

**Department of Water -**

Hon Giz Watson, Chairperson.

Hon Kim Chance, Minister for Agriculture and Food representing the Minister for Water Resources.

Mr P. Frewer, Acting Director General.

Mr R. Hammond, Director, Water Resource Use.

Mr B. O'Neil, Director, Corporate Services.

Mr P. Parolo, Manager, Finance and Administration.

Mr J. Ruprecht, Director, Water Resource Management.

**The CHAIRPERSON:** On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I welcome you to today's hearing. This hearing is being held in public, although there is discretion available to the committee to hear evidence in private, either of its own motion or at the request of witnesses. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question.

Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values that assistance.

It will greatly assist Hansard if when referring to the *Budget Statements* volumes or the consolidated account estimates, members give the page number, item, program, amount and so on in preface to their questions. If supplementary information is to be provided, I ask your cooperation in ensuring that it is delivered to the committee's clerk within five working days of receipt of the questions. An example of the required Hansard style for the documents has been provided to advisers. The committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations.

At this time, I would ask each of the witnesses whether they have read, understood and completed the "Information for Witnesses" form.

**The Witnesses:** Yes.

**The CHAIRPERSON:** Do all witnesses fully understand the meaning and effect of the provisions of that document?

**The Witnesses:** Yes.

**The CHAIRPERSON:** I call Hon Norman Moore.

**Hon NORMAN MOORE:** I refer to the significant issues and trends on page 438 of the *Budget Statements*. I link that to page 442, which refers to water resources legislation, and page 443, which relates to future legislation. In view of the fact that under "Significant Issues and Trends", much of the reform agenda will require comprehensive legislative reform and new systems and processes, how does the minister relate that to the fact that the Water Resources Legislation Amendment Bill 2006 still languishes in the Parliament and has not been passed, although a lot of what is provided for in that legislation has been put in place? In the context of the water resources bill and the water services bill yet to be introduced into Parliament, what is the government doing in terms of water legislation? Why would it proceed with the water resources legislation, which is currently in the house, when two other major pieces of legislation are foreshadowed? Is there any intention to consolidate all the water legislation into one act?

**Hon KIM CHANCE:** The Water Resources Amendment Bill 2006, the bill that is in Parliament at the moment, is a machinery of government bill. It had its genesis in the machinery of government review, which was an across-government process. To the extent that it affects the water resources industry, that matter has been processed, in an administrative sense, separately. The other two pieces of legislation that the Leader of the Opposition referred to are still in preparation. One of the effects of those two pieces of legislation will be the abolition of 14 other acts of Parliament. To that extent, there are similarities between those two pieces of legislation and the Biosecurity and Agricultural Management Bill currently before this house, which abolishes 17 acts of Parliament. There is some significant aggregation of legislative instruments in the two pieces of legislation that are still in preparation.

**Hon NORMAN MOORE:** Bearing in mind that the legislation sitting in the Parliament at the moment seeking to abolish the Water and Rivers Commission has not been passed, in reality the Water and Rivers Commission still exists. Is the government acting lawfully by effectively abolishing the Water and Rivers Commission without parliamentary approval? That is the first part of my question. Secondly, are there still members of the

Water and Rivers Commission Board; and, if so, who are they? Thirdly, is there a chief executive officer of the Water and Rivers Commission; and, if so, who is it?

[5.10 pm]

**Hon KIM CHANCE:** The Water and Rivers Commission still has its own section in the appropriations. The appropriation at page 438 of the *Budget Statements* is listed under the Water and Rivers Commission. Yes, the commission still has commissioners. The CEO of the Water and Rivers Commission is Mr Paul Frewer.

**Hon NORMAN MOORE:** And the board?

**Hon KIM CHANCE:** The Leader of the Opposition would like the names of the members of the board?

**Hon NORMAN MOORE:** If it exists, who are they?

**Hon KIM CHANCE:** I will ask the CEO to answer.

**Mr P. Frewer:** The current board consists of Verity Allan, who is the chairperson, Jos Chatfield, Tony Allen, Peter Eggleston, Rodney Willox and me.

**Hon KIM CHANCE:** It sounds like an excellent board.

**Hon NORMAN MOORE:** The next question is: do they meet; and, if so, what do they do? Are they being paid?

**Mr P. Frewer:** Yes, they still meet monthly. They still have broad functions to undertake under the Water and Rivers Commission Act. They oversee broad budget directions and they still approve water resource management planning. They still receive remuneration according to government policy.

**Hon NORMAN MOORE:** In effect, we have a Water and Rivers Commission that, for all intents and purposes, is the Department of Water - because if a person goes to the website, that is what he gets - operating in conjunction with the Water and Rivers Commission, which, effectively, does not have any role other than what has been explained to us.

**Hon KIM CHANCE:** The Water and Rivers Commission still carries out its statutory role. That has not changed all that much since I was a member of the board of the old Water Authority of Western Australia. We sat alongside the then Water Resources Council, which was in the appropriations and effectively a function of the then Water Authority. It had a separate function, which was the identification and management of our water resources. The function of the Water and Rivers Commission is somewhat parallel to that.

**Hon NORMAN MOORE:** I will not ask why the government is getting rid of it if it is performing a useful function because we will argue that when the bill comes before the house - if ever.

**Hon KIM CHANCE:** Of course we will.

**Hon NORMAN MOORE:** I refer to service 1, "Water Resources Plans and Policies", at page 441 of the *Budget Statements*. The total cost of the service ranges from the 2005-06 actual of \$6.282 million to a budget of \$15.032 million in 2006-07 and a budget estimate for 2007-08 of \$11.575 million. Can the minister explain the variations in those numbers and why it is less now than it was in 2006-07? Can the minister give me some indication of what the cost of the service comprises?

**Hon KIM CHANCE:** The 2005-06 actual has been adjusted for comparability to reflect a number of things. They include the transfer of the Office of Water Strategy, which represents \$4.865 million. The variation between the 2005-06 actual and the 2006-07 budget mostly relates to movements in funding that is associated with the irrigation reform, which amounts to a variation of some \$4.14 million. That provides a total between those two issues of a little over \$9 million.

**Hon NORMAN MOORE:** Can the minister give me a rough indication how the \$11.575 million is to be spent?

**Hon KIM CHANCE:** In four ways - legislative reform, the implementation of the National Water Initiative, the development of the state and regional water plans, and the development of the blueprint for water reform.

**Hon NORMAN MOORE:** Just following on from that at page 442, which shows a continuation of service 1, the number of full-time equivalent employees goes from 12 in 2005-06 to 66 in 2007-08. Can the minister explain the reason for the very significant increase in staff?

**Hon KIM CHANCE:** Yes. I understand that the increased numbers represents the people who are in the Office of Water Strategy who were transferred from the Department of the Premier and Cabinet to the Department of Water. There was also an internal rationalisation of functions.

**Hon NORMAN MOORE:** An internal rationalisation that increased the numbers - is that what the minister is saying?

**Hon KIM CHANCE:** The transfer would have accounted for a number of those.

**Hon NORMAN MOORE:** We should have more of those rationalisations.

I refer to the major achievements for 2006-07 at page 442. The sixth dot point refers to five projects totalling \$3.1 million that were successfully funded from the second round of the Premier's Water Foundation. Five projects were successful out of 56 expressions of interest received. Perhaps the minister will take this on notice rather than worrying about it now. Can the minister provide me with a list of the five successful applicants and what they were about? Perhaps I can be provided on notice with a list of those who were unsuccessful in receiving a grant.

**Hon KIM CHANCE:** The unsuccessful ones I need to take on notice.

[*Supplementary Information No G1.*]

**Hon KIM CHANCE:** I can provide details of the successful projects today.

**Hon NORMAN MOORE:** Just read it out quickly; just a rough idea of what each one was about.

**Hon KIM CHANCE:** I will read out the project title because the document is several pages long. Project title 1 was "Wastewater purification and reuse: mineral-based adsorbents for contaminant removal". The grant total was \$450 000. Project title 2 was "Hydrological controls on managed aquifer recharge in Perth's coastal aquifer". The grant total was \$600 000. Project title 3 was "Aquifer storage and recovery of potable water in the Leederville aquifer". The grant total was \$481 000. Project title 4 was "Assessing the public health impacts of recycled water use". The grant total was \$700 000. Project title 5 was "Vegetation dynamics and water yield under changing climate and management". The grant total was \$899 046. In each case the grant amounts relate to a substantial fraction of the total project cost. In some cases it is roughly half and in other cases it is down to about one-tenth. All of that information will be made available and we will provide a copy of it today. Each of the decisions made about those grants was determined by an independent body.

[5.20 pm]

**Hon BARRY HOUSE:** I am aware that there have been recent minor adjustments to the licences and fees that are proposed to be introduced in July. Will the minister provide an update on the current situation and inform me when the changes will be gazetted?

**Hon KIM CHANCE:** I will do my best to give a quick update from my point of view and then I will hand it over to Mr Rod Hammond, who will fill in the detail. I understand that the Minister for Water Resources and the department are working through a range of issues that have been brought to their attention by water users and other people, including myself as the Minister for Agriculture and Food. Some progress has been made in those discussions. There is probably a little way to go but since the state signed the National Water Initiative, it is obliged to gain cost recovery in a range of areas, including licensing. That issue is probably the most controversial. I will ask Mr Hammond to give the member a more accurate idea of where those negotiations are going.

**Mr R. Hammond:** The adjustments will be printed in the *Government Gazette* tomorrow and they will come into effect on 1 July 2007. After the government has gazetted them, they will be laid on the table of both houses of Parliament tomorrow. There have been some small changes to the proposed licences and fees to make sure that stock and domestic licensees do not pay a fee. Therefore, the bottom scale of the licences now starts at 1 501 kilolitres, whereas it once began at zero kilolitres. Stock and domestic users are exempt from paying a fee. Another small change has been made to allow the considerations of the water used in dams instead of the water taken and stored in the dams. That is a relatively minor change. These changes will forgo just over \$500 000.

**Hon BARRY HOUSE:** My understanding is that the cost recovery figure is something like \$5.8 million.

**Mr R. Hammond:** That was the original proposal without the minor changes.

**Hon BARRY HOUSE:** How can it be an equitable scheme when only about 20 per cent of all dam and bore users in the state are levied this fee and the other 80 per cent - perhaps I can be corrected on the exact percentages - are not levied?

**Hon KIM CHANCE:** I ask Mr Hammond to respond.

**Mr R. Hammond:** All water licensees in the state are subject to the fee, with the exception of the stock and domestic users that I just described. Unlicensed users, such as those with farm dams and backyard bores in Perth, are not licensed and therefore are not subject to a fee. A user can only be subject to a fee for a licence if the user has a licence. The fee is only to recover the cost of the licensing system. It is an administration fee.

**Hon BARRY HOUSE:** I guess that the equity argument relates only to the licence then. What is the proportion of total bore and dam users in the state, and why is only that sector being licensed and being charged a fee?

**Mr R. Hammond:** We do not license either backyard bores in Perth or the dams throughout the wheatbelt because there is neither an economic benefit nor a water resource benefit to be gained from licensing them. It would not be reasonable or fair to charge a licensing fee just to raise a fee. We have about 13 000 licences. If we add the 150 000 backyard bores and more than 20 000 farm dams, it can be seen that the percentage of actual users that we license is relatively small. Does that answer the question in percentage terms? I have given the member the numbers rather than the percentage. I would have to do the maths to work out the percentage.

**Hon BARRY HOUSE:** I get the picture.

**Hon NORMAN MOORE:** I refer to "Service 2: Investigation and Assessment of Water Resources" on page 443 of the *Budget Statements*. I note that under "Significant Issues and Trends" on page 439 the collection and dissemination of useful and relevant water information in Western Australia is regarded as a key challenge. Why has the department not produced a new set of published water resource estimates for Western Australia, and particularly for Perth and the south west, since 2000, bearing in mind that the "2007 State Water Plan" uses the water resource estimates from 2000?

**Mr P. Frewer:** The "South West Water Plan" is currently underway. It commenced last year and is a review of the current usage, demand and supply trends in the south west. New figures will come about from that exercise. The department is also undertaking a 15-year extensive new and wide-ranging state groundwater investigation program that will examine supplementing our knowledge of groundwater resources throughout the state. Some of the first holes that were drilled as part of that program were at Scott River in the south west. That process will move up into north Gnangara and Allnooka at Geraldton. In addition, we are dealing with a data backlog of accession reports that have been a condition of licences in the past. They will be made available in the future on a website so that nearly 5 000 reports that have been collected over the past decade will be available to people who want to directly access information that has been collected as a result of licensing procedures and exploration undertaken by mining companies and others throughout the state.

**Hon NORMAN MOORE:** It has been six or seven years since the last lot of data was provided, which, as I said, is still contained in the "2007 State Water Plan". Based on the fact that the department is spending about \$15 million a year on "Service 2: Investigation and Assessment of Water Resources", what has the department been doing with the six times \$15 million over the past six years for which we do not have any up-to-date figures?

**Mr P. Frewer:** Most of the dot points cover the range of work that has been undertaken. Extensive use of new groundwater modelling has been done for the Gnangara mound and the Yarragadee aquifer in the south west. They have produced some of the most extensive and technically recognised models in Australia, if not the world, and we have had those independently verified. An extensive program for groundwater assessment incorporates drilling programs, which come at some cost. An extensive amount of other data has been collected through primary assessment modelling and other investigative work.

**Hon NORMAN MOORE:** I refer to page 22 of the "2007 State Water Plan" which lists the sustainable yield, current allocation and estimated use of the various groundwater resources in Western Australia. I again advise that these figures are based on those provided in 2000. When can we expect to get a 2007 version of those determined locations of water within Western Australia?

**Mr P. Frewer:** Through the regional water plans - the south west is the first one being undertaken - we intend to prepare plans for every region in the state. Those plans will be rolled out over the next three or four years and, as part of that exercise, each of the regional water supply demand and inventories will be updated. On top of that, part of the National Water Initiative is to prepare and be involved in a national database, which the Bureau of Meteorology is running. We have been having early discussions with the bureau about updating databases across the whole of Australia, which will then conform to national standards and will deal with not only regional resources but also basin level and subregional resources. The idea is that within the next three to four years there will be a national inventory of data that is consistent across not just Western Australia but the whole of Australia.

[5.30 pm]

**Hon NORMAN MOORE:** In respect of service 2, and on the assumption that the cost of services includes the cost of investigation of water resources and not just costs associated with staff and people involved, why is it that in 2005-06 the total cost of the service was \$15.186 million, which employed 120 FTEs, and in the 2007-08 budget estimate, the cost of the service is not much increased - it is \$15.63 million - yet the minister gets to employ 182 staff members? That is a significant increase in the number of employees. How is it that the minister can employ that many more staff members for the same number of dollars between 2005-06 and 2007-08?

**Hon KIM CHANCE:** I am happy to have a go at answering that question. If the Leader of the Opposition looks at the note at the bottom of page 443, he will see it indicates that in 2007-08 the average cost decrease is due to increased water resource assessments. I am making an assumption here that there is a critical mass of overhead funding that becomes diluted as the number of assessments is increased. The more assessments done, the lower the overhead cost that applies to each assessment. There is an efficiency factor. I can indicate that in terms of numbers that the Leader of the Opposition does not have available to him. In 2005-06, the actual number of water resource assessments was 108; and in 2007-08, the target number is 151, which is nearly 50 per cent higher. So, there is more actual work going onto the ground. Each of those assessments has an individual cost and if the Leader of the Opposition looks at the second last line item on page 443, he will see that the average cost per water resource assessment falls from almost \$141 000 in 2005-06 to \$103 510 in 2007-08. There is a significant drop-off in the per unit cost of water resource assessment. Perhaps Mr Frewer can help me here. I would presume from that that there is a dilution of the overhead cost. Members will also note if they go to the first table on that page that between the 2006-07 budget and the 2006-07 estimated actual, there is a significant increase in the cost of service from \$14.69 million to \$16.17 million. When that is transferred to the bottom line of the page, the FTE line, one sees a movement in the same period from 120 to 169, so the additional staff engaged in that area and the cost of the staff are taken into those two numbers.

**Hon NORMAN MOORE:** Has this reduction in the cost per water assessment, which the minister describes as being the result of increased efficiencies, been brought about by increased efficiencies or by employing another 62 FTEs?

**Hon KIM CHANCE:** I will have to refer that to Mr Frewer. He will tell me whether my speculation was correct or not.

**Mr P. Frewer:** The minister's speculation is correct. The explanation is that as the numbers of staff increase, the numbers of resource assessments increase. By looking at the increased output across the whole of the service, one sees the cost of each of the resource assessments decreased as a result of that.

**Hon BARRY HOUSE:** With reference to the water user licence and fee system about to be introduced, how will it be monitored and policed?

**Mr R. Hammond:** Currently as part of our licence process we check compliance with the licence. We do that usually on the basis of where we know people might be doing the wrong thing, big users, or there are particular issues in an area. We do a lot of compliance against licence conditions and actual use. Is that the basis of the question?

**Hon BARRY HOUSE:** Yes, but how will the department police it?

**Mr R. Hammond:** For example, if a person has a crop of 10 hectares of carrots, an officer will go out and check that he has 10 hectares of carrots. We police it in that sense. If there are meters, we check the meter reading. We police it in a practical, on the ground sense. That is what the fee is about - paying for some level of compliance with the licence. We also have water management committees scattered around the state and they also help with compliance. They know what is happening in their local area and inform our officers to go out and look at the appropriate spot.

**Hon BARRY HOUSE:** If a landowner is unsure come 1 July about his capacity to be levied a fee and intends to challenge that situation, will he put himself in jeopardy further down the track in terms of obtaining a licence if he does not pay the fee on 1 July? In other words, if he does not pay the fee because it is subject to challenge, is he in effect relinquishing his right to a licence?

**Mr R. Hammond:** A licence is a very valuable item. A property with a licence is often worth an awful lot more than a property without a licence. We are talking about a water licence. In most places in this state, which is pretty dry, a person will have a real shortfall if he does not have water to do things. Whether one is in Manjimup or Carnarvon, a property with a licence can often be worth double to 10 times a property without a licence. That is the major issue. If a person chooses not to pay his licence fee, he runs the risk of not having a licence, and if he does not have a licence he forgoes a very large part of his asset base.

**Hon KIM CHANCE:** Can I just clarify one thing? While the regulations will be gazetted to take effect from 1 July, it does not mean that people will get a bill on 1 July. The licence fee will fall due upon the anniversary of the licence, so only those persons whose licences were due on 1 July will get a bill on 1 July. The legislative machinery will be in place for the charges to be made, but the charges will not be made until they fall due on the anniversary of the licence.

**Hon BARRY HOUSE:** So, new people caught in the net will not get a bill until about a year's time. Is that how I should read it?

[5.40 pm]

**Hon KIM CHANCE:** Yes, I think that is right. If their licences were due on 30 June, it will be a year before they get their bill.

**Hon BARRY HOUSE:** Okay. If a person is licensed for a certain capacity, and the department's monitoring and policing reveals that that person is not using his full capacity, will that person lose the balance of his capacity over time?

**Mr R. Hammond:** This state has for a long time had a policy of "use it or lose it". That means that if a person is not using water consistent with his licence, we will take that licence back and make that water available to other people to use in a legitimate way. We have done that numerous times. That has the distinct advantage of preventing the problem that is being experienced in other states, where there are a significant number of sleeper licences, or unused licences, that are causing great grief in places like the Murray-Darling basin and the Namoi Valley. In this state, we do not do that. Only late last year, we bought back approximately 16 gegalitres of water from sand miners in the south west. The mines had reached their use-by date, and they did not need that water any more.

**Hon BARRY HOUSE:** You bought it back, or you took it back?

**Mr R. Hammond:** Sorry, we took it back. We do not buy water. We give it out, and we take it back. No money changes hands.

**Hon KIM CHANCE:** In the same vein, if licence holders have multiple licences, which obviously makes the whole process more expensive for them, they can amalgamate those licences. Similarly, if the licence is for more water than they will ever need, they can go to the Department of Water and make those changes to adjust the amount of fee that they are paying.

**Hon BARRY HOUSE:** Over what period of time will the department make that assessment?

**Mr R. Hammond:** Licensees can choose to have their licences adjusted whenever they want. They simply need to talk to their local office. To give an example, not long ago, Perth City Council had 200 licences. We have now amalgamated that into four. Another example is the Manjimup area, where a number of people had three or four licences, when one would do, and those licences have now been amalgamated into one. The objective is administration. It is not to collect money. It has a particular aim.

**The CHAIRPERSON:** I have a couple of questions that I would like to ask from the chair. I refer to page 439, "Service and Appropriation Summary", service 2, investigation and assessment of water resources. The "State Water Plan 2007" contains water conservation targets for 2007-11. Those targets are as follows: agriculture, 20 per cent improvement in water use efficiency; minerals and energy, 20 per cent improvement in water use efficiency; and household use reduction from 106 kilolitres per person to less than 100 kilolitres per person. What initiatives are proposed to achieve those targets, and what funding has been allocated to them?

**Mr P. Frewer:** Basically, we are working with the Department of the Premier and Cabinet on preparing a state water re-use and recycling strategy. That will put in place a set of strategies on how we can recycle more water, and also implement a range of initiatives that would lead to more efficient use of water, and water re-use. The targets have already been addressed through a series of measures, such as the sprinkler restrictions that have occurred over the past few years. That has led to a dramatic reduction in per capita water consumption, as the member would be aware. We will also be working with industry and other large users of water to target them specifically and look at how we can reduce their water demand. That strategy should be available at the end of this year. That will have quite wide-ranging implications for water efficiency into the future.

**The CHAIRPERSON:** I refer again to that same page, and that same table. Under "Total Cost of Services", there is a significant increase in income from \$14.925 million to \$44.144 million. What is the source of that income? Why does that income then fall significantly in subsequent years?

**Hon KIM CHANCE:** The vast majority of the almost \$31 million differential between those two amounts is \$25 million under the Collie River salinity recovery program. That is the sum in that year that will come in as a result of that program. A significant component of that funding - currently \$5.8 million - is the water resource management fee. That is the licence fee. However, as we have heard, that is likely to be some \$500 000 less than that. That change was made after the printing of the budget papers.

**Hon NORMAN MOORE:** I refer to page 444. The third dot point under "Major Achievements For 2006-07" refers to the completion of groundwater assessments for the south west Yarragadee and the Millstream aquifer, among others. What is the sustainable yield of the south west Yarragadee, and what is the current state of the Millstream aquifer?

**Mr R. Hammond:** Our sustainable yield estimate for the south west Yarragadee is currently 120 gegalitres. We are doing an interim allocation plan to see whether that is still the case. The Millstream aquifer has been managed quite effectively, because there have been a number of cyclones through that area in the past couple of

years that have allowed that aquifer to be significantly recharged. The Millstream system is now at its highest known level ever.

**Hon NORMAN MOORE:** Perhaps it is climate change!

**Mr R. Hammond:** There is a suggestion that the north of the state is getting wetter.

**Hon NORMAN MOORE:** In a previous briefing that I attended, there was some talk about underground water availability in the Gingin area. It was suggested that there was about 75 gigalitres of groundwater sustainable yield in that area, but further research was necessary. What underground sources are available in the Yanchep-Moore River area?

**Mr R. Hammond:** The Yanchep-Moore River area?

**Hon NORMAN MOORE:** Between the two. I think around Gingin was the general area.

**Mr R. Hammond:** The reason I am being very careful in my answer is that north of Moore River there is a different groundwater system. South of Moore River - between Moore River and the Swan River - it is the Gngangara mound. That is a very large resource. If the member is talking about Yanchep in particular, it would be too difficult to answer, because it is part of the Gngangara mound, which is a completely separate discussion. I think the member is talking about north of Moore River, and, as the member is talking about Gingin, I assume he is talking about on the Dandaragan plateau, which has significant water resources. We have recently done some detailed drilling - which was part of an earlier question that the member asked - the data for which is still being finalised. However, it does appear to show that more water will be available in the north - or north of Gingin, anyway.

**Hon NORMAN MOORE:** Is there any rough estimate of the sustainable yield?

**Mr R. Hammond:** I cannot answer that off the top of my head. The aim of the extra drilling is to try to finalise that number. We do not have that information now. I have just been told that we have some water balance modelling for that area, which we will be doing next year, but we do not have more up-to-date data.

[5.50 pm]

**Hon NORMAN MOORE:** I refer to service 3 on page 444, "Water Licensing and Regulation". This is just a quick question about money again. In 2005-06 the total cost of the service was \$17.494 million, and it employed 158 people. The budget estimate for 2007-08 is \$24.847 million, which is a significant increase, but there has been a decrease in the number of full-time equivalents. Can the minister explain the reason for the significant variation in the total cost of the service, and why fewer staff are needed?

**Hon KIM CHANCE:** I may be answering a little more than the question, but just so that it is all in its context, the variation between 2005-06 and 2006-07 resulted from a deferral from prior yields in the rural farm water grants of \$3.45 million. The variation between the 2006-07 budget and the 2006-07 estimated actual chiefly relates to the movement in deferrals on the rural farm water grants, which is about \$4 million, and the Gngangara mound metering, with movements in deferrals of \$1.1 million, giving a total of \$5.1 million.

**Hon BARRY HOUSE:** It seems that this department has inherited responsibility for the rural drainage network. The line item for service 5 on page 439 shows that the budgeted expenditure for 2006-07 was \$46.841 million, which was roughly double that of the previous year, but the estimated actual was only \$32.11 million, with the budget estimate for 2007-08 rising to \$53.06 million. What are the reasons for the shortfall in expenditure of something like \$14 million for 2006-07, and the rather steep spike in next year's budgeted expenditure? Has it stopped raining so much that the drains are not needed any more?

**Hon KIM CHANCE:** There is a little over \$14 million differential between the 2006-07 budget and the estimated actual. The bulk of that is the revision of budget cash flow for the Collie River salinity recovery, amounting to \$11.7 million. There is also an amount of \$2.3 million, which is the depreciation allocation revised down as a result of a reassessment of the asset allocation amongst the treasury services.

**Hon BARRY HOUSE:** What is the reason for the rather steep increase next year to \$53 million?

**Hon KIM CHANCE:** As the Collie River salinity recovery spending starts between the 2006-07 estimated actual and the 2007-08 budget estimate, there is a variation of a bit over \$28 million, which is the result of the revised cash flow of the Collie River salinity recovery project.

**Hon NORMAN MOORE:** I refer to the "Cashflow Statement" on page 452. The last line item is for cash assets at the end of the reporting period, which I understand is the cash surplus that is carried forward. The budget for 2006-07 was \$867 000. Having come down from an actual of \$23 million the previous year, there was an intention to spend all the cash. In the estimated actual for 2006-07, the cash assets go back to

\$22.152 million, and remain in the area of \$18 million or \$19 million in the out years. Can the minister explain why it is necessary for this organisation to carry forward those cash assets?

**Mr B. O’Neil:** The cash figure that has changed represents a number of issues. One is the Collie initiative we have just spoken about, with money coming in. The second thing is that we are bringing into account a range of quite extensive external funding coming from the federal government into regional groups and catchment groups, which they are vesting with us. We have signed two-year or three-year contracts with a number of those catchment groups, such as the South West Catchment Council or the Northern Agricultural Catchment Council, to cover three-year programs. The cash flows actually represent the money coming in and the delivery of projects over that year. In terms of the financial estimates, that is what we believe will be the cash that we have, and represents the funds that will be spent over a two or three-year period.

**Hon NORMAN MOORE:** The first dot point under “Major Initiatives For 2007-08” on page 445 mentions statutory water management plans. Can the minister tell me what a statutory water management plan is?

**Mr P. Frewer:** Statutory water management plans are part of the conditions and implementation requirements of the National Water Initiative. At the moment we prepare water management plans and do water allocation planning in a general sense to reflect supply and demand characteristics of particular aquifers, and then use licensing as a way of controlling and measuring the amount of water that is being allocated. Statutory plans will change the system such that a new set of entitlements will be created from the licences and a new water registry will be brought into play to reflect those entitlements. That will mean that people will end up with separate titles for water, separate from their land titles, which can then be bought, sold and traded. That instrument will be recognised by banks as security and they will be proportions of a consumptive pool. The statutory plan will look at the amount of water that is available. It will allocate water for environmental purposes, for public drinking water supply purposes and for other purposes, which is known as a consumptive pool. Rather than getting a fixed amount of water every year if it is surface water, or over a series of years if it is groundwater, the user will receive a proportion of that consumptive pool. That will be a secure entitlement in perpetuity and will provide them with access to that consumptive pool for the amount of water that is available on a year-to-year basis. The equivalent of a statutory water management plan is a town planning scheme. It becomes a set of entitlements that result from a statutory process.

**Hon NORMAN MOORE:** I think I will go and study the *Hansard* carefully. I refer to the capital works program detailed on page 449. Under “Completed Works” there are line items for the state reference network and replacement and maintenance of monitoring bores and river gauging stations. Why is that considered to be a capital work rather than a recurrent expenditure?

**Mr P. Frewer:** The state reference network comprises built assets; therefore, it has always been regarded as capital works. There is an ongoing program to retain and replace those. Treasury sets the rules for capital works and our asset replacement program, and they are regarded as part of the capital works program as such.

**Hon NORMAN MOORE:** I just thought that maintenance was a recurrent expenditure rather than a capital cost, but I will take those comments on board. In the table headed “Capital Contribution”, there is a line item for capital grants paid to other agencies. The 2006-07 estimated actual was \$4.5 million. Can the minister explain what that \$4.5 million refers to?

[6.00 pm]

**Hon KIM CHANCE:** These capital grants relate to the Carnarvon floodplain mitigation project. The grant payment to Main Roads was \$2.25 million together with an additional \$2.25 million payment for the same program in 2006-07. The other reason for the significant variation between the 2005-06 and the 2007-08 budget estimates and the other two subject years is a reduction in new funding, which was associated with asset replacement for the state reference network and the ground resources investigation and monitoring programs.

**The CHAIRPERSON:** Members, having regard to the time, we should finish this session. If members have further questions, they can submit them for answers. I thank the minister and agency representatives very much for their time.

*Meeting suspended from 6.00 to 7.00 pm*