to do an annual update of his asbestos register. An event did not take place per se. We became aware that asbestos was on site and that was after the bulk of the construction activities were completed. We do not have those dates here, but we will produce them. We have taken this very, very seriously. We have turned the organisation upside down and we were hugely relieved that no-one has been exposed. We have not moved away from it.

Mr D.J. KELLY: We do not know that. With respect, let us not take it too far.

Mr W.J. JOHNSTON: I would also appreciate if the minister can advise what date her office was advised of the problem.

Extract from Hansard

[ASSEMBLY ESTIMATES COMMITTEE A — Thursday, 26 May 2016]

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Chairman; Mr Dave Kelly; Ms Mia Davies; Mr Bill Johnston; Mr Brendon Grylls; Mr Shane Love; Mr Chris Tallentire

Ms M.J. DAVIES: Yes, we can provide that by supplementary information. I do not recall the date off the top of my head.

Mr W.J. JOHNSTON: Sure.

The CHAIRMAN: Member for Cannington, can you put on the record one more time what information you are asking for?

Mr W.J. JOHNSTON: When was the first occasion that the minister's office was advised of the issue at Minnivale?

[Supplementary Information No A88.]

The CHAIRMAN: Does the member for Bassendean have a further question? I have a new question from the member for Cannington; is that correct?

Mr W.J. JOHNSTON: If you want me to go with that, sure. It is no trouble to go to a new question.

Mr B.J. GRYLLS: Are the Nats on the list?

Mr W.J. JOHNSTON: Probably not.

Mr B.J. GRYLLS: The member for Cannington has had four in a row!

Mr W.J. JOHNSTON: No, I have not! Don't be an idiot!

The CHAIRMAN: I am sorry; can I interrupt for just a minute? I do not have anyone from the government on the list at the moment, so if you would like to put your names on the list —

Mr B.J. GRYLLS: You would think there was not a very good changeover from the last Chair!

Mr W.J. JOHNSTON: This is actually the first question I have asked.

The CHAIRMAN: There will be even fewer if members carry on like that!

Mr W.J. JOHNSTON: How much has been allocated to fix the Broome South Wastewater Treatment Plant's problems? Also, do we know how much leaked from the plant?

Ms M.J. DAVIES: Is the member talking about the challenges in Roebuck Bay? I understand that \$7 million is allocated in the forward estimates to do some remediation work on the Broome South Wastewater Treatment Plant. My understanding is that funding will be used to re-line some of the ponds. We cannot start until after the wet season; we cannot get in there. We also have a long-term monitoring program up there to better understand the impact because a whole raft of nutrients are flowing into the bay. The short answer is \$7 million, but I will hand over to Ashley to talk about the project.

Mr A.I. Vincent: Yes, \$7 million was allocated to address infiltration from one of the ponds at the Broome South Wastewater Treatment Plant. I think part of the member's question was about the volume that leaked; it is always difficult to calculate the volume precisely. We certainly know that there is infiltration from that pond; it was designed in that manner. We are taking pretty serious corrective action to make sure that it is stopped.

Mr W.J. JOHNSTON: When did Water Corp first become aware of the problem?

Ms M.J. DAVIES: Off the top of my head, I do not have that date. I am not sure whether any of the officers know. Ashley, do you?

Mr A.I. Vincent: I do not have a precise date but if we go back through the history of Broome's wastewater services, for a number of years the strategy was to relocate and divert flows from the Broome South Wastewater Treatment Plant to the Broome North site. The Broome North Wastewater Treatment Plant has been in place for a number of years. It was designed to reduce the flows to the Broome South site and to change the dynamics in that area. It also provides additional treatment capacity. We have known for a number of years that we needed to change the way the Broome wastewater network operates and we have made significant investment over the last eight to 10 years to do that.

Mr W.J. JOHNSTON: For the \$7 million that was allocated to fix this, the minister used the term over the "forward estimates" —

Ms M.J. DAVIES: It is 2016–17; my apologies.

Mr W.J. JOHNSTON: That is all right; it is in the next financial year.

Ms M.J. DAVIES: Yes.

Mr D.J. KELLY: My understanding is that a report was done by URS Australia on the Broome South Wastewater Treatment Plant. A number of tanks were identified that it believed are leaking. Is the Water Corp, as part of this project, going to do all the work that was recommended by that report or has the Water Corporation decided to depart from that course and only re-line or do work on some of the tanks?

Ms M.J. DAVIES: I can get Sue to answer that.

Mrs S. Murphy: They are ponds; it is not a tank, as such. They are lined ponds. At the moment, we are diverting sufficient flows and we are not using all the ponds. The ponds that are being used will be re-lined and that should stop any leakage. We believe that what we are doing will be adequate. I have not seen the report recently so I could not, with hand on heart, say that we are going to do every single thing in it. However, with the work we are doing, our experts have indicated it will make sure that no water infiltrates from the wastewater treatment plant into Roebuck Bay. Remember that a lot of the treated wastewater from this plant is used to water the adjacent golf course. That water will flow through the soil and a lot of the nutrient will be stripped out by the vegetation on the golf course, but there will still be some nutrient that comes through the golf course, potentially out into the ground.

[5.50 pm]

Mr D.J. KELLY: When will water from the ponds stop moving into Roebuck Bay?

Mrs S. Murphy: The ponds are to be re-lined over this coming dry season. When the ponds are re-lined, we would hope that no other wastewater would come from the treatment plant into Roebuck Bay.

Ms M.J. DAVIES: Could I just add that all of this has been done under the direction of the Department of Environment Regulation, which is the regulatory body. I understand that other environmental investigations are also underway. We cannot start that work, as I said, before the dry season because they cannot get in there to do the works.

Mr B.J. GRYLLS: I refer to page 279 of budget paper No 3 on which projects funded by royalties for regions are listed. I congratulate the Water Corporation on the work it has done with royalties for regions funding in Karratha and Port Hedland. We had the massive challenge of no water supply and no wastewater, which was one of the major drivers —

Mr D.J. KELLY: What is the question?

Mr B.J. GRYLLS: Let me finish, mate! That was one of the major challenges that drove rents to \$3 000 a week. Royalties for regions funding has been very important for the Water Corporation to solve some of those areas long-neglected by previous governments. Can the minister please describe what the projects on page 279 of this year's budget will be doing?

Mr W.J. JOHNSTON: It is a yes or no answer!

Ms M.J. DAVIES: No, it is not.

Mr B.J. GRYLLS: The minister will take a while; it is probably a 10-minute answer, I reckon.

Ms M.J. DAVIES: That is semantics, member for Cannington.

Mr W.J. JOHNSTON: That is the question he asked.

Ms M.J. DAVIES: Let me answer. I refer to two specific projects, one of which is the Karratha wastewater reuse project and the other is the Denmark water recycling project.

Several members interjected.

The CHAIRMAN: Members, that is enough! We are on a very tight time frame.

Ms M.J. DAVIES: We are.

The CHAIRMAN: And, minister, can you be brief?

Ms M.J. DAVIES: I will be brief.

Those two projects, essentially, are moving towards increasing the volume of recycled water. The Karratha wastewater reuse project, which is \$7.5 million project, will see a new pipeline constructed in Karratha to convey recycled water from the corporation's wastewater treatment plant through to its recycled water scheme. That is incredibly important from a perspective of community amenity—keeping public open space nice and green—and, importantly, allowing the local government to reduce the expense of relying on scheme water.

The Denmark water recycling program is a \$15 million program, and we are looking at a number of irrigation projects for the end-use water. The golf course is one. I know that another project has been put forward, I think, by the WA College of Agriculture to use some of that wastewater. It is a great resource and they are significant projects that will assist the Water Corporation in maximising the water resource that it has.

Mr B.J. GRYLLS: Further to my question —

The CHAIRMAN: Member, given the time and constraints that we have to finishing in five minutes —

Mr B.J. GRYLLS: So there will be no more further questions to the question?

The CHAIRMAN: That will probably be for the best.

Mr D.J. KELLY: On the question of cost reflectivity, obviously we are not there in the country areas, but can I assume the minister can confirm we have reached that in the metropolitan; and, if so, why has the government put the water price up by 4.5 per cent this year? Is the cost of delivering water services in the metropolitan area likely to increase by 4.5 per cent next financial year?

Ms M.J. DAVIES: There are two things there. I did hear the member say the other day on radio that I was being a little bit cute by saying that we had not reached cost reflectivity.

Mr D.J. KELLY: Just answer the question.

Ms M.J. DAVIES: I am answering the question. We have not reached cost reflectivity in either the metro or the country areas for this financial year. Every year we have the discussion about what the price increase will be in future years, and we do that on a year-by-year basis. There is a six per cent increase in the two out years of the forward estimates. The member will recall that the forecast in last year's budget for this year was six per cent, but we increased it by 4.5 per cent.

Mr D.J. KELLY: When does the minister say we will reach cost reflectivity in the metropolitan area?

Ms M.J. DAVIES: That depends on the increase in the rate and the decisions that get made on a year-by-year basis by the government.

Mr D.J. KELLY: Is the minister saying that the 4.5 per cent increase for the next financial year will not deliver cost reflectivity for the metropolitan area?

Ms M.J. DAVIES: At the moment there is a six per cent increase in the forward estimates.

Mr D.J. KELLY: No; I am talking about the increase that the minister has decided for the next financial year.

Ms M.J. DAVIES: No; we do not reach cost reflectivity.

Mr D.J. KELLY: How far off is cost reflectivity?

Ms M.J. DAVIES: In total, we have around 70 per cent cost reflectivity for country and metro together. We are not close. Obviously, country cost reflectivity is significantly lower. We are closer in the metro area, but we are not there yet.

Mr W.J. JOHNSTON: In respect of the amounts in the forward estimates in the *Economic and Fiscal Outlook*, page 275 shows a \$602 million increase over four years from Water Corporation to the general government sector. If the water price is increased by 4.5 per cent instead of six per cent, effectively, has the sensitivity of that figure to the six per cent increase been calculated?

Ms M.J. DAVIES: The member is going to have to ask that question again; I am sorry.

Mr W.J. JOHNSTON: Has the minister calculated the sensitivity for payments to the general government sector from the Water Corporation based on the increase in charges that are calculated currently at six per cent?

Ms M.J. DAVIES: Sue can answer, but I would assume that we do a sensitivity analysis on all our costings.

Mr W.J. JOHNSTON: What is one per cent worth?

Ms M.J. DAVIES: Off the top of my head, I am not able —

Mrs S. Murphy: There are so many variables. Our numbers in the budget are an aggregate of what the actual capital program ends up being and the whole cost base. The numbers in the forward estimates for dividends are based on the same assumptions as the pricing increases that are in there. It is not linear and it depends what happens and where money is spent. If money is spent somewhere where there is an operating subsidy, it has a different outcome; it is not simply linear. In the whole cost reflectivity discussion, the member has to remember that we are talking economic cost reflectivity. We will still make a profit; it is about what return the

government gets on the money it has invested in the Water Corporation. That is the part that is not at cost reflectivity.

Mr C.J. TALLENTIRE: I refer to page 664, “Asset Investment Program”. I am curious to know about plans for a third desalination plant and how far advanced those might be, and what the costing and possible location might be? What would be the factors that would trigger that project being developed?

Ms M.J. DAVIES: Is the member’s question whether we are planning for a third desalination plant?

Mr C.J. TALLENTIRE: Yes, precisely.

Ms M.J. DAVIES: There is nothing planned for a third desalination plant. Obviously, we need a long lead time for a source enhancement of that nature. I would anticipate that we would not be looking at something like that—Sue can correct me if I am wrong—within the next 10 years. Certainly, planning would start, but I would not anticipate we would bring on a significant source increase like that for some years to come.

Mr D.J. KELLY: That was the question: what planning is being done as far as potential sites, for example?

Ms M.J. DAVIES: Again, there were discussions in Water Forever around potential sites and the community willingness to have desalination plants, not just in the metropolitan area but across the whole state. Sue can speak on internal planning, but obviously there are places better suited for a third desalination from the Water Corporation’s perspective.

Mrs S. Murphy: We do lots of planning; we plan for lots of sites. The issue with a large new source is not only where the source is but how it fits into the rest of the scheme. With our existing conveyance infrastructure to the south, we have a bit of flexibility to get a bit more up from the south, but not much. Logic tells us that if we do not want to rebuild our whole conveyancing network, a new source would be to the north of Perth, not the south. Desal plants inherently have to be near the coast—if it is a seawater desal plant—or it does not make sense. We have looked at sites north and south, but the northern sites look more prospective. It is longer term planning, so we are not at a detailed stage or any form of engagement or anything like that. There is nothing in the forward estimates for a huge new source. There are lots of options for the future. We are always planning. We plan for various scenarios from the very grim to the very optimistic.

Mr C.J. TALLENTIRE: Have costs gone down for desalination plants?

Mrs S. Murphy: The construction costs at the moment are lower than they were a few years ago but higher than —

The CHAIRMAN: Members, that completes the examination of the Water Corporation.

Meeting suspended from 6.00 to 7.00 pm