

Chairman; Mr Fran Logan; Mr Bill Marmion; Mr John McGrath; Mr Chris Tallentire; Dr Graham Jacobs; Mr Murray Cowper

Water Corporation —

Ms A.R. Mitchell, Chairman.

Mr W.R. Marmion, Minister for Water.

Mrs S. Murphy, Chief Executive Officer.

Mr P.D. Moore, Chief Operating Officer.

Mr L.G. Werner, Manager, Pricing and Evaluation.

The CHAIRMAN: This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

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 committee clerk by Friday, 10 June 2011, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers and, accordingly, I ask the minister to cooperate with those requirements. 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 with the Clerk's office. Only supplementary information that the minister agrees to provide will be sought by Friday, 10 June 2011.

[Witnesses introduced.]

The CHAIRMAN: Member for Cockburn.

Mr F.M. LOGAN: I take the minister to the asset investment program on page 876 of the *Budget Statements*. There is reference in the second paragraph to the "Southern Seawater Desalination Plant". The minister made a significant number of comments about the expansion of the southern seawater desalination plant and referred to it as Binningup 2 and the new source of water for Western Australia. Of course there is no funding in these budget papers for that infrastructure. What has happened to it? Will it be a Water Corporation project in the future or will it shift to the private sector?

Mr W.R. MARMION: Desal 2, as I call it and as it is well known, is one of the options for the future. It is not necessarily the next option, but it is certainly a viable option. We do not know when it will come on stream, but certainly one of the benefits of the southern seawater desalination plant is that it has environmental approval ready for expansion. Also, the inlet and outlet pipes are already there. It is sort of halfway there. The actual capacity, though, of the pipe from Binningup to the integrated network will be able to deliver only 50 gegalitres when it comes on stream later this year. If we were to go to desal 2, we would have to double the pipe capacity. There are, therefore, two costs. One is the plant cost and the other is the pipe cost. There are other options, of course, for what the next major supply of water might be for Perth.

Mr F.M. LOGAN: Further to that, what is the estimated cost that the minister is referring to?

Mr W.R. MARMION: I have the cost in round figures, but perhaps it would be prudent for me to get a more accurate costing rather than guess. My guess can probably be elaborated on, but it is about \$400 million for the plant and about \$600 million for the pipe. Perhaps the chief executive officer can give more precise figures.

Mrs S. Murphy: The plant itself can be upgraded for about \$400 million, as the minister said, and that was a commercially bid proposal at the time of the original tranche, the first tranche, of the plant going ahead. The cost to fully upgrade and duplicate the pipeline to Perth is in the order of \$600 million, but a component can be brought up for a lesser amount of about \$50 million, which could be used as a drought mitigation source. So, it is one of a basket of options going forward.

Mr F.M. LOGAN: Further to that question, and perhaps this is a question to Mrs Murphy: is it true that the Water Corporation has already ordered parts for Binningup stage 2?

Mrs S. Murphy: No.

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The CHAIRMAN: I am sorry, Mrs Murphy, the question needs to go through the minister.

Mr F.M. LOGAN: Through the minister.

Mr W.R. MARMION: Thank you, Madam Chair. I defer to the chief executive officer.

Mrs S. Murphy: No, that is not true. We have asked the existing proponents to examine the bid that they gave us some years ago and, as part of that process, they have gone to the market to check availability and cost, but they have not ordered any equipment.

Mr F.M. LOGAN: I have a further question, through the minister, to Mrs Murphy: have no orders been put in for any part for Binningup stage 2?

Mr W.R. MARMION: I am happy for the chief executive officer to answer.

Mrs S. Murphy: No, there are no firm orders in place but, as I said, inquiries have gone out for availability, timing and cost.

Mr J.E. McGRATH: My question refers to the third paragraph on page 876 on an additional \$140 million being provided to the Water Corporation to support the development of water and waste water infrastructure to facilitate land development. Can the minister tell me why the additional expenditure is necessary and how it will benefit housing affordability; and, if these are private developments, will the Water Corporation recoup any of that money? Can the minister explain a little about this expenditure and what the minister is aiming to achieve?

Mr W.R. MARMION: The essential part of servicing new land is adequate water and waste water distribution infrastructure such as trunk mains and water and waste water pumping stations. I am pleased to advise that this \$140 million will be used through the next year to accelerate the building of such infrastructure at new subdivisions. Essentially, this is an issue that will ensure that new land developments can be connected to our water and waste water schemes simply by developers providing reticulation pipes. If this funding was not available to build distribution assets, the developers would need to pre-fund them, which, as members know, would be at considerable cost. This would add cost to the development and impact the amount of land that becomes available for development because of the lack of water and waste water services. The government believes the allocation of this \$140 million will reduce the up-front costs to developers to establish new subdivisions and will help improve housing affordability, which is really important. Basically, buyers will benefit from lower costs incurred by developers, as they will be able to offer land at lower prices. That is the position for the coming year. Additionally, the government has also taken the opportunity now to make changes to the budget process that will ensure that adequate funding is available for water and waste water distribution assets into the future. Developer contributions are set based on the average cost per lot of providing distribution infrastructure, and this has now been recognised in the budget process. From now on, all funding from developer contributions will be directly available to the Water Corporation to fund distribution assets. This change will overcome the government's necessity to make similar additional funding provisions in future budgets because the Water Corporation's annual capital planning in this area will be linked directly to the headworks revenue it receives from developers.

[9.10 pm]

Mr J.E. McGRATH: Minister, has the Water Corporation already worked out where this infrastructure will be going, or will it depend on development applications or new subdivisions opening up? Is there some master plan for where this money will be spent, or will it be spent as subdivision applications come in?

Mr W.R. MARMION: We have some knowledge of that, and I will pass it on to the chief operating officer, Mr Moore.

Mr P.D. Moore: It will be spent basically as subdivision applications come in and we need to extend the infrastructure to support those new developments. Generally, planning is geared around where the developers are going, and although we have, basically, structure plans or infrastructure plans to follow that development, it is pretty much dependent on the developers.

Mr J.E. McGRATH: But would the Water Corporation not have been doing this already? We have been developing new subdivisions for a long, long time now; would this not have been the normal procedure? What is different from what we are doing now?

Mr W.R. MARMION: I am happy for Mr Moore to continue answering.

Mr P.D. Moore: When the global financial crisis first came upon us there was a review of our capital budget at that stage based on the extent of development and the growth that was going on at the time. There was an expectation that growth in development was going to drop off fairly dramatically, so the capital program was cut back as a result of that, with the clear understanding that if the growth rates changed or did not go down as

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expected, that money would be brought back into the budget. That is what this \$140 million is now doing. As the minister said, there is now also an agreement that we will actually follow the growth rate reflected by head works contributions, so it will not be sort of an arbitrary guess, if members like, it will be following that.

Mr C.J. TALLENTIRE: My question relates to the second paragraph of page 876 of budget paper No 2, which claims that \$102.4 million will be spent on progressing the Mundaring water treatment plant. If this is a public-private partnership as claimed, why is the \$102.4 million required? There are two more parts to this question. The total expenditure on this project is \$330 million, as listed in the line item —

Mr W.R. MARMION: Member, is it possible to ask questions one at a time? Otherwise we start to lose it!

The CHAIRMAN: One question at a time, please, members.

Mr W.R. MARMION: Perhaps Mr Moore could answer the first part.

Mr P.D. Moore: I might actually, in doing this, start to answer some of the next part of the member's question. There is a suite of projects involved in the Mundaring water treatment plant project, part of which is being covered by the PPP and part of which we are doing as some of the support infrastructure that goes with that and around that. Work currently is going on, for example, to prepare the site. We are moving the existing Department of Environment and Conservation depot to another location to provide the site for the new treatment plant. So part of that money is for that, and some of the remainder of it is in our preparation for the PPP.

Mr C.J. TALLENTIRE: Does the \$330 million actually cover the whole cost? Is that the total cost of the plant?

Mr W.R. MARMION: I am happy for Mr Moore to answer.

Mr P.D. Moore: It covers the whole cost of the project, part of which is the plant. All of the costs associated with putting that together are included in that, yes.

Mr F.M. LOGAN: Through the minister: that comes back to the first question. Firstly, if it is a PPP, why is the Water Corporation picking up the freight for the whole project? Secondly, if it is because it has to be allocated on the books of the Water Corporation, anyway—it would have to certainly be allocated on the budget of the state, I understand that—does that not then flow into the Economic Regulation Authority's assessment of the total capital spend, and therefore the price of water?

Mr W.R. MARMION: Perhaps I might ask Mr Werner to answer this one.

Mr L.G. Werner: Yes, the member is right; it will get onto the balance sheet of the Water Corporation, and we do have to agree with the Economic Regulation Authority how that will flow into prices. However, it is part of the Goldfields and Agricultural water scheme, and that is supported with community service obligation payments. Country customers pay the regulated prices, and there is not full cost recovery, so not all of that cost will go to customers.

Mr F.M. LOGAN: This question goes to the minister rather than to the Water Corporation: how is the public benefiting from a PPP project model undertaken by the Water Corporation? Ultimately, the cost is being offset—I understand about cash flow and offsetting the cost to the private sector—but maintaining the overall value of the project on the books, as required by Treasury, and then being assessed by the ERA on total capital expenditure, then that will flow into, as it does, the cost of water, which we all have to pay. Where is the benefit? I mean, in that case, the Water Corporation should build it itself—we will still pay the same for the water!

The CHAIRMAN: Member for Cockburn, you have asked the question; we need to give the minister a chance to respond.

Mr W.R. MARMION: It is basically a different delivery mechanism, but in terms of the accounting treatment, yes, it is the same, as the member demonstrated. The chief executive officer will be able to elaborate on the difference between the delivery mechanism through a PPP and what the Water Corporation might have done under an alliance contract, and what the benefits are.

Mrs S. Murphy: It is true that it is on the balance sheet; however, there are more reasons for doing a PPP than simply to move chunks of capital off the balance sheet. Through going through the PPP process we have ascertained that a number of risks will be transferred from the corporation to the private sector—for example construction risk and risk of construction costs blow-outs—because we have fixed costs through the PPP. In parallel with that, as there is growth in the scheme the matching of asset investment with growth in the scheme is also a risk that is managed by the private sector. The cost comparator we did between the cost of running the program the traditional way we would have done in-house, which was within competitive alliance, and a PPP came out better in long-term net present value by using a PPP delivery mechanism, so there are a number of benefits to the state. The economic treatment of a PPP is still to be fully explored with the ERA because our

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model has not been done before, but our understanding at the moment is that the cost for that treatment process will be less than the cost that it would have been had we done it in a traditional manner, and therefore net cost overall to our customers will be less. Our cost to our customers will not start until the plant starts operating.

[9.20 pm]

Mr F.M. LOGAN: I will be waiting with bated breath to see that!

Dr G.G. JACOBS: I refer to the fifth paragraph on page 876, which refers to the \$65 million to be spent refurbishing the old pipeline so that Perdaman Chemicals and Fertilisers can get water from Wellington Dam to its urea project in Collie. Since this asset is mainly for Perdaman, why did it not stump up the money? Now that taxpayers are paying for it, what arrangements will be made to recoup the cost to the taxpayer? Will the occupiers of the Shotts Industrial Park pay a headworks charge to amortise some of the cost of this asset?

Mr W.R. MARMION: I certainly can answer the first part of the member's question. On 21 February 2011, cabinet approved an increase of \$65 million in the Water Corporation's borrowings for the Perdaman urea project to augment the water supply scheme and enable the transfer of water from Wellington Dam. Cabinet endorsed the Perdaman urea project as a project of state significance, particularly to Collie and the south west region. The cost will be recovered by way of user charges. The water storage and transfer agreement between the Water Corporation and Perdaman Chemicals and Fertilisers provides for the recovery of the cost over time. The project is funded by the borrowings, not the taxpayer.

Dr G.G. JACOBS: I have a further question. Over what time are we looking to amortise that?

Mr W.R. MARMION: The recovery period for the \$65 million is 15 years. I cannot go into any more detail because agreements that the Water Corporation enters into with major customers are confidential and specific terms of agreement further than what I have provided are ordinarily not released. Over the 15-year period, we will recover that \$65 million plus interest. One hopes that the agreement covers that.

Mr J.E. McGRATH: That is a good outcome.

Dr G.G. JACOBS: Given that the water will be supplied to Shotts Industrial Park, are there commensurate headworks charges to those occupiers to amortise some of this cost as well?

Mr W.R. MARMION: Mr Moore might be able to elaborate a bit more on the headworks charges.

Mr P.D. Moore: This project is to supply only Perdaman. There is no water supply to Shotts Industrial Park as part of this process. Therefore, the answer to the member's question is, no, they will not because it is not servicing them.

Dr G.G. JACOBS: I have a further question. The fifth paragraph on page 876 states —

This will support the Perdaman Collie Urea Project and also provide a reliable industrial water supply to tenants of the Industrial Park.

That tells me that it is factored into this somehow.

Mr W.R. MARMION: That is a good question, member. I ask Mr Moore to answer it.

Mr P.D. Moore: The only tenant at the industrial park that we are aware of is Perdaman Chemicals and Fertilisers.

Mr F.M. LOGAN: Having been the Minister for Energy and dealt with projects that are very similar except that they are called powerlines, why is Perdaman not paying for that? What is the total cost of the pipeline?

Mr W.R. MARMION: As explained, Perdaman is paying for the pipeline through user charges, so we are borrowing the \$65 million and Perdaman will pay it back with interest over 15 years. Therefore, Perdaman is paying.

Mr F.M. LOGAN: I have a further question. Is there no up-front capital contribution from Perdaman?

Mr W.R. MARMION: I was not involved in the deal.

Mr F.M. LOGAN: Mrs Murphy might know.

Mr W.R. MARMION: Mr Moore may be able to answer that.

Mr P.D. Moore: There is no upfront capital contribution from Perdaman. It is quite common with the major agreements that we have with some of the large users that in some cases they will fund it upfront and in other cases—Perdaman is the case and the example—we borrow the money on the basis that it will be repaid over a

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period of years. In this case it will be repaid over 15 years. It is one of the normal processes that we use for major consumers.

Mr F.M. LOGAN: Western Power does not operate that way.

Mr M.J. COWPER: I refer to page 876 and the infill sewerage program line item under “Works in Progress”. In 2009 when the infill sewerage program was impacted by competing competencies, 21 projects that were on the books were shelved, five of which were in my electorate. Last year, money was set aside for the program. I think it was \$25 million including \$5 million per annum to be spent in regional Western Australia. When can I expect any of those five projects in my electorate that were shelved nearly three years ago to be addressed, given that three of those projects are on extremely sensitive waterways in the Murray and Leschenault districts?

Mr W.R. MARMION: We had approved \$25 million over four years for the infill sewerage program. Indeed, in this current budget another \$5 million has been added to each of those four years for country projects. I am taking a program of projects to cabinet for its endorsement. Quite a number of those projects are in rural areas. I do not have cabinet endorsement for them yet, but I imagine that I will get it in the next few weeks. The projects have been prioritised using the criteria that the member alluded to, such as the protection of water resources. Indeed, the Murray River is an important catchment area, and the member pointed out that that is one such project in his electorate.

Mr M.J. COWPER: And Leschenault and Harvey.

Mr W.R. MARMION: I know, and Australind. Other members have their priority projects as well.

Mr M.J. COWPER: I have a further question. I note that a number of members in this place have jumped up and down, gone to the press and done whatever, and have been very successful in getting the infill sewerage program. This includes members on the government side. Members who sit patiently, whom I believe would be entitled to be considered given the attendant circumstances, have just been ignored. I have just about finished with it, to be honest.

Mr W.R. MARMION: The member has already lobbied hard with me on this issue privately. I have taken that on board and hopefully there will be a reasonably good outcome. However, I will not know until cabinet ticks off on it. I think that the infill sewerage program is a really good government initiative, it is really good for the environment —

Several members interjected.

The CHAIRMAN: Excuse me, members. The minister wants to finish.

Mr W.R. MARMION: The member is right that the previous Minister for Water was instrumental in ensuring that this project —

Mr J.E. McGRATH: He was all right!

Mr F.M. LOGAN: He is probably one of the best water ministers we have ever had! I did not say so at the time, but —

Mr W.R. MARMION: It was all due to the previous Minister for Water.

Mr J.E. McGRATH: On the subject of infill sewerage, the last bit in my electorate was done I think a year or two ago at Waterford, but in the country there are places that I have visited, since I came to this place, that need it. One such place is Hyden. There is a real problem down there and the town is after the infill sewerage program. I notice that there is some contribution from the royalties for regions program to a project in Port Hedland. Is there much funding from royalties for regions going into infill sewerage programs in the country?

[9.30 pm]

Mr W.R. MARMION: My understanding was that the top up of the \$25 million by an extra \$5 million was through royalties for regions money; however, I have just been advised that it is not. It is \$35 million a year and there is no royalties for regions money. Infill sewerage projects in the country are part of the program. The member mentioned Hyden, which is one we are looking at.

Mr F.M. LOGAN: I refer to the line item “Commercial Program — Minor Commercial Projects” towards the bottom of page 876 and to the Water Corporation’s arrangement with the Fire and Emergency Services Authority to fix and maintain fire hydrants, and to charge FESA for doing this. What income did the Water Corporation receive from this source during this financial year? If there is no total for this year, the total for the previous financial year will do. Can the minister advise of the current backlog and the highest charge issued to FESA for fixing a fire hydrant? If the minister can provide it by way of supplementary information, that will be fine.

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Mr W.R. MARMION: We are happy to provide that as supplementary information. To clarify: what income does the Water Corporation receive from FESA this financial year? I think the member would like the data for a whole year; what is the backlog on hydrants; and, what is the highest charge, presumably for an individual hydrant, and where was it located? It could have been in Mukinbudin or Telfer.

[*Supplementary Information No A39.*]

Mr C.J. TALLENTIRE: I refer to the line item “Wastewater Program — Groundwater Replenishment Trial” on page 876, under “Works in Progress”. The minister’s comments on the front page of *The West Australian* last week do not seem to correlate with the moneys allocated in this year’s budget in this line item. I note his support and commend him on his support for groundwater replenishment.

Mr F.M. LOGAN: He read my article and finally got on board!

Mr C.J. TALLENTIRE: Can the minister please tell us where the money is coming from for the expansion of the groundwater replenishment trial?

Mr W.R. MARMION: I am trying to find the line item.

Mr C.J. TALLENTIRE: It is the third last line of figures in the table. There is \$6.8 million, but nothing in the out years.

Mr F.M. LOGAN: That does not correlate with the minister’s statements.

Mr W.R. MARMION: The line item is for the waste water replenishment trial. I have asked the department for information, so I have not made any determination. Obviously, in the future it would be prudent for someone to go to a full-scale project of pumping treated waste water into the ground and then, when it gets the tick from the Department of Health, using it as it percolates through. I have asked the Water Corporation to tell me how long it will take from when I press the button to get the thing happening. My guess was that it would be 12 months, but the advice I got was 18 months from when the button is pressed. One scenario is to not press the button until the trial is finished. My view is that if the Department of Health says that this trial is running really well, I do not see a problem. If the health department gives us a tick, it will then become another option versus desal 2 or further bores north of Perth. I want to ensure no-one says, “Oh, it would’ve been a good option if you’d told us six months ago, but now we won’t be able to bring it on stream.”

Mr F.M. LOGAN: We did, but the minister was not listening.

Mr W.R. MARMION: The member is not the Department of Health.

Mr C.J. TALLENTIRE: Within the allocation, how much is allowed for what I think will be a very necessary education and media program to counter the sensationalist and grossly inaccurate headlines we see about that proposal?

Mr W.R. MARMION: I am sure the member has been out to the trial, which is worthwhile visiting. There is a very good visitor information centre and education program there. That information is embedded in that costing. Part of the trial is to explain to the community that treated waste water will be safe to drink. It will be up to the Department of Health to tick off on it.

Mr F.M. LOGAN: Does the minister truly stand by his comments that he sees this as a genuine option for a new supply of water to metropolitan Perth? How does the minister’s argument compare with the former Leader of the Opposition’s argument that water should come from the Kimberley and that it flows downhill? Does the minister agree with that?

The CHAIRMAN: The member is more seeking an opinion than asking about a budget item.

Mr F.M. LOGAN: It is about water supply options. I can find it in another dot point.

The CHAIRMAN: I will ask the minister to respond, but it was a question seeking an opinion.

Mr W.R. MARMION: I will direct my response to the first part of the question: do I see it as a real, live legitimate option for Perth? It is a legitimate option for Perth because one of the benefits of recharging the aquifer is that once we start pumping the water into the Gngalara mound, or whatever aquifer we choose, the Department of Water will assess the allocation. It may be that the water is pumped some distance from where it is drawn out. It may be many years before the pumped water, which is fully treated with reverse osmosis, secondary filtration, ultraviolet light—almost everything except chlorination, which we cannot do—is accessed. Before that time, the Department of Water has the ability to approve drawing from the aquifer knowing it will be replaced. It makes good sense.

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Mr F.M. LOGAN: I agree. The only reason I raise the other issue is because, if the minister looks on any of the websites such as PerthNow and reads the responses to the minister's statements on this proposition, he will see that the majority call for a rejection of this proposal and say that we in this room should have our heads knocked together and should get on with bringing the water down from the Kimberley. That is what people are saying to the minister. He should read the comments; they are not very nice.

Mr J.E. McGRATH: There is the south west Yarragadee.

Mr F.M. LOGAN: Yes. The minister has to deal with this. It goes to this very point. What are the minister's views? I am not asking for an opinion; it is about treated water as a water supply.

The CHAIRMAN: The minister may choose to answer that if he wishes to do so.

[9.40 pm]

Mr W.R. MARMION: I am happy to put some information on the table about bringing water from the north. I was in Kununurra only a week or two ago. I lose track of time; I cannot remember now.

Mr F.M. LOGAN: So was I. I did not see the minister up there. Hang on a minute; was the minister not in that bar drinking rum?

Mr W.R. MARMION: I was given a tour of Lake Argyle. There is a lot of water in Lake Argyle. I learnt a number of interesting things about the water in Lake Argyle. One of the first things I learnt was that two metres of water evaporate every year. That is a lot of water to disappear. As I was flown to the dam in a helicopter, I was advised by the pilot that before all the rain, there was only about 33 millimetres of water head before they would have had to shut down the hydro-electric scheme. Although there is a large mass of water, a lot of that water has to be used to run the hydro-electric scheme. It also has to be used by the horticultural industry and to maintain the environmental standards of the Ord River and its tributaries. It loses two metres of head just through evaporation. There is a bit of a misconception that there is oodles of water up there. The frustrated Department of Water manager says that he continually has to deal with phone calls from people who want to purchase water from him and ship it from Lake Argyle to the Wyndham port. All sorts of vessels, not only ships, can bring that water down to Perth. The water would then have to be put through pipes. Both are expensive transportation means. At the moment, the costs and the supply of water do not favour bringing water from the north.

Mr J.E. McGRATH: I am not saying that I support this proposal, but I want it in *Hansard* that I am not necessarily supporting it. I recall when I was first elected having a conversation with someone who worked at the Water Corporation —

Mr F.M. LOGAN: Ernie Bridge?

Mr J.E. McGRATH: I am not naming names. I asked a question about the south west Yarragadee, and he said that there is so much water down there that it is not a great problem to take it out and bring it to the metropolitan area. Is that a fact? Other people tell me that there would be problems doing that because certain watertables around the Collie River or wherever would be affected. Is the Water Corporation doing any work on that, or is it just a no-no that we do not go anywhere near?

The CHAIRMAN: Minister, should that question have been directed to the Department of Water, not the Water Corporation?

Mr W.R. MARMION: Yes.

The CHAIRMAN: I ask the Member for South Perth to take that up with the minister at a later date.

Mr J.E. McGRATH: I am sorry, Madam Chair, but we were talking about bringing water down from the north, and that does not relate to the Water Corporation either.

The CHAIRMAN: That is right.

Dr G.G. JACOBS: I refer to the new works for the Port Hedland waste water treatment plant outlined on page 877. My question is specifically about the relocation of the Port Hedland waste water treatment plant. This is the part that was funded by royalties for regions; in fact, \$42 million has been allocated to relocate the Port Hedland waste water treatment plant to make land available for housing development. I know it was funded by royalties for regions, but is it the minister's understanding that this government funding will be recouped by land offsets from the development of the vacated land? I suppose this is a more general question about the Water Corporation's assets. When there is encroaching development, planning guidelines might dictate that if an asset is in the wrong place, it needs to be moved. Does the minister believe that there should be offsets for the Water Corporation and the government for the relocation of those assets from moneys received from the development of the land left vacant? Does the minister understand my question?

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Mr W.R. MARMION: I know the area that the member is talking about. I also know that other issues come up from time to time because a water treatment plant is in the wrong spot and a developer wants to get close to it but the buffer is not big enough. I agree with the philosophy that developers who want to build developments close to important assets such as water treatment plants should pay for the relocation of those essential assets. Many months ago I was in Port Hedland to announce the upgrade and relocation of the waste water treatment plant from Port Hedland to South Hedland. It will open up land for LandCorp. I know that the Water Corporation has put money towards it, but I also think that royalties for regions money was allocated to that. My understanding is that all the royalties for regions money will be recouped through land sales. That is my understanding of the regional deal. I am not sure what the deal is with the Water Corporation about specific funding, but it will get revenue from the services provided. Perhaps the chief executive officer or Mr Moore could add to that.

Mr P.D. Moore: The royalties for regions funding is a capital contribution towards the movement and upgrading of the treatment plant. The Water Corporation's only involvement is the money being funded to enable that to happen. The land will then pass back to the state for development and processing as normal.

Dr G.G. JACOBS: That was a question for the minister, because this is a policy-political question. Basically, if a government asset is moved, who will fund it? It is a matter of reason in that whatever the advantages of moving it are for a proponent, somehow there should be some offset for moving that asset.

Mr F.M. LOGAN: Is the minister indicating that the whole \$42 million has been allocated from royalties for regions?

Mr W.R. MARMION: Yes.

Mr F.M. LOGAN: It is not identified in the budget papers as royalties for regions money. All other moneys in the budget papers are identified as RFR funding.

Mr W.R. MARMION: There is a little footnote in microprint on page 877.

Mr F.M. LOGAN: My apologies. Can the minister explain why there is only \$5 million in the forthcoming budget and the bulk of the expenditure is in the out years?

Mr W.R. MARMION: I am not project managing it on-site; I would probably love to. Perhaps Mr Moore could explain that. Usually, construction projects are delayed a bit. A lot of expenditure goes into planning at the beginning of the project, and when something is built, the contractor gets paid. Sometimes there is a bit of a lag in the way that the cashflowing works, but perhaps Mr Moore can confirm that.

Mr P.D. Moore: Yes, the minister is exactly right. A number of approvals and sorting out pipeline routes and other things have to be achieved up-front in this. That is why there is a delay in cash flow, with the out years cash flow being higher than in the early years. There is nothing unusual about that.

[9.50 pm]

Mr F.M. LOGAN: I refer to the fourth paragraph on page 876 of the *Budget Statements* on the Pilbara Cities initiative. What has happened to the desalination plant for Karratha that the minister announced in this house?

Mr J.E. McGRATH: It has started raining!

Mr F.M. LOGAN: I know that it has started raining, but it may well stop again.

Mr W.R. MARMION: That is a good question. I think the fact that it did start raining gave us the opportunity to have a look at the value for money of what we would do to provide water to Karratha. The massive water we got last summer filled the Harding River Dam and the Millstream aquifer to capacity. That has, I guess, given us a bit of breathing space to perhaps look at other options. There was an option on the table that everyone was aware of involving Rio Tinto sourcing water from a bore field south of Millstream at Bungaroo. The timing of its development was not convenient in terms of coming on stream in 2013. Now, because we have extra water in both the Harding Dam and Millstream, there is an opening to look at the Rio option. The bore field down there has a 10-gigalitre capacity. I am not just looking at that option. I have asked the Department of Water to keep other options alive. I am advised that that particular bore field may have a 20-gigalitre capacity, so it is quite a good bore field. If we can utilise Rio Tinto's involvement in supplying water, that would certainly save the state government a considerable amount of capital funding. I might point out that the long-term allocation for Millstream was one of the problems. We could pull in 15 gigalitres but I think the long-term allocation is for less. The desalination plant was going to provide six gigalitres at a fairly large cost, compared with what we can get with the same money down here in Perth. In fact, we only really need one gigalitre for residents for the expansion of Pilbara Cities. It has been prudent and I guess fortuitous that it rained so much that we can have a proper look at it and determine whether we need to build a desalination plant. If there is a cheaper and better value-for-money option, it would certainly be better for the taxpayers of Western Australia.

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Mr F.M. LOGAN: The opposition does not disagree with the minister on that point; we made that clear. The minister talked about options. The Water Corporation put out a tender process for the supply of water, I think last October or whenever it was. Now that this has all been canned, will the minister provide a copy of those options? It was not a commercial tender process, it was only an idea; they were only suggestions. Can the minister supply a list of those options, because he has referred to those options, the nature of the responses, and what costs were involved?

Mr W.R. MARMION: That was before my time as minister, so I am not across the detail. My understanding is that the process might have been run by Treasury. I think we would probably have to ask the Treasurer whether —

Mr F.M. LOGAN: My understanding is that the Water Corporation officially put out the tender process, after expressions of interest.

Mr W.R. MARMION: I will ask the chief executive officer to confirm.

Mrs S. Murphy: The expressions of interest process was led by Treasury. We supported Treasury on that process. Some of the information could be made available, but some of it is commercial-in-confidence because individual companies did not want their intellectual property to be compromised by having it perhaps more widely known. I do not see any reason why we cannot.

Mr W.R. MARMION: Perhaps it would be prudent for me to ask the Treasurer about what he is happy to release.

Mr F.M. LOGAN: We are not asking for any breach of commercial confidentiality; we are basically asking what the options were, what they could supply and at what cost—that is all.

Mr W.R. MARMION: I undertake—I have staff up the back—to write to the Treasurer to seek what would be allowed.

Mr F.M. LOGAN: Will that be by way of supplementary information?

Mr W.R. MARMION: The supplementary information will be conditional upon what Treasury is prepared to release.

Mr F.M. LOGAN: And what information the minister can provide.

[Supplementary Information No A40.]

Mr F.M. LOGAN: The minister has gone back to look at those other options, and possibly other options that might be out there instead of a desalination plant. That is all well and good for the West Pilbara, but my question was about Pilbara Cities. What is facing Port Hedland and Onslow?

Mr W.R. MARMION: Some more bore testing has been done on the Yule River and the other river up there—I am not sure of the name of it. Plenty of water has been found in the last six or seven months to supplement the current water supplies for Port Hedland. That is a tick for Port Hedland. It looks like we can give Karratha a tick, subject to what is happening there. There are some bores close to Onslow, but I think Onslow is a work in progress.

Mr F.M. LOGAN: Further to that question, and this will be the last one —

The CHAIRMAN: Could the member for Cockburn wait for the call? I would like to give other members an opportunity to ask questions.

Mr J.E. McGRATH: I am happy, Madam Chair.

The CHAIRMAN: The member for South Perth is happy.

Mr J.E. McGRATH: He is asking some very good questions.

Mr F.M. LOGAN: I thank the member for South Perth. Further to that question, it is good that the Water Corporation has worked on Port Hedland and has identified the water at Yule River. Of course, Onslow is another problem. Is the Water Corporation going to do that out of its current budget? If not, where is the money to bring on that water for Onslow and Port Hedland? It will require piping, pumping and storage—a whole series of infrastructure—and it is not in this year's budget. They are running out of water in those areas.

Mr W.R. MARMION: I will make some opening comments. I understand that there is \$123 million in the capital budget for 2012 that will be spent in the Pilbara over the next three years aimed at supporting new infrastructure and demands. Two major projects are earmarked for this money—\$80 million to improve waste

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water treatment capacity in Karratha, and \$43 million to increase water source capacity in Port Hedland and South Hedland. They are two specific allocations that I am aware of.

Mr F.M. LOGAN: Is there nothing for Onslow?

Mr W.R. MARMION: I will ask Mr Moore to tell me what is available in Onslow.

Mr P.D. Moore: I do not have the exact amount of money but there is money in the budget allocation for the supplementation of the existing water supply in Onslow. We already have that planned and we are in the process of developing that at the moment.

Mr F.M. LOGAN: Is that in the \$123 million?

Mr P.D. Moore: Yes.

Mr F.M. LOGAN: Further, could the minister take us to where that is in the budget papers?

The CHAIRMAN: The member for Cockburn must seek the call—thank you!

Mr F.M. LOGAN: Sorry. Could the minister just point out where the \$123 million is?

Mr W.R. MARMION: Perhaps one of my advisers might be able to find that. They can; I cannot.

Mr F.M. LOGAN: I do not think the minister should have put that on the record. I will not use it. I should, shouldn't I?

Mr W.R. MARMION: Unfortunately, their budgets are in many documents.

Mr F.M. LOGAN: I know.

Mr W.R. MARMION: Madam Chair, Mrs Murphy can provide the answer.

Mrs S. Murphy: It is split. It is not a line item per se. Some of it is in the country waste water treatment and conveyance line item and some of it is in the country water sources and distribution line item. The amount of \$120 million is the net of those in the Pilbara over the period covered by the estimates.

The CHAIRMAN: Member for Gosnells, please be very quick.

Mr C.J. TALLENTIRE: The table on page 876 of the *Budget Statements* has a list of infrastructure projects but no allocation of funding to water conservation initiatives. Why is that the case?

Mr W.R. MARMION: I will give a very simple, quick answer, looking at the time. This table is about capital projects, and water conservation is not operational.

Mr C.J. TALLENTIRE: Can the Water Corporation not do a \$100 million water conservation initiative?

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

Committee adjourned at 10.00 pm
