

Water Corporation —

Mr I.C. Blayney, Chair.

Mr D.J. Kelly, Minister for Water.

Mr P. Donovan, Chief Executive Officer.

Mr D. Page, Chief Financial Officer.

Mr E. Hambleton, General Manager, Assets Planning and Delivery Group.

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

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

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available 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. The Chair will ensure that as many questions as possible are asked and that both questions and answers are short and to the point. If an adviser needs to answer from the lectern, will they please state their name prior to their answer.

The minister may agree to provide supplementary information to the committee, and I ask the minister to clearly indicate what supplementary information will be provided. I will then allocate a reference number. Supplementary information should be provided to the principal clerk by Friday, 30 October 2020. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

Member for Cottesloe.

Dr D.J. HONEY: Minister, perhaps I will jump straight to general questions. In relation to the recycled water from the Beenypup plant, I understand there is another \$10 million to complete the recharge project, and I think that takes it up to 20 gegalitres capacity. Are there any plans to invest further money to provide recycled water into the North Wanneroo area; and, if so, when is that likely to occur? There is already the recycling project, as the minister would be aware, at Beenypup. Is there a proposal to expand that further than the second phase that is currently being completed and provide further water into that area?

Mr D.J. KELLY: I think the member said that the capacity of that system would be 20 gegalitres when completed. I think it is actually 28 gegalitres.

Dr D.J. HONEY: Two times 14.

Mr D.J. KELLY: Two times 14, yes, that is right. As the member is probably well aware, the next water source for Perth is, if you like, an open question. One of the good things about the way in which Water Corporation manages water security is that it never pursues just one option, because these things take a long time to come to fruition, and when we need them varies greatly, depending on weather and customer demand. Whether we will need an additional source for Perth in five years, 10 years or 15 years all depends on a number of factors. The corporation concurrently pursues a number of options; that way, whenever we need another source, we are not limited to one, because if we put all our planning eggs into one basket and then for some reason we cannot do that—for example, we do not get environmental approval or there is something that is a complete no-go for that project—we are not left high and dry. The Water Corporation, for example—this is public knowledge—is seeking environmental approval to extend the Perth desalination plant, and it is also seeking environmental approval for a desal plant at Alkimos. Those are just two of the options that are there. There could be groundwater replenishment at another site.

The answer to the member's question is yes and no—yes, all options are being considered; but no, there has not been a decision made as to when or where or what type of new source will be the next source of water for Perth. I might add that the other thing the Water Corporation is really good at is trying to manage people's demand, because the cheapest water available is water that is saved, so we are very keen for people to save every drop, because that again pushes out the need for a big capital investment. For example, a desal plant that we build now will not be as efficient as a desal plant that we build in maybe five years' time because technology is always improving. It is in everyone's interest to push it out as far as possible.

Dr D.J. HONEY: Thanks, minister. That partially anticipated another question. I probably was not clear enough in my question. I was interested in additional water for horticultural water users in the North Wanneroo area and whether there was any proposal to look at further expansion of the recycled water from Beenypup for that purpose, or whether phase 2 will be the completion at Beenypup for a period of time. I am interested in what will be happening in the next couple of years with recycling.

Mr D.J. KELLY: My understanding about the 28 gegalitres at Beenyup is that that is it. It is not anticipated that that scheme could be expanded. I dare say if it were technically possible for it to be expanded, it would be. Beenyup provides drinking water. Potable water is the most valuable water, so we certainly would not be using that water for agricultural purposes.

[9.40 pm]

Dr D.J. HONEY: No. We could use lesser —

Mr D.J. KELLY: We would use it for drinking water; that is the best use.

Mr P.J. RUNDLE: I refer to page 771 and “WA Recovery Plan — Other Initiatives”. Paragraph 2.3 makes reference to wastewater service charges, commonly referred to as the “toilet tax”.

Mr D.J. KELLY: The member is not on “Team WA” again, is he?

Mr P.J. RUNDLE: For the period 1 May to 31 August, those charges were waived for all businesses eligible for JobKeeper, totalling \$5.5 million in support. On 16 April the Treasurer gave an assurance in question time that those charges would be waived for the duration of the COVID-19 state of emergency. Will the minister continue to waive this service charge, as promised during the state of emergency?

Mr D.J. KELLY: The trouble with the member for Roe is that we cannot take what he says on face value anymore. I simply do not. Referring to the way we charge for wastewater in Western Australia as a “toilet tax” is so disingenuous. He is shaking his head, but the way that wastewater is charged for accommodation services is exactly the same way that his government charged for that service for the eight years it was in office. When the current leader of the Nationals WA was the Minister for Water, she charged people under the same scheme. When Terry Redman—who was also Leader of the National Party; I forget that he was—was Minister for Water, he charged for accommodation services in exactly the same fashion. Apparently in government that is fine; it is a reasonable way to charge all those accommodation providers. But then the Nationals get into opposition and you start calling out the “toilet tax”, and telling people that they are being ripped off. That is what I think is dishonest about the way in which the National Party behaves across the state. The way it dealt with that issue was just a cheap stunt. That is why the member for Roe is the first one to try to play politics with an issue, and he does it pretty badly. We have been very generous to those accommodation providers who were doing it tough. We recognised that, and \$5.5 million in fees were waived. A lot of those accommodation providers are now actually benefiting from the Wander out Yonder campaign. There are a lot of places in WA where people struggle to book a room now because they are so full, and that is a good thing. That relief was specifically for the time when regional WA was locked down and people could not go out into regional WA and book a room. Now they can, and we encourage them to do so. The member’s side of politics should stop messing around with the borders. We will keep everyone safe, and we will keep everyone going around the state, and those businesses will do well.

Mr P.J. RUNDLE: I take it that the minister will not be continuing that relief during the continuing state of emergency that we are still in. I take it that the program has been cut at \$5.5 million.

Mr D.J. KELLY: When we announced it, it was for a specified period, as the member well knows. Is it his position that he would waive all those charges indefinitely? Is that what the National Party is saying?

Mr P.J. RUNDLE: I am referring to the Treasurer’s response of 16 April that the charges would be waived for the duration of the COVID-19 state of emergency.

Mr D.J. KELLY: As I said, with the greatest of respect, I do not take on face value anything that the member for Roe says. I have sat in Parliament with the member for months now and he has never raised the Treasurer’s statement from April. I do not know who found that in the record, but I am surprised to hear now, in October, that the member is trying to rely on a statement that he thinks the Treasurer made in April.

Mr P.J. RUNDLE: Has the minister or Water Corp given any consideration to modelling or analysis for an alternative model to the service charges that might be more equitable for regional businesses in the long term?

Mr D.J. KELLY: Does the member have a suggestion?

Mr P.J. RUNDLE: No, I am just asking whether the Water Corporation has considered a more equitable model.

Mr D.J. KELLY: A more equitable model?

Mr P.J. RUNDLE: Yes.

Mr D.J. KELLY: A model more equitable than the model that the opposition administered when it was in government—is that what the member is asking?

Mr P.J. RUNDLE: I think we will wrap it up there, thanks, Chair, and I will hand across to my co-members.

Mr W.R. MARMION: I refer to page 770 and paragraph 11, which is to do with the Shire of Broome. I was up in Broome a couple of weeks ago and the Broome golf course is currently a beneficiary of treated wastewater. There is a lovely golf course—a lot better than it was when I was living up there—and my understanding is that it currently gets the wastewater for free, but there is going to be a change in the operations and I think it is going to lose that water. The Water Corporation is going to assist it in some way, I think, with piped bore water, but there will be a charge involved. Can the minister outline what the process is and what the way forward is for the Broome golf course?

Mr D.J. KELLY: Sure. This is actually a pretty good story, really, for Broome; in fact, I think it is a very good story for Broome. Broome has two wastewater treatment plants, Broome South and Broome North—Broome South being the older one, at Roebuck Bay, and Broome North being a later addition.

Mr W.R. MARMION: It is at West Roebuck.

Mr D.J. KELLY: Yes. There has, I suppose, been concern about whether there is some threat to Roebuck Bay through the Broome South plant. The Water Corporation has done a lot of work to ensure that Broome South is as robust as possible, and it should be congratulated; it has spent a lot of money on it. But a decision has been made to put that to bed. A decision has been made to close Broome South and to relocate all the wastewater treatment to Broome North. That will clear up any issue around Roebuck Bay. Broome is a tourist town and the environment is the main attraction up there, so that is a really good, long-term decision for Broome. The government is providing \$20-odd million to make that change. The shire and the golf club are able to access treated wastewater from Broome South—the shire obviously for its public open space, and the golf club for the golf course. With Broome South being closed, it is a question of what we do to supply both the shire and the golf course with treated wastewater. There is no legal obligation for the state government to provide treated wastewater to either the shire or the golf course. The Water Corporation has a policy that in places where there is no use or alternative solution for the release of wastewater, it will make it available, and that is what happens in a lot of places around the state; it goes to the shire and to other sporting facilities.

As part of the recovery process, we are committing \$9 million to put in place a new non-potable service, basically for the shire and for the golf course. My understanding is that the shire is happy with that arrangement. It will come with a charge, but the shire sees this as extremely positive for Broome because it means that for the foreseeable future, Broome will have a non-potable supply to keep the place looking first-class for all the tourists. I understand that the Water Corporation is having discussions with the golf course. Ideally, the golf course would like to get the water for nothing, but in reality there is a cost to it. It is not being asked to pay the \$9 million capital of the scheme. The Water Corporation could have said, “Well, if you want it, you’ve got to contribute to the scheme and the annual upkeep.” The government stepped in and paid \$9 million for the capital, but there will obviously be some residual ongoing operating costs. The shire is happy to pay for it. The golf course is going to have to negotiate as hard as it can with the Water Corporation and come to some agreement, but it really is a great deal for Broome. Broome South is away from Roebuck Bay, and there is a non-potable supply to the whole shire. I understand that the golf course got a considerable amount of money in recent times from the feds. It needs to close the deal on its part of the scheme.

[9.50 pm]

Dr D.J. HONEY: I know the minister is very familiar with the issues with the houses near Kenwick train station and the plan to take the houses in that area off septic tanks and connect them to the sewerage system. Are there any plans in the near term, in the next year or two, to progress the connection of those houses around the Kenwick train station to the sewerage system?

Mr D.J. KELLY: Our policy on these issues is pretty similar to the previous government’s policy. There was money for deep sewerage in places around Perth where septic tanks were a significant environmental issue. I do not know what the figure is—is it 90-something per cent? But a very high proportion of the metropolitan area is now connected to the deep sewer. However, there are parts of the metropolitan area that are not yet connected. I do not have a figure as to how much that might be. The Water Corporation has, I understand, come to the party. It will build what it would consider to be part of its network, and then beyond that it is simply a matter of what would normally be a developer contribution. That is the current proposition. I know that the local government there is keen to work out some arrangement. No money has yet been allocated beyond what the Water Corporation would consider part of its existing network, but those discussions are ongoing.

Dr D.J. HONEY: Is there active consideration of the potential to perhaps pay it forward, so to speak, or to at least have retrospective recovery as development occurs in the area? Is that part of the proposal for that scheme?

Mr D.J. KELLY: I think every option is being considered, but there is no finality to those discussions.

Mr P.J. RUNDLE: I refer to page 166 of budget paper No 2, volume 1, three lines from the bottom, “Water Corporation of Western Australia”. The dividend returned from Water Corporation to the state government in 2020–21 is anticipated to be \$1.258 billion. Can the minister confirm that this is a result of the 2019–20 dividend return being

deferred and that it is essentially paying two years' worth of revenue in one year, or two years' worth of dividend in one year?

Mr D.J. KELLY: I think the Treasurer made very clear what happened there. Normally, the dividend would be paid towards the end of the year, naturally. Given the onset of COVID, there was some uncertainty as to what additional expenditure agencies might be required to undertake. No-one really knew, and Treasury took the view that agencies paying a dividend and then being required to go to the market for additional capital, at a time when the capital markets were quite volatile, was not the appropriate thing to do. Treasury made the decision that the Water Corporation should defer the payment of the dividend, so it is now being paid in the next financial year.

Mr P.J. RUNDLE: Given that sizeable dividend return of \$1.2 billion in 2020–21, why does the state government need to provide a \$1.2 billion subsidy to the Water Corp in the form of the country water pricing subsidy? Does the minister think that that is the most appropriate use of royalties for regions funding?

Mr D.J. KELLY: This government 100 per cent supports the subsidisation of country water prices; we subsidise country water to the tune of about \$250 million, or thereabouts, and that is a significant budget sum. We know that when the opposition was in government, it considered making that change; I think I have heard previous ministers mention it. Funding it through royalties for regions ensures that there is a secure funding source for that subsidy going forward. No-one is thinking, "Well, should we really continue to subsidise country water?" I know that at times people have said, "Why are we subsidising rural water prices in regional WA?" This government 100 per cent supports the policy that people should pay the same for the first tier of water, whether they are in Kalgoorlie, Perth or Esperance. We are going to keep that water subsidy, and I think the member should be backing us up on that rather than playing politics with it.

Dr D.J. HONEY: It is my understanding that the estimate of pipeline losses is around 30 gigalitres of water per annum out of the network. There was a Productivity Commission report that said that the achievable target was about 10 gigalitres of water loss a year. I am wondering what programs are occurring, particularly focusing on the Dumbleyung to Lake Grace pipeline, which appears to have many hundreds of patches on it. Is there a plan to replace that to effect a reduction in losses?

Mr D.J. KELLY: As I said, the figure that comes to mind is about \$270 million on water infrastructure in regional WA this financial year. The Water Corporation spends a considerable amount on maintaining its networks. Sometimes putting a patch on a pipe is the most water-efficient way of dealing with it.

The CHAIR: Thank you, minister. That completes the examination of the Water Corporation.