

Chairman; Mr Dave Kelly; Mr Terry Redman; Ms Janine Freeman; Mr Fran Logan; Ms Mia Davies; Mr Sean L'Estrange; Mr Frank Alban

Water Corporation —

Mr I.C. Blayney, Chairman.

Mr D.T. Redman, Minister for Water.

Mrs S. L. Murphy, Chief Executive Officer.

Mr P.D. Moore, Chief Operating Officer.

Mr R. M. Hughes, Chief Financial Officer.

Mr D. M. Davies, Principal Policy Adviser, Office of the Minister for Water.

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, 30 August 2013. 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.

I now ask the minister to introduce his advisers to the committee.

[Witnesses introduced.]

The CHAIRMAN: Are there any questions?

Mr D.J. KELLY: I refer to page 530 of the *Budget Statements*, "Asset Investment Program". I understand that following the spate of pipe bursts in the CBD, the Water Corporation did an examination of the state of the pipes in the CBD.

Mr D.T. REDMAN: What part of that page is the member referring to?

Mr D.J. KELLY: I refer to the list of projects. I understand that the examination of pipes in the CBD revealed that 11 kilometres of pipe requires attention. In the list of projects, has money been allocated to do the required capital works?

Mr D.T. REDMAN: I am sure the member is well aware of the challenge of the burst pipe in Wellington Street, a pipe that has been in the ground for nearly 100 years. When it first came to my attention I had the impression it had been there for less than that, and hence the early concern that it might have been prematurely ageing. The pipe was upgraded at that point, and that was the data I had at the time. On further investigation, clearly the pipe had been in the ground for a lot longer. In response to that situation, the Water Corporation initiated a program to look at the assets in that area and pipes of the same age and type to ensure it had a good understanding of the implications of further assets in that area. Investments are made in the renewal process. In 2013–14, \$81 million has been allocated to that renewal program —

Mr D.J. KELLY: Where is that in the budget papers?

Mr D.T. REDMAN: I assume it will be an aggregate figure.

Mr P.D. Moore: It is covered in many of the figures.

Mr D.T. REDMAN: It will be an aggregate figure in the budget papers, but the member can take it from me that \$81.7 million is allocated to the asset renewal program for 2013–14. To give the member an idea, I will provide him with some historical investment figures in asset renewal. In 2012–13, the allocation was \$64.8 million, in 2011–12, it was \$51 million, and in 2010–11 it was \$60.4 million.

Mr D.J. KELLY: Has any money specifically been allocated to addressing the 11 kilometres of pipe in the CBD that was identified as requiring attention?

Mr D.T. REDMAN: I will ask Peter Moore, the chief operations officer, to clarify the member's figures and the response from the Water Corporation.

Mr P.D. Moore: We are still completing the investigation of all the pipes in the city. Yesterday morning there was some disruption in Thomas Street while we were completing some of that investigation. We do not expect to

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have that fully completed until mid-September, at which stage we will determine what pipes need to be addressed now or in subsequent years and allocate the appropriate funds.

Mr D.J. KELLY: Are any funds allocated for that work in the forward estimates?

Mr D.T. REDMAN: I assume that once the Water Corporation has identified the extent of the problem, what infrastructure is in the ground, the need to replace that infrastructure, and the subsequent prioritisation, those funds will come through in the allocation process.

Mrs S.L. Murphy: The investigation is an operating cost, not a capital cost. This is the Water Corporation's capital investment program. The investigation works are funded out of the operating budget, which does not appear as a line item in the budget papers. However, we have identified 11 kilometres of pipe of the age and pipe material of the pipes that failed. We are still investigating which parts of the 11 kilometres of pipe need replacing. We have also entered into an agreement with the City of Perth. We are working pro-actively with the city so that if it does any form of excavation, we will routinely replace that pipe as a matter of course, whether it needs it or not, while we work through the rest of the investigation. There is no increased level of failure of those 11 kilometres of pipe, and it would cause far more disruption to dig them up and replace them willy-nilly than to work through an ordered process.

The CHAIRMAN: Members, could you ask for a further question if you want to ask another.

Mr D.J. KELLY: I have a further question. Is the minister saying there is no specific capital allocation in the budget for that work because the Water Corporation has not yet completed the assessment?

Mr D.T. REDMAN: I will defer to Mrs Murphy again.

Mrs S.L. Murphy: In the generic asset renewals there is probably a couple million dollars allocated for working with any pipe area to replace them when other agencies like Main Roads or the City of Perth are doing planned work. There is no specific line item for that money. There are literally dozens of individual, very small projects—small bits of work. The aggregated number is around \$2.7 million across all of those areas.

Ms J.M. FREEMAN: Can the minister table that list of small projects?

The CHAIRMAN: Member, you are not allowed to table any papers.

Ms J.M. FREEMAN: Are you able to give that as supplementary information?

Mr D.T. REDMAN: I will take that question on notice.

Ms J.M. FREEMAN: I do not think the minister can take that question on notice. He said the asset renewal project has been allocated \$81.7 million, and as part of the work on the CBD pipes that closed down the city of Perth for a good couple of days and caused traffic chaos—the minister had a serious problem on his hands. The minister said that no money has been allocated to deal with those pipes in terms of the asset and renewal project, and that with regard to the operating budget, the Water Corporation is still investigating matters. The minister has a list with an allocation of \$81.7 million that is not in the budget. For the purposes of clarity and transparency, so the community and the public know that the Water Corporation has its priorities right in terms of how it is working on these pipes, I ask that the minister provide as supplementary information the document that he and his advisers have been passing between themselves. I think that is a perfectly reasonable request.

Mr D.T. REDMAN: Thank you, member, for the question. The member will gather from our response that when we deal with assets, and there is something like 52 000 kilometres of assets across the state—a substantial amount of asset in the ground—we use predictive technology to work out where we need to direct a response —

Ms J.M. FREEMAN: When the cars stop.

Mr D.T. REDMAN: No, where we need to direct a response in terms of upgrading infrastructure in the ground. When we identify an issue, and the Wellington Street situation was a case in point —

Ms J.M. FREEMAN: It is a great way to identify an issue.

Mr D.T. REDMAN: Absolutely; the member will understand that from further investigation we will find out what assets of the same type of pipe have been in for the same amount of time, and we will then respond to that. The caution I have in providing information that the Water Corporation has at this point about where it is likely to direct that investment to, is that it will be dynamic and likely to change, and I am concerned about the level of expectation that will create. My preference is not to provide that information, but to give the member confidence in the numbers presented that there is investment in a renewal program about which a level of investigation is occurring around the asset infrastructure issue that happened in Wellington Street. That is a reasonable response.

Ms J.M. FREEMAN: If the minister is not willing to give us a copy of the document that was just passed between the minister and his advisers that outlined the sort of asset renewal projects that are not in this budget

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paper, because there is no capacity to see where the Water Corporation's priorities lie, could the minister read out some of the major ones into *Hansard* now? The minister says he has \$81.7 million, that the investigation is about how the Water Corporation fixes things, and that the only way we can tell its investigation works is when the cars in the city stop. If the minister can outline some of the projects on that list I would be happy. I assume that some projects at the margins might change, but it would be good to know what the major projects are on the asset renewable program.

Mr D.T. REDMAN: I will give the member some confidence that a lot of effort is put into the resources going into asset renewal. I will start on that premise because the premise of the member's question is: is the Water Corporation making enough investment into these areas? In the five years of forward estimates from May 2011, the total renewals figure was \$384 million. In May 2012, the figure for the asset renewals program—sewers, wastewater treatment, water mains, and water production and storage renewal—for the five years forward of that was \$354 million. In May 2013, the five-year forward estimates figure was \$581 million. That shows a significant jump in asset renewal for the five-year forward estimates from May 2013. I have also given the member the figure for the 2013–14 budget, a one year budgeted actual, of \$81.7 million—that is the figure I had before; therefore significant investments have been put into asset renewal right across the state's 52 000 kilometres of pipeline. The member for Cockburn had the portfolio of water under his guise as a former minister, so he well knows that the exercise is one of managing risk.

Mr F.M. LOGAN: I was never the water minister.

Mr D.T. REDMAN: The member was not the water minister. Well, he purported himself to be an expert. The exercise is one of risk management. We identify the risk of those assets bursting or breaking, as with what happened in Wellington Street. An investigation process is put in place to find out whether in fact there are similar assets around the place and judgements are made from there. The caution I have is that the minute I put into a public forum at this point in time the asset renewal process, it will set up a different level. It will be dynamic, and it has to be dynamic because that is the nature of the assets we work with.

[9.15 am]

Mr F.M. LOGAN: The minister is not actually telling this committee the truth—he knows that!

Mr D.T. REDMAN: Why? Which bit was not the truth?

Mr F.M. LOGAN: The minister referred to the asset replacement. That asset replacement could be anything in the entire system. He spoke about \$500 million including sewerage systems. It could be anything within the Water Corporation's entire asset base. That is not the question the member for Bassendean asked. If the minister cannot answer the question, he should pass it over to the chief executive officer and the people who know the answer. The question is about the expenditure of money on the upgrade and replacement of piping in the CBD—that is all. If the minister does not know the answer—I do not expect him to know—he should pass it over to somebody who knows. That is a critical question. The minister knows it is a critical question; he has had to answer a number of questions in the house this year about it. This committee is trying to dig down to find out how much money the Water Corp allocated to the replacement of water piping in the CBD, particularly around mains, this year and in the out years; that is all.

Mr D.T. REDMAN: I will give an undertaking. Bear in mind I spoke in the house about some new technology we are using to assess those assets, which is being calibrated; I know it is a work in progress but that is being used to get an understanding of those assets. Once we have completed the investigations, I undertake to make public the investment to be made in response to that investigation in the CBD, which is the point of the question. I am happy to do that. We can put that as a commitment.

Mr F.M. LOGAN: Can I take from that answer, minister, that at the moment no money is allocated but once the investigation is complete, through the technology, money will be allocated?

Mr D.T. REDMAN: Yes. I am sure the member will understand —

Mr F.M. LOGAN: That is all I wanted to know. Thanks.

Ms M.J. DAVIES: I refer to the same page, page 530. The third paragraph under “Asset Investment Program” refers to infrastructure in regional areas. I am very interested to know how government is supporting regional WA with this budget particularly in the agricultural region.

Mr D.T. REDMAN: I thank the member for Central Wheatbelt for the question and for her strong advocacy for regional Western Australia. In the 2013–14 budget and across the forward estimates the Water Corporation will spend \$3.6 billion on infrastructure. That is a significant asset assessment. That includes major water and wastewater infrastructure, which is essential to support Western Australia's growth. Country Western Australia will continue to benefit strongly from the development, as we are well aware, with \$440 million being

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committed to hundreds of projects across regional Western Australia in 2013–14. So, \$440 million is in that. That will certainly ensure that two issues are dealt with; one is in the north of Western Australia where there is significant growth. It is important that we respond to that growth. In the southern part of the state there are issues with climate change and the impact that is having on the security of water supplies. There are two different drivers of that investment.

I will give an idea of the breakdown to some of the regions of that \$440 million in the 2013–14 budget: the north west and Pilbara, \$220 million; the north west—not the Pilbara part of the north west—\$30 million; the midwest, \$30 million; and the south west, \$70 million. I might add that in the south west there are investments in the Bridgetown scheme. Once a week or so I get an update from the Water Corporation about where the pressure points are in our supply system. A couple of communities down there—Mullalyup and Kirup—have water being carted to them. There are asset investments, including a number of regional towns at the end of the integrated supply system, in that \$70 million. In the great southern, there is \$60 million, including upgrades to the Mt Barker line from Albany and also the Denmark wastewater treatment plant; and in the goldfields, there is \$30 million. That is a total of \$440 million. That is a significant investment in the regions and I guess supports what is happening in regional development in Western Australia and the opportunities that exist to ensure the supply of water and other supporting infrastructure is not a foot on the hose to development.

Mr D.J. KELLY: If I can take the minister back to the 11 kilometres of pipe he identified in the CBD that was of the same nature that failed —

Mr D.T. REDMAN: I assume the member is referring to page 530?

Mr D.J. KELLY: I am taking the minister back to his answer to the previous question.

Mr D.T. REDMAN: The member will understand that there is a process by which he identifies the points in the budget that relate —

Mr D.J. KELLY: It is within the asset investment program. If ultimately that 11 kilometres of pipe in the CBD needs to be replaced, what would the cost be? What would the impact be on the asset investment program?

Mr D.T. REDMAN: We could not —

Mr D.J. KELLY: The minister must have some estimate. The department is well experienced when it comes to the replacement cost of pipes.

Mr D.T. REDMAN: I will ask Sue Murphy to make a comment in response to that.

Mrs S.L. Murphy: To be clear: we would not go and dig up 11 kilometres of pipe in the middle of the CBD in one go. That would be silly.

Mr D.J. KELLY: I understand that.

Mrs S.L. Murphy: This pipe has not been failing and is not showing any sign of visible external distress. When the full investigation is made we will do a measured program to work out the best way to work in with the myriad other construction projects causing traffic issues across the city that are nothing to do with water or pipes, to ensure that we work with Main Roads Western Australia and the City of Perth. Of the asset base across the Water Corporation, the 11 kilometres of pipe being investigated is part of a holistic investigation program across tens of thousands of kilometres of pipe. There is no specific line item for replacing pipe that may not be replaced for 30 years. What we have is a risk mitigation program that ascertains which pipes, should they leak or burst, would cause the most traffic congestion or disruption to the general community. We prioritise those, but we replace them as part of other replacement programs being done by other utilities as well so that we only dig up once. It is almost impossible to say exactly what is in the forward estimates in each particular piece of pipe. There is a bucket of money for asset renewals through the City of Perth that will be prioritised as we move through that process, as we better understand the risk of the assets. Digging up pipe that is not failing, that does not have a problem, will cause traffic chaos for no reason. Our priority is to look at the high-risk areas and to make sure we are putting the assessment into those pipes before we actually do anything that disrupts traffic.

Mr S.K. L'ESTRANGE: I refer to the fourth dot point on page 519 of the *Budget Statements* concerning the Water Services Act 2012, under “Significant Issues Impacting the Agency”. Could the minister please provide an update on the status of this legislation and what benefits or changes —

Mr D.T. REDMAN: Member, that is under the Department of Water, not the Water Corporation.

Mr S.K. L'ESTRANGE: I apologise.

Mr D.J. KELLY: I refer the minister to the line item “Infill Sewerage Program” on page 530. The infill sewerage program ceases in the year 2015–16. At the end of that infill sewerage program, how many residential

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properties in the metropolitan area will not be connected to the system? Which suburbs in the metropolitan area will be done between now and 2015–16 and which will not?

Mr D.T. REDMAN: Member, in response I will make some reference to the current budget timing. As I understand it, decisions have not been made in some of those out years.

Mr P.D. Moore: At the moment it is only a decision until 2015–16.

Mr D.J. KELLY: I am sorry; I did not hear that.

Mr D.T. REDMAN: There is \$25 million dedicated to infill projects in 2013–14, another \$15 million allocated in 2014–15, and an additional \$15 million in 2015–16. Does the member want me to go through those projects?

Mr D.J. KELLY: No. Just dealing with the metropolitan program, not the regional infill program, what I want to know is: at the end of 2015–16 how many properties will not be connected to the system?

Mr D.T. REDMAN: Hang on, member; that is everything that has not got infill on it.

Mr D.J. KELLY: How many residential properties —

Mr D.T. REDMAN: Hang on, member, just listen to the premise of the question. There is the City of Perth. A proportion of that is connected to a deep sewerage program, an infill program—virtually the bulk of it—and there are infill investments that roll out according to need. There are still areas in Perth I would imagine that do not have connection to deep sewerage.

Mr D.J. KELLY: That is what I am asking: how many residential properties in Perth will not be connected to the system?

Mr D.T. REDMAN: That changes weekly.

Mrs S.L. Murphy: I do not have that with me. We could certainly do the calculation based on the properties that exist now, but other properties could be built in that time, so it is difficult to know.

Mr D.J. KELLY: Based on the existing number of properties.

Mrs S.L. Murphy: I do not know the answer to that.

Mr D.J. KELLY: Can the minister provide that?

Mr D.T. REDMAN: The premise of the question would have to be a point in time. The minute we wait another week, new houses are being built in places that may not have sewerage attached.

Mr D.J. KELLY: Surely the department also does assessments of new growth.

Mr D.T. REDMAN: Yes, absolutely.

Mr D.J. KELLY: At the end of 2015–16, when there is no more money in the budget for this program, how many residential properties in the metropolitan area will not be connected to deep sewerage?

Mr D.T. REDMAN: I am happy to provide the answer by way of supplementary information. We undertake, at the end of the infill investment program that is in this state budget, to give the best estimate that we can of what level of residential accommodation in the Perth metropolitan area is not connected to a deep sewerage network.

[Supplementary Information No B1.]

Mr F.A. ALBAN: I refer the minister to “Works in Progress” on page 530 of the *Budget Statements*. The table refers to the groundwater replenishment scheme, which may in future impact on greywater from the Bullsbrook township. Is the minister satisfied that communities are happy to spend money on progressing to a full-scale groundwater replenishment scheme?

Mr D.T. REDMAN: I thank the member for Swan Hills for the question. I hope he enjoyed last Saturday night, as an ex-footballer of the Deanmill Football Club. It was a fantastic evening.

In August, the government made the decision to move to full-scale groundwater replenishment after a very successful two-year trial in the northern suburbs. Over two years we used highly treated waste water; in fact we treated that right back to Australian drinking water standards to the point that I was happy to have a glass of that water myself. It was not the intent to use it at that point. It was then injected into aquifers that had been identified as suitable for groundwater replenishment. It was used to effectively store water which means that the Department of Water allows, for every gigalitre pumped into the ground, another gigalitre to be taken out. It is a new climate-independent source of water for Perth. The trial was extremely successful. Of the more than 60 000 water samples taken, all met stringent health and environmental guidelines set by the regulators. Part of the other

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reason for the trial was to get the regulatory process in line to ensure that when we look at this in the future, all the regulators know what needs to be done in order to approve such investments; also to prove up the technology. We were very comfortable at the end of that. The report said this is a goer. Might I add that over those two years, a lot of people visited the site to get an understanding of what groundwater replenishment means and hopefully it built confidence in that process as a future water source for the Perth metropolitan area.

Very broadly, our assessments suggest that 70 to 75 per cent of the population is supportive of that as a climate-independent source of water. The really interesting point to note is that people are smart enough to know that this is not just taking the treated wastewater and sticking it into our storage tanks; it is going into the ground for a number of decades, and that is the greatest natural filter that we have. From the point of the injection it is about three and a half kilometres to where it currently gets drawn out, and it is a number of decades until the water actually flows through those aquifers to get to that point. I was most intrigued to note that around the site where they inject the water are a number of monitoring bores—20 or 22 of them—which are used to test samples. In the two and a half years of the trial, in the most fluid parts of the aquifer that groundwater moved 250 metres. It just gives an idea of the pace the water moves through those aquifers. I am confident that when wastewater is treated to the point of being drinkable, it is then put into the ground, where it stays for a number of decades and it is then pulled out and treated again and goes into our drinking-water systems, the community of Western Australia will accept that that is an appropriate and future climate-independent source of water in Western Australia. The \$116 million committed to that project will free up about seven gigalitres in stage 1. By 2022 this will be up to 28 gigalitres. That is a significant amount of water for Western Australia's supplies.

[9.30 am]

Mr F.A. ALBAN: Bullsbrook has greywater that is programmed to be piped down to Ellenbrook, 20-odd kilometres away. Bullsbrook is a rural town and there is some distance where it would need to be piped. If a township, with the blessing of the local government would like to use greywater locally for parks, sporting facilities and local amenities—I know that this has happened in other country municipalities—would the minister consider and support keeping the greywater locally to use it immediately where the need can be justified?

Mr D.T. REDMAN: The short answer is yes, provided the nature of the aquifers in those areas is suitable for groundwater replenishment and the business case stacks up. In many cases the business case around utilisation of greywater and wastewater stacks up in areas where the cost of provision of water sources is high. In a lot of cases, particularly regional areas, this has been utilised for public open space. In regional areas the cost of providing water services is high and therefore the level of utilisation of wastewater is much higher compared to the metropolitan area. I am absolutely supportive. In fact we have projects in about three shires, working with shires to assist them in looking at the opportunity of utilising this technology to help with future growth and in particular public open spaces, which we in Western Australia enjoy and want to see strategies to support going forward.

Mr F.M. LOGAN: I refer to pages 530 and 531 where I notice no new works are listed, which I think is a first for the Water Corporation; normally at least hundreds of millions of dollars of new works are listed. There are "Works in Progress" and "Completed Works" but no new works. New works are always highlighted in the budget papers, and they have been in the past, but there are no new works allocated here. Does that mean that there are no new works in the pipeline—or are there no pipelines in the new works?

Mr D.T. REDMAN: I understand the question asked, because in many of the budget papers there is a breakdown between past works, when they finish off; works in progress; and then new works that are budget capital works commitments by government. It is my understanding, referring to the chief financial officer, that this reporting is consistent with all past reporting of the Water Corporation.

Mr F.M. LOGAN: No it is not.

Mr D.T. REDMAN: Isn't it?

Mr F.M. LOGAN: There have always been new works; it is a requirement of the budget papers because it is a capital item for the current year and future years. If the minister goes to last year's budget papers, he will see it is in there. There is always a heading for new works; it is a requirement of budget papers, and for some reason the minister has not got it. The minister was standing on his feet and crowing about \$7.8 billion being expended by Water Corporation the other day; I find it strange that I cannot find it in the budget papers.

Mr D.T. REDMAN: The East Rockingham wastewater scheme is a new work.

Mr F.M. LOGAN: No it is not.

Mr D.T. REDMAN: I went out to that site —

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Mr F.M. LOGAN: It was in the previous budget paper and the one before that. I am just asking where the new works are.

Mr D.T. REDMAN: The advice to me is that we do not know why this has not been broken up as it has been in the past. We will take that on notice and talk to Treasury to understand why this is the case. But I might add, I went out to the East Rockingham wastewater scheme the other day and had a look at it and it is a bare paddock, there is nothing there; it is new works.

Mr F.M. LOGAN: I know that; my office is just up the road from it.

Mr D.T. REDMAN: The member should well know what is happening.

Mr F.M. LOGAN: The reality is that money is allocated by Water Corporation to that project a long way out and has been in previous budget papers. Just go back and check them. What I am asking is that the minister provide to us a list of all the projects that would be allocated, and should be allocated, under a line item headed "New Works for Water Corporation".

Mr D.T. REDMAN: Member, I undertake to find out why these budget papers do not reflect what they have in the past.

The CHAIRMAN: Could the minister clarify what he will provide as supplementary information?

Mr D.T. REDMAN: The member for Cockburn is asking why the current budget papers do not reflect the breakdown between works in progress and new works, which is how I recall seeing some budget papers reflecting capital works projects —

Mr F.M. LOGAN: All budget papers.

Mr D.T. REDMAN: All budget papers reflecting capital works programs. I will undertake to find out the reason for that. I do not know if it is an administrative issue or a Treasury reporting issue.

Mr F.M. LOGAN: When the minister does find that out, can he then provide to us the new works list, including the expenditures in this financial year and the out years, as required in a budget paper?

Mr D.T. REDMAN: If there is anything that differs in what might be called new works that is not on the current budget papers we will undertake to supply that.

Mr F.M. LOGAN: Sure; if there are no new works just send us a letter back saying there are no new works.

[Supplementary Information No B2.]

Ms J.M. FREEMAN: In relation to the "Infill Sewerage Program" on page 530, and the question asked by the member for Bassendean about the end of the funding program for infill sewerage in 2015–16 and one of the minister's advisers saying that there have only been decisions to 2015–16—I note that the Liberals' election commitment was to connect parts of Mandurah—what suburbs will be connected by 2015–16 and will that include Mandurah and Dawesville?

Mr D.T. REDMAN: There is \$25 million dedicated to infill projects in 2013–14, and another \$15 million in 2014–15 and 2015–16. What were the specific projects? Did the member say Dawesville?

Ms J.M. FREEMAN: Which suburbs will be done by 2015–16, when the money runs out, and will they include Mandurah and Dawesville given the government's election commitment to connect Mandurah; and I also want to know which particular areas in Mandurah and Dawesville?

Mr D.T. REDMAN: I will give the member a list of projects that are in construction or due to start before December 2013. Those projects include: Bunbury areas 52A and 46A; Bridgetown areas 1E part 1 and 1F; South Geraldton SG3; Dawesville—relevant to the member's question—1B, 4A and 5A; Halls Head, formally Falcon, 59A and 2C; Busselton 13B and 18A; Greenough GR2B; Hyden has a septic tank effluent drainage program, which is a modified system; and City Beach 2A and 2B. Those are projects that are in construction or due to start before December 2013. Does the member want the projects that were completed in the past year, or near completion?

Ms J.M. FREEMAN: No, up to 2015–16.

Mr D.T. REDMAN: There are a number of other projects that are under investigation for inclusion. I do not want to highlight those projects now because Water Corporation is investigating the merits of prioritising those projects.

Ms J.M. FREEMAN: I note that the heading "Regional Infill Sewerage Program"—which includes the projects that have just been outlined in Bunbury, Bridgetown, South Geraldton and Dawesville—is underneath the

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heading “Infill Sewerage Program”. Does that include the two budget line items, the “Infill Sewerage Program” plus the “Regional Infill Sewerage Program”? Is the 2013–14 figure actually \$25 million when they are added together or just the \$20 million the minister was talking about in terms of that list?

Mr D.T. REDMAN: The regional infill sewerage program I talked about there was Hyden. Hyden has a modified process called a STED—septic tank effluent drainage system. It is being completed as part of the infill sewerage program and tenders are currently being evaluated for this work. The successful contractor on that project will be announced before the end of August. We are looking very closely at this, particularly for those in the electorate of the member for Central Wheatbelt where there are small communities and there is a significant capital cost of dedicated deep sewerage programs. The STED system gives small country towns the opportunity to improve the health and environmental issues associated with septic tank usage, and the potential to support development projects in the area. Bruce Rock is another area that is currently being investigated for that program. In summary the regional infill sewerage program does include what I have just talked about.

Ms M.J. DAVIES: I refer to page 531, which shows how the Water Corporation funds its asset investment program through borrowings and internal funds and balances, and drawdowns from the royalties for regions fund. I note comments from the opposition about how the Water Corporation acts as a cash cow for government. I am interested in the minister’s comments on that and how he might respond to those claims.

[9.45 am]

Mr D.T. REDMAN: I thank the member for Central Wheatbelt for the question. This is a really important point and it goes to the crux of how government trading enterprises work, and the flows of moneys into and out of the general government sector. The Water Corporation acts as a business alongside government. It makes decisions about where it is going to make investments and essentially provides services to both commercial and private businesses. Some of those services, be they water or other infrastructure, in regional areas in particular cost more to provide than we get back in fees or pricing for that service. Therefore, in compensation for that, government pays an operating subsidy back to the Water Corporation to cover two things, in essence. It covers the differential in the cost of providing the services to the cost of recovery; it also covers the cost of the concessions to pensioners and Seniors Card holders and the like. This year, 2013–14—the member will see the figure in the middle of that—it is \$601 million. That is effectively the operating subsidy back to the Water Corporation. It went up from what I think was about \$450 million the previous year—a substantial increase. Largely, that reflects the significant asset investment that is happening in regional Western Australia to support growth in the north and in the south west managing climate change. Of course, the Water Corporation also pays dividends and tax equivalents back to government, and I think there are some other minor charges. If we net that out, we get a figure called the net accrual to government, which is the real financial relationship between the Water Corporation and the general government sector. The net accrual to government for the 2013–14 years is predicted to be about \$120 million for the general government sector. In net terms, Water Corp generates about \$120 million for the general government sector. In the previous number of years, in 2011–12 net accrual to government was \$169 million; in 2010–11 was \$163 million; in 2009–10 was \$122 million; and in 2008–09 was \$136 million. For the last year of the Labor government it was \$217 million; in fact, consistently in that last term of the Labor government, it was more than \$200 million net accrual to government.

The argument that this government is using the Water Corporation as a cash cow is a furphy. In net terms, about \$150 million has consistently been the net accrual to government and to fairly significant investments to support infrastructure needed to deal with climate change and the like. I think it is really important to note that one of the strong drivers for increases in prices back to the customer is the fact that we need to make significant investments in climate-independent sources of water. The minute we add a desalination plant, there are significant costs. The minute we add groundwater replenishment, which in capital terms is about one-third less than desalination for the same source of water—significant investments—when someone turns on their taps, the Water Corporation is able to ensure they are getting a consistent supply of water at a consistent quality. I think it is important to see the context of how the Water Corporation works financially, particularly in relation to the general government sector. The notion of it being a cash cow is a furphy, and the net accrual to government historical figures demonstrates that.

Mr D.J. KELLY: I refer the minister to page 311 of budget paper No 3 where it says there are approved increases in the out years of seven per cent, seven per cent and seven per cent for water charges. Given that the increases already in place have seen significant increase in the hardship utility grant scheme, what does Water Corp estimate the demand on the HUG scheme will be if those three increases of seven, seven and seven are put in place?

Mr D.T. REDMAN: Thank you for the question. Let us get a very clear understanding. I cannot remember who asked the question in the Assembly recently, but they waved around a booklet and pointed to the seven per cent

at the top of the page. Let us clarify exactly what the top of that page says. When the member quoted it to me, he stopped halfway through. Appendix 8 at the top of page 311 reads —

The Government has agreed to a 7% per annum increase in the full range of services provided by the Water Corporation to the 'representative' household for the period 2014–15 to 2016–17.

That is information that is used for indicative reasons, if we like, for a representative household cost. As the member knows, that is the figure we use to look at what will be the imposition of any government changes in pricing, fees and charges on a normal household. There is no representative household, because they are all different, but it gives an indication of what might be the impact. Every year the government makes a decision about what the increase of water prices will be. That is a decision made by government every year. The forward estimates are forward estimates and although I am cautious to use it, from the decisions we have made over the past couple of years, from my understanding, the increase we have made has been under what has been in the forward estimates figures. The strong point here is that those are decisions made every year by the government based on a range of factors, and we are trying to always find that balance. Be assured, we are trying to find that balance between the impact on the householder and giving the Water Corporation the investment base it needs to make decisions to put infrastructure in place to support a good, long-term secure supply of water.

Mr D.J. KELLY: Given that Water Corp has put in the budget papers seven, seven and seven as some sort of benchmark for the future, it must have done some work in assessing how many Water Corp customers will, as a result, have to access the HUG scheme. If those increases of seven, seven and seven go ahead, how many Water Corp customers will have to access the hardship utility grant scheme? The Water Corp knows how many people currently are experiencing difficulty paying their water bills, so surely it has projected that into the future.

Mr D.T. REDMAN: The short answer is that we have not projected the impact on the HUGS. I think it would be nigh on impossible to provide future predictions of water increases and the impact that will have on the HUGS. One of the changes made recently was to do bimonthly billing whereby we bill people every two months rather than every six months. One of the drivers for making that decision was the impact on customers who can ill afford to pay particularly the spikes in water bills when they have to pay the service charges on a yearly basis. We predicted potentially 4 000 pensioners were unable to pay the water bill or get the concession on the basis of the lumpy payment structure we had. The decision to even it out over time was supported by the WA Council of Social Service; hence, we are seeking opportunities to get better pricing arrangements and structural change, if we like, to assist. I think only one bill has gone out under the two-monthly billing basis. I do not think we can use this as a strong driver, but it is certainly going in the right direction. In the month from 1 July 2012 to 18 August 2012—about a month, and I am comparing it to the 1 July 2013 to 18 August 2013 period, which is about the same time presently—the number of customers on special plans, in other words, customers who have a struggle to pay and are put on special plans to support them to manage paying their bills, has dropped. It was 15 035 in the period 1 July 2012 to 18 August 2012; it is now 14 758 for the 1 July 2013 to 18 August 2013 period. But it is too early for me to wave this around and say it is a really positive trend.

Mr D.J. KELLY: I am pleased the minister recognises that.

Mr D.T. REDMAN: Absolutely. It is one little wedge of data, but I am encouraged that it is going in the right direction. We recognise that people are struggling to pay their bills. The response to bimonthly billing was supported by WACOSS. In fact it was one of the drivers.

Mr D.J. KELLY: Sure—but WACOSS has also expressed grave concerns about the impact of increased water charges generally. I am a bit staggered that when the Water Corporation sets its prices, it does not take into consideration what it thinks the demand for schemes like HUGS will be, especially given it has blown out exponentially under this government.

Mr D.T. REDMAN: The government makes decisions to increase water prices, not the Water Corp.

Mr D.J. KELLY: Sure.

Mr D.T. REDMAN: The member can be assured that the discussions around the cabinet table are heavily around finding that balance between the impact on a typical householder and customer, particularly pensioners, Seniors Card holders and so on who struggle to manage their finances, of a very lumpy bill arrangement. That is one of the reasons we have driven to change that to the bimonthly billing process. Those things are taken into account. The challenge we face is the significant investments we have to make in water infrastructure in Western Australia to be climate independent, particularly in recent years. They are significant investments. That is one of the drivers for the water price increases.

I am really encouraged by the cultural shift that I think has happened in the broader community around saving water. Some of that has been driven pretty heavily by local government.

Chairman; Mr Dave Kelly; Mr Terry Redman; Ms Janine Freeman; Mr Fran Logan; Ms Mia Davies; Mr Sean L'Estrange; Mr Frank Alban

Mr F.M. LOGAN: Let us just deal with the budget papers; save the speeches for the Legislative Assembly.

Mr D.T. REDMAN: Okay.

Mr F.M. LOGAN: I want to deal with the very issue the minister is talking about at the moment; that is, the bimonthly billing arrangements. At the moment people who fall behind in their payments are subject to an interest payment of just over 13 per cent—correct? That is an issue that I have raised a number of times in the house. A previous minister and the Premier indicated that they would review that significant charge on customers who get themselves into trouble. Interest of 13 per cent on a water bill is credit card rating. It is the type of charge we get if we fall behind with our credit cards. That charging was going to be examined by a previous water minister and the Premier. I would like to know what has happened to that investigation. Does the Water Corporation intend to reduce that interest rate? The second part of the question is: does the bimonthly billing arrangement mean that the compounding effect of the 13 per cent interest rate over the six instalments leaves people who are struggling over one year worse off than they were under the previous system?

Mr D.T. REDMAN: Just before I ask Sue Murphy to respond to some of the comments, the very point the member is raising is the issue of people's capacity to pay. WACOSS, which is seen as the representative group of those people who find it most challenging, has been the driver for this shift, so I am suggesting that this is a position we have taken on the basis of supporting groups that have a challenge. I will ask Sue to make a couple of comments about specific areas of the member's question.

Mrs S.L. Murphy: The member is quite right that we charge a rate of interest very similar to credit card interest, but it is only for a customer who makes no contact with us and just does not pay their bill. Out of roughly a million bills we have sent in the last two months and about a million customers, 153 customers are being charged the full rate of interest. The point of that interest rate is to ensure that customers who have difficulty paying their bill make contact with us and work on a payment plan. The rest of the 14 758 customers who are on a payment plan are not paying that interest rate—only 153 are. The aim is to disincentivise customers from not paying a water bill in preference to paying other bills. If they work with us and make contact with us, we will waive that interest, depending on their circumstances, and work with them. If they forget to pay a bill and are a week late, they will not be charged that interest if they make contact and are part of the deal. Otherwise, we could have a situation in which customers willy-nilly pay their bills late to the Water Corporation in favour of paying off other bills. I think it is appropriate for an organisation funded by government to make sure people pay their bills. That interest rate is set at that level for people who blatantly do not pay their bill or disregard it. Anyone who is under any form of hardship and is working with our customer centre is not paying that rate of interest at all; in fact, the bulk of them are paying no interest.

[10.00 am]

Mr F.M. LOGAN: There was a second part to that question, which related to the compounding effect of the 13 per cent. I might just add that it is interesting that the Water Corporation takes that position of incentivisation of people who struggle to pay their water bills by charging them credit card interest rates whereas other government trading enterprises that send out bills do not charge that amount.

Mrs S.L. Murphy: I will just clarify that. I did not say that we are incentivising people who have difficulty paying their bills. Anyone who has difficulty paying their bills and contacts us will not be charged that interest rate. We are incentivising people who are choosing not to pay their bill in priority to another bill.

The CHAIRMAN: That completes the examination of the Water Corporation.