STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2014–15 ANNUAL REPORT HEARINGS

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 27 JANUARY 2016

SESSION TWO
WATER CORPORATION

Members

Hon Ken Travers (Chair)
Hon Peter Katsambanis (Deputy Chair)
Hon Liz Behjat
Hon Alanna Clohesy
Hon Rick Mazza

Hearing commenced at 1.34 pm

Mrs SUSAN MURPHY
Chief Executive Officer, Water Corporation, examined:

Mr ROSS HUGHES
Chief Financial Officer, examined:

Mr PETER MOORE
General Manager, Operations, examined:

Mr ASHLEY VINCENT
General Manager, examined:

The CHAIR: On behalf of the Standing Committee on Estimates and Financial Operations, I welcome you to today's hearing. Can witnesses confirm that you have read, understood and signed a document headed "Information for Witnesses"?

The Witnesses: Yes.

The CHAIR: Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. The 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 witness's request. 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 review agency outcomes on behalf of the people of Western Australia, and the committee values your assistance with this.

Do any witnesses wish to make an opening statement?

Mrs Murphy: No, we are all yours.

The CHAIR: Just before I commence, I just want to make an opening statement. One of the people I first met when I became a shadow Minister for Water 20 years ago was Mr Moore. I notice, reading *The West Australian* yesterday, that a Mr Peter Douglas Moore was provided with the Western Australian public service medal for outstanding public service to the water industry in Western Australia, and we congratulate you on that award yesterday. Having done the pleasantries and acknowledged that fantastic and very worthy recipient, who wants to lead off?

Hon ALANNA CLOHESY: Can I dive straight in, pardon the pun, to the sale of the construction division. We talked about that last time we met as well, did we not, in some detail? The sale price for that has been set; is that right?

Mrs Murphy: The sale went through. The proceeds of the sale and the financials are not in the annual report you have before you, because the sale actually took place in July 2015—in August; I have been corrected. It is not in this annual report, but I am happy to talk broadly about that. I do not have every number here with me, because those figures will be in this year's report, but I can happily talk about the gist.

Hon ALANNA CLOHESY: What was the sale price?

Mrs Murphy: Is it commercial-in-confidence? I believe it is commercial-in-confidence because it was a competitive process. What I can say is that when we sold the business, we were not sure how many of our employees would elect to go with the new company and how many would want to be made redundant and how many would want to stay with the Water Corporation and try to find another job. What I can say is that the employees who elected to stay, the reasonably small number who elected to take a severance, the cost of those severances and the cost to the Water Corporation of all the work involved in the sale and the whole sale process and tax—there is tax on it as well—has left us with a modest profit, but not a substantial profit.

Hon ALANNA CLOHESY: What was the profit?

Mrs Murphy: Is it audited yet?

Mr Hughes: Yes; fully audited. It is a small number, less than $5 million compared with our much larger profit. It was not actually done to make a profit; it was done more for business purposes.

Hon ALANNA CLOHESY: How much was it?

Mr Hughes: I cannot remember the exact number. The ultimate result to the corporation was less than $5 million.

Hon ALANNA CLOHESY: Can we take on notice the actual profit made?

[*Supplementary Information No B1*.]

Hon ALANNA CLOHESY: How many redundancies did staff take up? How many staff became redundant?

Mrs Murphy: There were 114 staff who transferred permanently to RCR. There were 49 who took a redundancy. There were five who were appointed to other roles within the Water Corporation; and there is one who is a redeployee who has been doing a transition role and has yet to decide whether he wants, at the end of that transition role, to look for another role in the Water Corporation or take a severance, a redundancy package, and retire, basically. Overwhelmingly, the 114 have now got a much more certain future and are all gainfully employed with RCR.

[1.40 pm]

Hon ALANNA CLOHESY: What was the cost of the 49, you said, was it?

Mrs Murphy: I am sorry; I do not have that number with me.

Hon ALANNA CLOHESY: So you do not know how much the redundancies were worth.

Mrs Murphy: No.

Hon ALANNA CLOHESY: Can we take that on notice?

Mrs Murphy: I am not sure whether employment details are —

Hon ALANNA CLOHESY: The cost of the redundancies.

Mrs Murphy: Can we take it on notice for now and I just qualify that if there is some privacy reason why I cannot divulge it —

Hon ALANNA CLOHESY: The total cost of the redundancies will not impact on an individual's privacy whatsoever, will it?

Mrs Murphy: No, it will be —

[*Supplementary Information No B2*.]

Hon ALANNA CLOHESY: Was the sale price publicly announced?

Mrs Murphy: I do not believe so.

Hon ALANNA CLOHESY: It has never been made public?

Mrs Murphy: I do not believe so.

Hon ALANNA CLOHESY: Why have I got a figure of $10.4 million in my head?

Mrs Murphy: I do not know.

Mr Moore: I do not know. It is not in the annual report.

Hon ALANNA CLOHESY: It is not in the annual report.

Mr Moore: It is after that reporting period.

Mrs Murphy: I do not believe we have publicly put a figure out.

Hon ALANNA CLOHESY: Maybe I have read it. I know you cannot explain what is in my head.

Mrs Murphy: I cannot explain what is in mine!

Hon ALANNA CLOHESY: Was it in the *Mid-year Financial Projections Statement* maybe?

Mrs Murphy: I doubt it. Actually in Water Corp expenses terms for proper accounting recording, it is immaterial at that level.

Hon ALANNA CLOHESY: I guess from our point of view for public accountability sale price is important.

Mrs Murphy: Of course, but my point was that it would not necessarily have been in the midyear statement because that is a more accounting-focused statement. That is the sort of information that would be included in our annual report for this financial year.

Hon ALANNA CLOHESY: We have already taken on notice the actual sale price. Can we also take on notice whether it was announced and where it was announced?

The CHAIR: Shall we make that all part of supplementary information B1?

Hon ALANNA CLOHESY: In the development of the sale of the construction division, was a business case developed for that?

Mrs Murphy: Yes, we looked at a number of options. We looked at our capital program, which was quite lumpy, quite up and down, and we had a lot of discussion about how we were going to manage the ups and downs of the capital program. We looked at a number of options. One option was to shrink our current in-house capacity so that we would have a small crew that we would augment, we looked at closing them down altogether and then we looked at selling them so that people would have the opportunity to continue working, and sell them to a company that did other work in a like area so that when there was no Water Corp work, they could do other tasks. The broad principles of that were in the preliminary business case. At that stage we were not sure whether there was a market—whether anyone would actually want to buy it—so we did a market sounding and the market sounding was really saying: if this was in the market in this way, would anyone be interested? From that market sounding, it was clear that there was some interest, and at that stage we brought the decision to board of a better way to look after people, to give them some future, rather than just terminate the branch and stop doing that work ourselves.

Hon ALANNA CLOHESY: How broad was the market sounding, did you say?

Mrs Murphy: We engaged a private sector expert in the field to do that and they contacted—so, it was not specified at that stage that it was the Water Corporation. They did a generic market sounding of a number of different companies to say, "If such a business was available, would your organisation be interested in bidding on it"—both in WA and interstate.

Hon ALANNA CLOHESY: How much did that private sector consultant cost to take the market sounding?

Mrs Murphy: I have no idea; I am sorry.

Hon ALANNA CLOHESY: Can I take that on notice?

Mrs Murphy: They then manage the process, so there are a number of consultants involved in a process like that. Are you seeking to understand what the total cost of the transaction was all up for the Water Corp, including redundancies, compared to how much we paid for it? Is that what we are moving toward?

Hon ALANNA CLOHESY: Yes that is right. I have got a list here, just a small list of calculations. Redundancies are particular costs, but also the cost of the preparation of the development of the business case and what the business case considered in the sale as well, so they are two separate questions. We have already got on notice the redundancies.

The CHAIR: So basically the total cost of the sale broken down by the different categories of the cost, including any consultants engaged.

[*Supplementary Information No B3.*]

Hon ALANNA CLOHESY: Thank you; that is a good way of expressing it.

The CHAIR: Just whilst you are thinking of your next question, I just quickly googled, as you can these days. Your website shows a press release "Buyer chosen for Engineering and Construction Services", and the opening paragraphs says the sale price is $10.4 million.

Mrs Murphy: Okay—then it is clearly in the public domain!

The CHAIR: Let us wax lyrical now!

Mr Hughes: We clearly swotted up for the annual report!

Mrs Murphy: Sorry! We always struggle with the annual report ones, because we swatted the annual report, but it is always a long time after. That ended in June, you know, and it is a long time after June.

The CHAIR: You have moved on! You have run out of water since then!

Mrs Murphy: No, it is the pesky customers!

Hon ALANNA CLOHESY: So, really the cost of the sale is probably about $6 million or so.

Mrs Murphy: It is $6 million-ish. There is a big tax bill in there!

Mr Hughes: I think a better way to do it is to follow Ken's suggestion where we provide you with a breakdown of the detail of it, because there were assets sold as part of the whole business as well—just little things like computers and such, and there is a tax effect as well, which is quite significant. If we can start with the sale price, the sale proceeds, and then take it all the way down to the value to ultimately a net profit figure, I think that will probably be a better way to do it.

Hon ALANNA CLOHESY: That will take into account the cost of the development of the business case?

Mrs Murphy: Yes, all of our interim project costs. They are also leasing from us the premises that they are in at the moment as well—so, you know, there are some benefits along the way, good and bad.

Hon ALANNA CLOHESY: Is it possible to get a copy of that business case?

Mrs Murphy: There is a series of business cases along the way. I do not know. There were probably other board deliberations. We can certainly give the summary of the options considered and the summary table.

Hon ALANNA CLOHESY: The options considered, the summary table, the expectation of the sale price and the costs that were anticipated.

Mrs Murphy: To be clear with the sale price, the business case only looks at the sale price to cover costs. We did not do this to make money.

Hon ALANNA CLOHESY: So you have said.

Mrs Murphy: We did this because we wanted to keep as many people as possible gainfully employed in a sensible way and make sure that a couple of programs could still be serviced. Keeping a large crew when you do not have work for them does not make any sense.

Hon LIZ BEHJAT: Just a couple of simple questions. Again, I was just looking at your website and comparing it to the annual report. I noticed in the annual report with regard to the board of directors that Dr Vanessa Guthrie and Mr Peter McMorrow's terms were to expire on 31 December last year. Currently on the website it still shows Dr Guthrie with an expiry date, but Mr McMorrow is not listed. Could you just bring us up to date as to what has happened with the make-up of the board?

[1.50 pm]

Mrs Murphy: Sure. Mr McMorrow's term ended at the end of December; he stated that he did not want to stay on as a director, so his term ended. Also, Tony Iannello, for a whole lot of business reasons, was unable to continue on our board, so he resigned from the board effective 31 December. Vanessa Guthrie has indicated that she is willing to stay on the board until suitable appointments are made but not to renew. At the moment, the intent is that in the next few weeks, the minister will make a recommendation to the Governor, I guess it is, to appoint new directors. But until that process takes place, Vanessa Guthrie remains on our board, so remains as a director.

Hon LIZ BEHJAT: So you are still actively seeking replacements for all three?

Mrs Murphy: We are not; it is the minister's issue. It is a ministerial process and she is running that process.

Mr Moore: Can I just add, though, that under the legislation, a director whose term has concluded remains a director until appointed otherwise or unless they choose not to continue.

Hon RICK MAZZA: In the report, you state that recycled water is going to come on later this year and that you want to increase that to 30 per cent of the water. What sort of time frame are we looking at before 30 per cent of water will be recycled?

Mrs Murphy: As soon as we possibly can, looking at making sure that we bring our community and regulators along at a sensible rate. The groundwater replenishment scheme that we are building at the moment is the first time indirect potable at that scale has been done in Australia. We are very mindful that no matter how much we want the water, we need to move in a very measured way. The first 14 gigalitres of that project that we are building at the moment—we are about to start commissioning the plant fairly soon, but we will not be injecting into the aquifer for some months; it will be Christmas really before we are injecting into the aquifer in a way that we can take water out of the aquifer, because we want to run the plant and do all the testing and make sure all our regulators are really comfortable with that process. Our plan was then to operate the plant for a few years, monitoring everything, and then look to double the size of it, we were thinking, within about three years, although the way the climate is going, we may be having to accelerate that, and then to look at other options for groundwater replenishment at our other major wastewater treatment plants. It depends a little bit on the conditions of the groundwater around that. We will be putting water into the aquifer and abstracting it quite some distance away, and it will take quite a long time—maybe decades—for the water to go through the ground for that actual water to be abstracted. Some of the other aquifers that we can use for this process would mean a shorter retention time in the ground, and we need to make sure that our regulators and our customers and the community would be comfortable with that. It is a matter of moving in a fairly measured way. Our belief is that we add more value to the recycling debate by recycling as a replacement for a potable water source rather than treating the wastewater to a lower level and using it in other ways. That can be done, but I think, from our point of view, potable use is the highest possible value, and we also need to be careful to protect our aquifers. We would like to recycle more, but we are hastening at a fairly slow rate. We have all seen examples internationally and in Australia where recycling has been pushed

onto a community for a variety of reasons and then it rains and nobody wants what they have been given. What we have tried really hard to do is to work much more proactively with the community to have something that makes sense. I think I would rather be accused of going too slow than too fast when I look at the Queensland situation, with billions of dollars of recycling plants sitting idle and probably never going to be used.

Hon RICK MAZZA: What percentage of our water will the one that you are bringing on this year recycle? Obviously, you are moving slowly, so I imagine that is quite a low percentage.

Mrs Murphy: It is 14 gigalitres. In theory, Perth uses about 300; at the moment, they are using a bit more than that. What is that—five per cent?

Mr Moore: Five per cent.

Hon RICK MAZZA: Just looking at your report, 41 per cent comes from desalination plants, so 30 per cent through recycled is actually obviously a lot of water.

Mrs Murphy: Yes.

Mr Moore: That 30 per cent is recycling 30 per cent of the wastewater, not 30 per cent of our water supply.

Hon RICK MAZZA: To clarify, the question I was actually asking was what percentage of our water would actually be recycled, not what the percentage of the wastewater would be.

Mrs Murphy: That would be about five per cent. We have designed this plant so that it can be doubled. Some of the inlet infrastructure is already designed for the larger scale, so we can double that plant. But there is a need to work with our regulators, with the Department of Water, about where that water goes, what aquifer, and also with the Department of Environment Regulation about the discharge, because the discharge to the ocean from the wastewater treatment plant has the same amount of nutrients and chemicals in it. All we are pulling out is the pure water, so there is a need to make sure that we do that monitoring correctly and that everyone is brought along.

Hon RICK MAZZA: What other sites have been identified as recycling areas?

Mrs Murphy: We have certainly looked at the Woodman Point wastewater treatment plant as an option and we already do recycle some of the water from Woodman Point in Kwinana. We have a recycling plant in Kwinana that supplies very high quality water to industry, and there is room on that site for recycling in the future. We have also our wastewater treatment plant at Alkimos, which has still got fairly small flows, but as development progresses in the northern suburbs, there is room and capacity on that site and indicative planning to do some form of groundwater replenishment or recycling in Alkimos as well.

Hon RICK MAZZA: A couple of years ago, the Auditor General reported that there was a significant amount of leakage through pipes. You have got 34 000 kilometres of pipes.

The CHAIR: Before you go off recycling, I am still unclear. You are saying that at the end of 2016, you expect to have the infrastructure in place for the re-injection at Beenyup.

Mrs Murphy: No; at the end of 2016, we expect to be injecting.

Mr Moore: That is calendar year.

Mrs Murphy: At the end of this calendar year, we expect to be injecting.

The CHAIR: How long after you start injecting is it before you can actually draw down from that source?

Mrs Murphy: One second.

Mr Moore: We would hope immediately.

Mrs Murphy: Immediately.

The CHAIR: But you also mentioned earlier that where you draw the water back is a fair way down the path, so how do you do that without having an impact on the local environment of where your bores are?

Mr Moore: We are actually injecting into the Leederville and Yarragadee deep confined aquifers. We are not having an impact on the unconfined shallow aquifer wherever we are going and they are interconnected. It is just the flow of water is quite slow in those confined aquifers, and so the intention is to inject quite a distance from where you are extracting. We are very confident it will have no impact environmentally. If we take 14 out a kilometre away from where we are injecting, it will not have an impact, because you are in the deeper confined aquifers.

The CHAIR: The re-injection will actually compensate for that. By the time it reaches the surface through the interconnections, it would have been backfilled by the injected water.

Mr Moore: No; we extract if from those aquifers as well.

Mrs Murphy: We do not abstract from the surface. If you think of it as a contained body of water very deep in sand—so, it is between 500 metres and a kilometre deep—and it is a pressurised aquifer, so if we put water in here, we can take water out here out of the same water body; it is just that the actual molecule that goes in here, by the time it gets to the extraction point —

Hon RICK MAZZA: So it is a hydraulic effect.

Mrs Murphy: It is, but it is sand.

The CHAIR: But, equally, when you take it out over here, that then has a back point; either it goes back across the aquifer towards where you are doing it or it comes back up to the surface at some point. That is why you cannot constantly mine even the deep water aquifers.

Mrs Murphy: Yes, but these are very small quantities for these size of aquifers.

Mr Moore: The aquifers are huge and in fact both discharge to the ocean as well.

[2.00 pm]

The CHAIR: How many bores have you got for drawing up the water? You only have the one bore for the injection; is it one bore for —

Mrs Murphy: No, we have a number of bores for injection.

Mr Moore: On the injection site there are two Leederville bores which go from about 250 to about 600 metres in depth, and there are two Yarragadee bores—sorry, three Leederville and one Yarragadee. The Yarragadee is from about 700 metres down to plus a kilometre and a half. We inject into those and the extraction bores then are some distance from that.

Mrs Murphy: But the extraction bores are bores that we have had for a long time, so if you go back not that long we used to take a lot more groundwater than we do these days. So we have bores and we have groundwater treatment plants that have capacity to take more groundwater than they do at the moment, so we will be using those assets, so we do not really have to invest anything to get it out; that already exists.

The CHAIR: I assume you are taking it out of the line of bores that pretty much runs along Marmion Avenue, which are the historical bores—is that right? The deepwater bores.

Mr Moore: No, a lot of those are quite shallow, the Marmion Avenue ones. So there are a number of those that are the deeper bores that we probably will be using.

The CHAIR: Right. So you are saying that those bores that you will extract from are bores that you have turned back the amount of water you have been taking because of environmental pressures over time for those bores. Do we know how much you are currently taking out of the bores that you are going to be using and what you will increase that to once you start the injection process?

Mrs Murphy: We do, but they vary every year.

Mr Vincent: It varies every year. I guess a key point is the changing mix of where we take our water over time. Historically, we took more water from the superficial or near-surface aquifers and over time we have moved to the deeper aquifers in order to minimise the impacts on the surface environment and the environment more generally, so if you go back over time, you will find an increasing use of the deeper aquifers. Very large aquifers, as Peter mentioned before, largely discharge into the ocean. It has less impact to go to those aquifers than to stay in the superficials. Our objective has been to get out of those shallow bores, to move into the deeper bores, and by replenishing those deeper aquifers, it makes that a more sustainable proposition over time.

The CHAIR: Will the reinjection have any impact on the lake system through the northern corridor?

Mr Moore: No.

The CHAIR: None at all?

Mr Moore: Unlikely to have because we are injecting into the deeper aquifers.

Mrs Murphy: And it is small.

Mr Moore: They are predominantly affected by the quite shallow aquifers and, as Sue said, the proportion of water you are putting back in, 14 gigs, is very small.

The CHAIR: And there is a series of bores that have been drilled at the moment, sort of monitoring bores; are they all part of the recharge program?

Mrs Murphy: No, they just monitor.

The CHAIR: There is one just recently put in in Edgewater, I think, and I am trying to remember where else. I think there are a couple along Wanneroo Road—there is a drilling program going on just to the side of Wanneroo Road. Are they part of your monitoring program?

Mrs Murphy: I think they might be the Department of Water's monitoring program.

The CHAIR: Right. So they do not make you fund that for them?

Mr Moore: They would like to!

Mrs Murphy: Please do not suggest that!

Mr Moore: They have a funded program to monitor the aquifers and that would be part of that.

The CHAIR: But would you not share that information?

Mrs Murphy: Of course, once they have drilled it, if they are drilling monitoring bores.

Mr Vincent: There is quite a lot of work taking place at the moment to determine the best place to put the water back in the aquifer to try to achieve broader benefits than simply augmenting water supplies, so if it is possible to put it in locations and achieve benefits for wetlands and other things, then that will be done, so that work is ongoing, not finalised, led by the Department of Water and we are working with them on that.

The CHAIR: Right. Sorry, Hon Rick Mazza.

Hon RICK MAZZA: No worries, Chair.

As I was saying, a couple of years ago the Auditor General spoke about pipe leakage out of your 34 000 kilometres of pipes. Has there been any work done towards minimising losses?

Mrs Murphy: A massive amount of work done. The number that is measured every year is called unaccounted for water, and unaccounted for water is the difference between the water as measured by the very big and accurate meters we have at the outlet of a desal plant or the outlet of a water treatment plant, so very large meters, or the outlet of a dam, compared to the amount of water we have sold as measured by all the suburban meters. So it is a somewhat inaccurate number because we have 1.3 million customer meters that all have varying degrees of accuracy. They are required to

be plus or minus five per cent but they are also required to, as they age, read in the customers' favour, not the Water Corporation's favour. So you have all kinds of variability in those meters and they are being compared against one or about a small group of maybe 50 very accurate meters. It also means that any water that does not go through a customer meter is included in that unaccounted for water figure, so that includes water use for, say, firefighting purposes, any water that goes through a hydrant, and some standpipes that historically may not have had meters on and any water that is used for our own purposes, so for flushing pipes or anything like that. So the number that is attributed to leakage is very difficult to define, but nonetheless, in a time of drying climate and a time when we are urging our customers to use less water, leakages are unacceptable. So we have done a number of things and Ashley can probably talk in more detail about what we are doing in the CBD in particular and farmlands.

Mr Vincent: Yes, I guess generally if you go back overtime we have run leak detection programs, so actively monitoring the network and looking for leaks. Just looking at some numbers, back in 2010–11 we did about 400 kilometres; this year we are doing 3 400 and may yet extend that program further, so if you go back over the last five or six years, there has been an increase in the amount of leak detection work that we are doing and it typically shows pretty consistent levels of leakage across the areas we target. We target those areas with older pipes more likely to have leaks and then effect the repairs, and that is quite a good and effective mechanism for reducing lost water to the network. In the CBD there has been extensive work done as a result of some of the high-profile events which occurred and quite extensive programs of work and investment in there, and that is ongoing. The farmlands area, which is in our regional locations, has the highest frequency of leakage. There is a program that we put in place over the next three years to effect repairs to joins on pipelines and to do pipeline replacements, and that program is underway and running. It is in the order of $30 million over three years and quite an extensive program that reflects the performance of that network, so we are sort of constantly monitoring the performance of the networks across the state and targeting those areas that have the highest rates of leakage and looking to effect repairs and improvements, and that is reflected in the broader sort of renewals effort that we make as a corporation, so if you look at the investment in renewals activity and how it has changed over the last five or six years and then how it is forecast over the next four or five years, we are seeing a steady increase in the level of investment on renewal of assets and it reflects moving out of a high growth cycle, I think, as a stage, and into a retain and renew and refresh your asset base. We obviously have an extensive asset base. If you go back to 2009–10, as an organisation we were in the order of $50 million; this year we are spending $142 million on renewals of assets, and that is the sort of trend that continues into the next four or five years.

Hon RICK MAZZA: Just for that water leakage, how do we compare with other states?

Mr Vincent: We are about middle of the road, generally, when it comes to leakage and losses. Are we comparing horses for courses, and how well are those numbers really understood? It gets quite difficult to calculate down to the last decimal point.

Mrs Murphy: One of the issues is age of customer meters. Our customer meter fleet is reasonably old and if we were to instantaneously be able to replace all of our customer meters overnight, we would probably see a drop in unaccounted for water because the meters would be reading more accurately. Everyone's bill would probably be a bit higher, because they are all getting a bit of a free kick at the moment. So what you see is, as meter replacement programs go in different water utilities in different areas, that there is often a drop in perceived leakage and then it comes up again. The other issue is soil conditions. Most of the east coast cities at least are clay-based soils, so even a very small leak is very visible because it makes a puddle. In our sandy soils, a catastrophic leak, a leak in a pressure main, you will always see, but small leaks, and I think we have all seen that in our gardens, if you have a tap dripping in your garden, it does not even make a puddle, it just goes, so the visible leaks and known leaks we have done a lot of work on. We have done a lot of work in

our scheme on what we call unknown leaks where we can see that there is a pressure drop or a change, but we do not know why. I think we have found nearly all of those, have we not, Peter?

[2.10 pm]

Mr Moore: As we are doing the leak detection work.

Mrs Murphy: Sometimes we only find the leaks that are small enough to not trigger pressure changes when there is some other problem when someone digs something up.

Hon RICK MAZZA: Earlier you spoke about desal plants having very accurate meters to determine how much water is being delivered. How do you actually deliver desalination plant water? Is it pumped into dams or holding tanks? How do you reticulate —

Mr Moore: Yes and yes.

Mrs Murphy: All of the above.

Hon RICK MAZZA: So you do both?

Mr Moore: Yes.

Mrs Murphy: They go into a tank first.

Hon RICK MAZZA: There would be fair bit of loss with evaporation in big surface areas of dams.

Mr Moore: Our system is supplied by hills water if we have got any, and we have precious little of that. Groundwater and desal are a base load production so you produce your entire requirement through the year. At times in the year when demand is lower—winter time in particular—production is stored into the dams. The facilities are there to put it back into the dams for the peak supply in summer. The answer to your question is yes and yes in that we will use it in the system if we can, but there are times in the year where to get the water that you need in the summer when the peaking demand is on, it will go up and be stored in the dams.

Mr Vincent: I guess the other point to make on evaporation is that it is all driven by the surface area of the dams and the sorts of volumes that we are putting in and taking out does not change the surface area significantly. The evaporation rate is really quite stable regardless of whether we are putting desal water in or out. As a general rule, you do not lose large quantities or additional large quantities of water by storing more in them.

Mrs Murphy: We have actually done a lot of work on evaporation with the dams. At the moment most of our dams are fairly empty so we try to use the dams that are narrower and deeper to store as much water as we can. We believe that over the last five or six years we have reduced the losses through evaporation by a few gigalitres per year by managing to keep more water in the less shallow large dams.

The CHAIR: In terms of the capital works budget that you have had pared back over the last couple of years, what impact has that had on your ability to do some of the work to address leaks?

Mrs Murphy: Our capital budget changes have largely been driven by the Water Corporation. We have done a lot of work to determine what is the right place to invest and that is why we have moved a lot of our capital into renewals. I do not believe that we are being hamstrung. You could spend an infinite amount of money and never get rid of a leak.

The CHAIR: Are there any projects involving leaks that you were working on that you have had to pare back on because of cuts to the capital works variations?

Mrs Murphy: No. The runoff into our dams is so low. I mean last year the runoff into our dams was 11 gigalitres and we lose 14 in evaporation even with the work we have done. The surface water is so non-existent and the year before we got about 50. We have lost the Perth desal in equivalent volume in a few months so for us leakage and reducing leakage is a pretty cheap source and we are continuing to invest in that.

Mr Vincent: Our forward capital program sees us spending more in the renewal space than we have historically and that is reflective of the need to do work within our networks on leakage and other improvements.

Mrs Murphy: It is also about how you work with the community because again if you go back historically, the KPIs we have been measured on have been very much about customers having water—or not being without water—so not turning off the water on customers' properties. But often the quickest way to fix a leak with the least losses is to just turn off the water in the area and get in and fix it, but that may mean that more customers are impacted. At the moment it has been so dry that we are working with our operations teams to have that debate as to what is the right balance between customers being inconvenienced and not wasting water through leakage.

Hon PETER KATSAMBANIS: Just on leakage and water loss, how did the pressure management trial in Beckenham go in relation to meeting any benchmarks that you had set?

Mr Moore: We have got down to the level of pressure that we wanted to get down to. One of the benchmarks was the impact on the community. There have been no impacts. When I say none, one or two people have had an issue with some of their internal systems, which we have fixed. But the people within that area are now living comfortably within the pressure that has been provided. It is too early to tell how the impact of reduced pressure on life of pipes and other things are going. But the area itself is working and working very well and getting very little, if any, community response.

Hon PETER KATSAMBANIS: Is there an intention to roll that out to a broader area?

Mr Moore: Yes, we are looking at several other areas at the moment. It is quite a complex process because we are aiming to get a process where the community is not impacted. We are working a lot with the community. The first issue we had to deal with was getting a watertight area. In the case of Beckenham, that proved a bit more difficult than we originally thought because we had to make sure all the valves in the zone did not leak. We spent quite some time ensuring that the area was watertight so we could then measure what was going in et cetera. Each of the other areas that are being looked at will go through that process. But I am hopeful by the end of this calendar year that we will have another two areas well underway.

Hon PETER KATSAMBANIS: I asked this specifically because last year I asked questions about water loss that were very similar to the ones asked today by Hon Rick Mazza and you highlighted that this was going to be one of your main strategies.

Mr Moore: And it continues to be.

Hon PETER KATSAMBANIS: In what other areas are you looking to reduce pressure?

Mr Moore: Off the top of my head, there are two at the moment: one, I think, is in Maddington; and one in Cannington. We are also looking at two areas in Mandurah at the moment. The first two we are looking at are Cannington and Maddington.

Hon PETER KATSAMBANIS: Do have a target for savings?

Mrs Murphy: We do but it is somewhat arbitrary.

Mr Moore: It is a bit arbitrary until we start getting a real understanding of what the impacts of these things are.

Hon PETER KATSAMBANIS: I understand that, which is why I am trying to get a handle on yes, we are going to do this and, yes, it sounds like a great idea, but at the end of the day is doing this going to impact significantly on the quantity of water available for everyone to use?

Mr Moore: We will expect it will in that these areas have not only a reduction in pressure but also a meter reading of what is going in and then a meter reading with relatively fewer houses of what they are using so we should be getting better advice on where leaks are in those areas on a continual

basis. In the case of Beckenham, it has been in operation for only a few months but we have a master meter into the control area and we can readily read the other meters in the area to determine the differential and get that closer understanding. One of the big savings is that we believe that it will extend the life of the asset—less pressure, less impact on the pipes. Also, if there is a burst, less water will be lost during the burst period. As Sue was saying, we have been doing quite a lot of work on this. If you get a burst in the main, by the time you get a crew out to repair it, it has probably been leaking for five or six hours and that is just about as efficient as you can get people out there. We lose a lot of water in that process. By reducing the pressure, we lose less water and we are looking at processes to get people out there to respond more quickly without inconvenience to the community.

Mr Vincent: With the work we have done to date and the programs we talked about before in Cannington and other locations, it is our estimate that over the next two years we could be up to three billion litres of water saved. I say "could be" because there are a lot of variables in that. You can change the pressure in the way water flows and get corresponding changes in customer behaviour which could result in the use of more water. You cannot precisely determine this. We know we will get a reduction in leakage and losses; you can start to see that once you put these things in place. We set targets around it and the numbers are substantial in the context of the scheme. It is a worthwhile investment in terms of not only the water gains but also the improvements in the life of your asset and some of those other attributes like the lower frequency of leakages and failures that we certainly saw when we did the trial work in Rossmoyne and Shelley, which means fewer disruptions for customers and so on. So there is justification to undertake those types of programs.

[2.20 pm]

Mrs Murphy: When you are talking behaviour change in a community, it is a very inexact science. For example, we do the shower head swap where if you bring in your old shower head and swap it for a newer, more waterwise one, then people say, "That's good; then I can have a longer shower." Well, that is not actually the point. I think there are versions of that. If you run your sprinklers and you do not have the pressure you used to have, you may run them longer, so we need to follow up and work with the community and the education program to say they do not actually have to do that.

Mr Vincent: The sorts of estimates and the targets that we set are based on the experience in Rossmoyne and Shelley, which we did a number of years ago. We have a reasonable degree of confidence but you would not put them in the high certainty, guaranteed, lock away —

Mrs Murphy: Our CFO was in the middle of that trial and he loved having the lower pressure in his house.

Hon LIZ BEHJAT: Really?

Mr Hughes: We learnt a lot from it by personal experience.

Hon PETER KATSAMBANIS: I will not be gender biased but people with longer hair tend to complain about lack of pressure and the ability to wash out shampoo; I do not suffer from that problem.

Mrs Murphy: I do not want to be ageist but I have youngish daughters and I believe there is an age profile of length of shower, which is not necessarily related to hair length.

Hon LIZ BEHJAT: I have an 18-year-old son; I can attest to that.

The CHAIR: Is there anyone else we want to bag out?

Mrs Murphy: Older men with little hair is what we should be encouraging in the community.

The CHAIR: John Quigley is looking better by the day!

Hon PETER KATSAMBANIS: I would never go that far. Just talking about customer behaviour generally and changes in behaviour, we have seen the publicity, and I think we understand it. We live here and we know that there has not been a great amount of rainfall. We are using more and more water. What measures have not been taken to date that could be available to the Water Corp to continue to change behaviour?

Mrs Murphy: This is something that we talk about all the time and if anyone has any bright ideas, we are very receptive to them. Interestingly, we do not use more and more water. Over the last 15 years we have been steadily dropping our water use and each year we plan for the next year's water supply using the data from the year before. Every year it has gone lower and lower. This year for the first time in over a decade it has gone up and we have been racking our brains with why that is. We have been congratulating ourselves on the fact that our customers are coming down and we have been working with our customers. It is true that spring was the hottest since records began and our winter was terrible in rainfall terms. The soil moisture is very dry and my sense is that people run their sprinklers when their garden looks brown. What I think happened was that early in spring gardens started to look brown and people just turned everything on. I do not think people were being deliberately and wilfully anti our campaign, but I think the gardens are very important to the people of Western Australia and they just run when they have that signal. Whether the climate has meant that they are so much drier than they used to be, I do not know. I do know that we can see changes in trees in Kings Park; there are trees that have been there for a long time that are dying, so it has been a very dry year. We think that some of our customers have kind of forgotten the message. One of the interesting things about Western Australia, when they had the millennium drought on the east coast and everyone was in panic mode and having draconian water restrictions, we went to the two-day a week and kept things green. There is a school of thought that we have given everyone a soft option and maybe we should have been tougher on our customers, but I do not think it is our job to beat up our customers; that is kind of a strange way of looking at it.

The CHAIR: And we see young women with long hair.

Mrs Murphy: Yes, well, the ones that live in my house anyway. We have tried to do a gradual education program, but I think in the last few years we probably have not been as hard-nosed as we used to be about that and maybe it is time to toughen up. It is dry and it is hot and when it is 40 degrees, it is stupid for us to bang on too much about "don't use too much water" because it is hot and people will. For us the critical bit is not the middle of summer, but spring and autumn—those shoulder periods. We get our target, which is based on the last decade's worth of water use, and we target that people will use a lot of water in summer, but as soon as we get a bit of dew, we need people to start to cut back.

The CHAIR: In terms of spring, which does the sprinkler ban —

Mrs Murphy: It comes off at the end of August—1 September. Since we have had it, most Septembers' water use has stayed low. It appears to us that if September is not hot, people do not turn their sprinklers on until it gets hot.

Mr Moore: We have had some quite reasonable campaigns historically because it has continued to be not very hot and it rained a bit through September. This year, rainfall effectively stopped at the end of August so we went into September with warmer temperatures and no rain. It is very hard to stop people using water in those circumstances.

Mrs Murphy: For the last few years we have been working with the garden industry and having discussions about if it would be appropriate to run it into September because historically people have not turned on their sprinklers during that period, and that is always an option.

The CHAIR: Do those claims that were going around that we have droughtproofed Perth lift off the public's mind that they have to be conscious of it? It is one of those things. Even with kids, you

often say, "Okay, now we have got to do what we need to do" and then there is that, "You bewdy, now we can go back to bad behaviour."

Mrs Murphy: Maybe, but our model is a very old model. We are trying to run a commercial business by telling everyone, "Don't buy anything. Turn it off. Don't use it." It is a really weird concept and to continually berate your customers—I do not think there is any marketing strategy in the world that talks about that as a good plan.

The CHAIR: I think there is a difference between berating your customers and basically saying, "We have now fixed it so the pressure is off you." Certainly my sense is that kids and everyone else have been very conscious of the need to be water conscious. If all of a sudden you start telling people that now we have got it fixed so we have got enough water supply and we have droughtproofed the state —

Mrs Murphy: Not the state.

The CHAIR: Well, we have droughtproofed Perth, then there is a danger that you give people that confidence that they do not have to apply to that same rigour and those people who had been conscious about taking shorter showers suddenly go, "You bewdy, now I can have that little bit longer" or "I can water my garden to keep it that little bit greener than I was doing otherwise because I don't need to be as conscious of it."

Mr Vincent: Certainly my sense coming out of this winter was that it was a really dry winter. If we look at inflows to dams, which are not a bad indication of how moist the soil is and how is that part of the environment going, it was very, very dry. The temperatures in September and then the water use we got is, I think, consistent with past behaviour. It is just a different year; it is a warmer, dryer and hotter year than we have seen in the past. As we have got into the swing of summer, albeit we put a lot of effort into public campaigns around the need to conserve again, we have seen water use, particularly through January, return to levels which are on par with what we would normally expect.

The CHAIR: What are you currently expecting in this year that you will track in terms of water supply per capita? What do you expect your end-of-year figure will be?

Mrs Murphy: Are we "hoping", "expecting" or "preparing for"?

The CHAIR: Based on what we have seen in the media and your advertising campaign, you are very worried about where we are going to end up and that by the end of this year there is a real chance of not having enough water to meet demand, and we will come to what we do about that in a minute. For now, you must have a prediction of what the water supply per capita figure will be for Perth if we do not change behaviour and if we keep doing what we have been doing for the first six months of the year.

[2.30 pm]

Mrs Murphy: I think it is 132 kilolitres per person.

Mr Vincent: The very worst case that we have looked at is 136 kilolitres per person. Our forecast is more like 132 to 133 kilolitres per person, which is above what we would normally expect. We would be hopeful that if we can get a reasonable end to the summer in terms of temperatures—temperature seems to be the dominant factor in terms of water use; if you get 40 degree days, you get high water use, and our campaign has been somewhat effective—we would see that perhaps come down a bit lower. Certainly, January has followed that trend, but the worst case that we have seen—I was having these conversations only this morning—is 136. Our forecast is more like 132 or 133.

Mrs Murphy: You have got to plan with some conservatism. I would hate a message to go out to our public that we are planning on that, because that leaves us tight.

The CHAIR: I think that is why we need to be very careful to be able to manage our water supply. That 132 or 133 would be well above what we have been getting in recent years, and certainly well above what we got last year. What does that mean in total amounts for the end of the year? How many extra gigalitres does the difference between 132 and 136 per capita work out at?

Mr Vincent: It is near enough to 10 gigalitres.

Mrs Murphy: It means it would be really good if I could start abstracting water for the groundwater replenishment project now, not December—if it was last December, not this December.

The CHAIR: But then if you stay up around 136 not down to 132 and the dams continue to be a negative, then obviously there is going to be an issue about where is the future water supply even with the —

Mrs Murphy: With the groundwater replenishment, that gives us a bit more up our sleeve. It depends what happens with the climate. In 2010, we set ourselves 10 years to be totally independent of rainfall. We said, "Okay; 10 years from then, if we get a year with no run-off at all, we will be okay." What happened was we basically got that last year. The plan was from 2010, so we were planning that we would have the groundwater replenishment and everything running by 2020, with all that potentially augmented, and then we could deal with no run-off at all. We were expecting to deal with no run-off at all in the occasional year. What we have found is we have had virtually no run-off at all five years into the 10-year plan, and four of the last five years have been the driest ever. It appears to be getting an accelerating drying trend.

The CHAIR: I think every four or five years, we hear the same thing about the last four or five years!

Mrs Murphy: Yes. We are like a broken record. We have continuously been building and building sources and working with the community for decades.

The CHAIR: When would we reach a point where we could genuinely say we have drought-proofed Perth?

Mrs Murphy: Right now we have had no net inflow, so that is a year of no net inflow.

The CHAIR: But we are clearly panicking about how we have got to get it down from 136 to 132?

Mrs Murphy: Panic is an emotional word. We are cautious.

The CHAIR: All right. We are going through a controlled exercise to ensure that we get our demand down from 136 to 132.

Mrs Murphy: If the public water supply consumption rate stays as it was last year, or even the year before that—we are not asking the public to continue to use less; if they just use as much as they used to—then we are okay, although if I could get the allocation for the groundwater replenishment trial a bit early and then if it rains, I do not need to take so much next year, that would be good. We are conservative people; we do not live on the edge.

The CHAIR: If you can get the allocation for the groundwater, are you saying that you could start drawing out of those aquifers before you start injecting?

Mrs Murphy: In an ideal world, that would be lovely. We do not know if that is possible with our regulator, not because we desperately need the water today, but because we might desperately need the water tomorrow. If it rains, who cares?

Mr Vincent: A lot of our actions this year are actually about future years. The conversation with the community is about getting demand back to levels that we have seen in the last four or five years and trying to retain that this year, 2016–17, 2017–18 and beyond. If the sort of demand trend we saw in the first three months coming out of winter was continued, then we all of a sudden do have a significant demand pressure.

Hon PETER KATSAMBANIS: To ask this another way, are you confident that you can achieve the demand profile from your customers that would ensure that we do not move to any more stringent rules around use of water?

Mrs Murphy: No; you can never say we are sure of that, because we rely —

Hon PETER KATSAMBANIS: No, but are you confident?

Mrs Murphy: Personally—we have talked about this a lot—we would like to explore the winter sprinkler ban, and maybe running that an extra month into September. We have been looking at that for quite some time anyway and whether that would make sense longer term. That sort of tightening could happen.

Mr Vincent: We have seen really steady projections on demand for five to 10 years—very steady trends, a very steady downward trend, almost too much like a straight line. I think the three months through September, October and November have probably shocked us into some sort of new awakening around the behavioural element and the ability for the public to shift behaviours very quickly—much more quickly than we probably expected, based on the last five to 10 years. If you go back over the 15-year picture from 2001 through to today, we have seen a 36 per cent increase in population and a per capita reduction of 31 per cent over that time frame. The amount of water going into the system in total today is virtually what it was in 2001, even though the population —

The CHAIR: In fact, I think you could probably go back to the mid-90s and it was around 350 gigalitres a year at the same time.

Mr Vincent: Yes, absolutely.

Mrs Murphy: We have spent all that money, built all those desal plants and done all this recycling, and we are not back to zero.

Mr Vincent: All the investment in source has offset the reduction in run-off, effectively. With the demand projection downwards, if you look at the community's input into the overall supply–demand balance, it is worth 115 or 116 gigalitres—100-plus gigalitres—if you had stayed on the 2001 numbers. We are not talking small changes in the community. When we start wobbling by a little bit, yes, it has been a bit of a surprise to us perhaps in the early part of this financial year. Will the trend return back to what it was in the last five or 10 years is probably the million dollar question today. But we are hopeful.

The CHAIR: The other side of that is obviously bringing on new sources. You have got the injection; that is the end of this calendar year. What is next after that?

Mrs Murphy: Our original planning was that two years later, we would double it, but we may be moving a little faster than that. Our existing capital budget can be moved to do that. There are other options that are out there somewhere, but we had always thought it is probably 10 to 15 years out that there will be a need. If Perth keeps growing, there would be a need for a major source, another big desal or something like that. We still think that is probably 10-plus years out there, but it really depends. If we get no inflow year after year, we will have to accelerate those sorts of plans. We have got lots of plans and we would also like to work with and see what the private sector have got on. There are some private sector options out there. Growth has dropped off dramatically. If you go back a couple of years, Perth was growing very fast, so that stabilises a bit for us. We need to get the customer, the demand, back under control. You will see we have got a lot more advertising and we will be working in different ways with the customers to try to do that. It is actually quite a simple message, but you have to say it in a different way over and over again.

The CHAIR: And say it without berating and without panicking.

Mrs Murphy: Yes.

Mr Vincent: Some of it is reminders.

Mrs Murphy: Panicking does not do anyone any good and berating might make me feel better but it does not help. What we do need to do, though, is work with our customers in a slightly different way, because most of the community feel quite beleaguered. They feel that they are doing everything they can, and someone else should do something, You see it from following the social media comments and things, which is always a challenge. I am sure all of you love reading social media comments about your own part of the world.

The CHAIR: The standard rule of social media is do not read the comments!

Mrs Murphy: Exactly. The social media comments are all that big business and local government are the problem and the problem is not customers. Eighty-five per cent of the water that the Water Corporation supplies goes to mums and dads who are using it in the house, and they put still a bit less than half of that on their gardens. So, the real fact is it is garden use where we can make the most difference. When we had the winter sprinkler ban, during that period, that is our base load, really. That means that almost no outside use is happening. That is what people are using to shower and cook. The difference between that and summer is all outdoor use. Sure, you might have slightly longer showers in summer, but lots of people have long, hot showers in winter.

[2.40 pm]

The CHAIR: What is our base case per capita?

Mrs Murphy: I do not know about per capita, but it is about half a gigalitre a day, and in summer it goes to about a gig a day, and on a stinking hot day it might go to 1.2.

Hon RICK MAZZA: With the increased consumption by householders at the moment, are you finding that people are having any difficulty in paying their consumption bill? Has there been a rise in people defaulting?

Mrs Murphy: No. There has been a gradual rise in people defaulting. I do not think it is due to increasing consumption. It is more due to general economic conditions. We all know that there are a number of people in this state who are doing it tough.

Hon RICK MAZZA: How do you actually manage the outstanding accounts?

Mrs Murphy: We have a huge team in the customer centre. So, if people have any difficulty at all paying their bill, we encourage them to come and talk to us straightaway. If it is a short-term issue, we can give them more flexibility. If it is a longer-term issue, we can work with them on a payment plan. We work across government with their HUG scheme. We have a lot of trained operators in our customer centre to work with people in that space. We also will help people if they have a sudden high spike in their water use. Now that we have bimonthly meter readings, we can get a lot closer to talk to people about it, if they have had a sudden jump in their water use, that they may have a leak, and work with them.

Hon RICK MAZZA: What would be the division between domestic water use and industrial water use?

Mrs Murphy: It is 85 per cent, 15 per cent.

Hon RICK MAZZA: So, the 85 per cent is domestic?

Mrs Murphy: Domestic, yes. For the 15 per cent that we call industrial, our big commercial customers are Beatty Park swimming pool, Burswood resort, Royal Perth Hospital and Fiona Stanley Hospital. So, what we call "commercial" is not industrial. In the public's mind, "industrial" is a factory or a big processing thing in Kwinana. On the Kwinana strip, most of their water is from their own bores. If you look at the state mining, they self-supply from their own bores, generally, and agriculture largely self-supply from their own bores and dams. So, we do not supply a lot of industry, and Perth does not have water intensive industry like some areas.

Hon RICK MAZZA: With your large commercial customers, is their rate the same as the domestic rate per kilolitre of water?

Mrs Murphy: No. The cost depends on how big the customer is. For our very big customers, we charge cost reflective. But our commercial customers have made far greater savings in water use than our residential customers. I know our residential customers do not believe that, but industry has cut its water use dramatically, because it is an input cost, most industries are under financial pressure, and they have the wherewithal to put the effort into making sure that they reduce their water use.

The CHAIR: Is Alcoa still one of your big customers?

Mrs Murphy: Alcoa largely self-supply from their own bores and dams.

Mr Moore: At Kwinana they are a big customer.

Mrs Murphy: They are a big customer at Kwinana.

The CHAIR: There was a proposal for a pipe to them from—I cannot remember where now.

Mrs Murphy: That was further south. They were talking about taking treated wastewater from Gordon Road down near Mandurah out to Pinjarra.

The CHAIR: And that never ended up going there?

Mrs Murphy: No. I think the price of aluminium —

Hon RICK MAZZA: So those industries that self-supply, particularly from a bore, they are obviously drawing from the aquifer. Are they charging them for that?

Mrs Murphy: It is nothing to do with us. The Department of Water licences their bores.

Hon RICK MAZZA: So they just pay an annual licence? They do not pay any consumption?

Mr Moore: I do not know.

Mrs Murphy: I do not know what they pay exactly. I do not even know if they pay an annual fee.

Hon RICK MAZZA: That is interesting.

The CHAIR: It depends on the level of water that they are using as well.

Mrs Murphy: It is only us. We get a licence from the Department of Water to take water, and treat it; so we kind of look after our bit.

Hon RICK MAZZA: Just to move on to something different, on page 12 of your annual report, you are hopeful of completing your sewer infill program in some of the major regional towns, like Busselton and Bunbury, under I think the STED program, and you explained to me last time how that worked. What sort of time frame are we looking at for the entire state, pretty much? When I say "entire site", I know there are a lot of remote houses that you will always have on a septic system. But for those small towns and regional centres before they are actually on either a STED or —

Mr Moore: There is no time frame to do the entire state per se. It depends on the allocation of funding from time to time. Infill is a government initiative. Government set the priorities, and they set the level of funding, and you build what is supplied within that level of funding. In the case of the current project, we are completing projects at Dawesville which will pretty much see the rest of the Mandurah area around the sensitive Peel Inlet stuff completed this year. There is the Busselton 18A project, which is down close to the Holy Mile at Busselton. That will be completed by May this year, and that will see all of Busselton being sewered; so, again, protecting Geographe Bay. So, that part will be done.

Hon RICK MAZZA: Sorry to interrupt, but do you actually prioritise it as to the environmental effect on a particular area?

Mr Moore: We provide some recommendations to the minister, who in turn prioritises the activities that will be undertaken, because government provide the funding, as I said, we provide the advice and information to them, and they prioritise what needs to be done, when, based on our advice to a large degree, but that is the way it operates. So we will be moving into, in about July this year, Halls Head and City Beach will be undertaken—another section of City Beach—and a big section of Halls Head.

Hon RICK MAZZA: Are there areas of City Beach that are not on deep sewer?

Mrs Murphy: There are.

Mr Moore: There are two areas to be done in City Beach.

Mrs Murphy: Mr Vincent lives in one of them!

Mr Moore: And we will clean that up shortly and sort that problem out!

Mrs Murphy: We like to experiment with the staff!

The CHAIR: Some people are arguing for it not to be put through because then you cannot subdivide the blocks!

Mrs Murphy: Yes, and once it is through, you have to pay wastewater rates.

Mr Moore: I mean, there are some areas where septic tanks continue to work reasonably well, and it does comes to a position where development is a big issue. So, some of Perth we have done because of development issues rather than any other environmental sensitivity. But there are some more areas of City Beach to be done. Perth is largely done from an urban point of view. We have not sewered any of the industrial areas, and that was never the intention, although there is some discussion going on within government now about whether that should happen in the future. Whether it does or not will be dependent on the funding. Again, the sewer system for WA and Perth is for domestic sewage. It is not designed to take industrial sewage. We only take industrial waste if it has been pre-treated. So, sewering the industrial areas that we have got is more picking up the toilet and shower and sink and whatever else. It is quite expensive to do that relatively small amount, and septic tanks work very well. I have not heard any intention of going wholesale into the industrial areas. The same thing applies in some of the hills area, where it is very, very expensive.

Mrs Murphy: Because it is rock.

Mr Moore: There is not an intention to go in there. So, when you talk about the STED schemes in some of the country towns, we have done a couple, and there are a couple on the go, but they will not be large numbers, because they again are a reasonably lengthy process in getting those up. It probably takes between one and four years to get a typical STED scheme up. It is not the technical complexity. It is getting the community on board and all the rest of it, because, once again, in many of these communities, there are a few people who would like to have sewerage, and quite a lot who do not, but, once it is there, they all pay rates.

Hon RICK MAZZA: One last question. With all your water catchment areas, the lands owned by Water Corp, who actually manages the land as far as prescribed burning?

Mr Moore: Most of our catchments are not owned by the Water Corp.

Hon RICK MAZZA: They are not?

Mr Moore: Most of our hills catchments beyond Perth are in fact part of state forest, and we work cooperatively with the Department of Parks and Wildlife, DPaW—sorry; I could not remember the change of name—in what the burning programs et cetera will be in those. But it is their responsibly. They do it. We do not own the land per se.

[2.50 pm]

Mrs Murphy: The land we own, and the land around our sites, we have responsibility for, and we have a strong program to —

Mr Moore: And all the firebreaks. We have to do the same thing as any other landowner in a firebreak sense, but for controlled burning that is forest area, which comes under DPaW.

Hon RICK MAZZA: How many areas would you have around dams and that Water Corporation actually owns the land? I have been around some of those dams and there are signs there saying it is Water Corp land.

Mrs Murphy: We own the dam.

Mr Moore: We own the dam site, the dam itself and bits of land around it; and some of the catchments, we own the odd block. In the wholesale sense, the catchments are state forest.

Mrs Murphy: But we do have catchment rangers who work for us who manage activities around the catchment quite often. We may not own the land, and if it is state forest they would still manage activities, because you do not want people camping and —

Mr Moore: Marroning.

Hon RICK MAZZA: So you still have an interest in how the land is used for the protection of your water assets?

Mr Moore: Absolutely.

Mrs Murphy: Yes.

Mr Moore: The Department of Water is responsible for catchment protection and they delegate that role to us for the drinking water catchments. We obviously have a primary interest in that and we provide the rangers and that who undertake that, effectively, on behalf of the Department of Water.

Mr Vincent: The signage that you see reflects that role rather than an ownership role.

Mrs Murphy: It is not necessarily saying we own this land; it is saying this is a catchment for drinking water and we do not want you —

Hon RICK MAZZA: It does not say "own"; it usually says no camping, no fishing, no anything!

Mrs Murphy: I know.

Mr Moore: Keep out.

Mrs Murphy: What it should say is that by not doing any of those things you will have an affordable water supply.

The CHAIR: There is a set of regs that control that. I cannot remember which act it is that actually gives the power to protect that. There is a public administration committee report on the whole issue of water catchments. If you have not read it, you should have.

Hon RICK MAZZA: Yes, I will have to have a read of that.

Mrs Murphy: Yes, regulation of catchments. What we have done is take the catchments of dams that we are not using for water supply purposes, so somewhere like Wellington—Wellington dam is not used for drinking water purposes—so we say it is de-proclaimed, use it; do the recreation there and keep the water supply catchments pristine if we can.

Hon RICK MAZZA: Now that you mention the Wellington dam, I did see some media a little while back, some talk about maybe reactivating the dam. I read something about even using a desalination plant, because the salt levels are much lower in the dam than in the ocean and it might be cheaper to desalinate. Are there any plans around that or not?

Mrs Murphy: The Department of Water ran a process looking for options, but the options were largely around agriculture. We do not have an allocation of water in Wellington dam, but there is water allocated to agriculture and to the power stations in the area, and because of the salinity of the

water in the dam, it is not necessarily suitable for either of those purposes. The Department of Water runs a process to look at ways of doing different treatments and different options with the water in Wellington dam to see if there is a better way of managing it, and some of those could potentially contribute fresh water at a potable level that they could sell, and if we were able to buy if at the right price that could be of interest to us. The issue with all of that from our point of view is we are getting very little runoff into our dams, so one of the issues for us is about reliability. Even if that water is marginally cheaper to desalinate than water in the ocean, you know you have got that water. If you put a risk rating on the ocean and a risk rating on rainfall-fed dams, in the current climate, the sea is not going anywhere.

Hon RICK MAZZA: That dam does regularly overflow though; does it not?

Mrs Murphy: It does, but that is largely because the irrigators are not taking the water either because it is too salty.

Mr Moore: It did regularly overflow; it has not in recent years.

Mrs Murphy: A couple of years ago.

Hon RICK MAZZA: I do believe they cut a bit off the top of it, too.

Mrs Murphy: No, no; we strengthened it.

Mr Moore: No; we cut it off and then put it back on after we put some tendons into the bedrock —

The CHAIR: Are they still trying to divert it into the old mine sites to get the early salt runoff and things like that?

Mrs Murphy: No.

Mr Moore: That did happen for a couple of years, but it is not now. Some of the proposals that DOW is looking at that have been put forward by the proponents may well include that; I do not know.

Mrs Murphy: If someone has got a deal for us, we are always interested. Interestingly, with the dams though, because we own the dams there is a public safety requirement. Because dam failure is catastrophic, we have a requirement to invest in those dams. It always seems counterintuitive that when they are all empty we have to spend money to keep them at really high quality—some of our dams, when they operate empty. The climate people keep telling us that we are going to get more extreme events, so it is possible that they could fill suddenly, and if they fill suddenly you can get failure events, so we are still spending money on maintaining those dams at a really high level, which is good because you do not want them to fail, but it always feels —

Hon RICK MAZZA: Water Corp owns Wellington dam?

Mrs Murphy: Yes.

Hon RICK MAZZA: But you have to get a water allocation for the dam before you can use it?

Mr Moore: To take the water out of it; yes, we do.

Mrs Murphy: Yes. Similarly, all the dams we own, we do not necessarily own all the water because the Department of Water may require us to release water for environmental flows downstream. We own all the bores, but it does not mean that we have an allocation to get water out of them.

Mr Moore: It is relatively rare that we own the dam body and have no allocation; in fact, we historically did have an allocation in Wellington dam up until a few years ago. That is why the dam was built originally; it was part irrigation and part water supply. When it went saline, we built Harris dam to get a fresh water source for the lower great southern.

Hon RICK MAZZA: Glen Mervyn dam, what is that used for, irrigation or drinking water?

Mr Moore: Glen Mervyn is used in part for irrigation, or mainly irrigation, but it can be a backup supply for Collie, maybe.

Hon RICK MAZZA: They do allow skiing and everything on Glen Mervyn dam.

Mr Moore: True.

Mrs Murphy: When there is water in it.

The CHAIR: I am just trying to work out where we go. At the moment 14 gigs from the aquifer are going in. Are you confident that will then give us enough water to meet demand at the moment?

Mrs Murphy: If the customers use water like they were in September all the time, no. It is a two-way street. We need to get demand back.

The CHAIR: You need the Drop 2 campaign to work as well.

Mrs Murphy: Yes. We have had a bit of rain, so who knows. I cannot with hand on heart say the campaign is delivering. Water use went up and it has plateaued; it is holding at the moment.

The CHAIR: At that 132 figure?

Mrs Murphy: It is a touch under at the moment.

Mr Vincent: Yes, near enough.

Mrs Murphy: Yes, near enough. I do not like our chances of getting it back from dropping below, but if we can hold it there that would be good. We are obviously looking at accelerating all the source options that we have up our sleeve, and there are myriad of them. We are also looking at some of the smaller source augmentation options that we can do. For example, the Perth seawater desal plant is designed to produce 45 gigalitres per annum. I do not think we have ever run it below that. We have certainly run it above that in a few years, and we are looking at arrangements to see if we can permanently run it at 47.5 or 47. That sounds like not much, but two gigalitres is a lot of water. Ditto the big desal plant down south; one of the limits is the capacity of the pipe. We have a pipe that brings water up from the south. That water can come from southern dams or from the desal plant.

The CHAIR: It connects and goes through Harvey.

Mrs Murphy: If we can augment the capacity of that pipeline and get more up the pipeline, we might be able to do some minor tweaks on the southern seawater desal plant. Small tweaks on the desal plants to get more out of them is probably the cheapest way to go.

The CHAIR: Does that require capital investment or is that simply operational issues?

Mrs Murphy: Some capital.

Mr Moore: Minor capital.

Mrs Murphy: We are talking five million.

The CHAIR: A rounding error for the Water Corp!

Mrs Murphy: I used to say that my capital investment manager did not get out of bed for under $10 million—he was like a supermodel. He was not actually like a super model at all!

Hon PETER KATSAMBANIS: Only financially.

The CHAIR: The next obvious source is the doubling of injection, is it, so that will give us another 14?

Mrs Murphy: Yes.

Mr Moore: On that previous discussion, nobody is predicting zero inflow every year.

Mrs Murphy: Only our worst nightmare.

Mr Moore: We are now starting to say that we were not expecting it; it has happened. If it continues, and equally there is no reason why it will not continue, but if it does there will be a lot of other impacts around Perth, I suspect.

The CHAIR: The Victorians never understood this, but you have got to basically plan on the worst-case scenario. It might mean you overinvest in your water supply, but the alternative of underinvesting is too horrific to think about.

Mrs Murphy: Absolutely. I look forward to being in front of you guys in three years when you say, "Why did you spend all that money when it has rained so much and our dams are overflowing."

The CHAIR: I once explained to a Victorian public accounts committee why I thought what they had done in Victoria was absolutely right.

Mrs Murphy: I agree.

The CHAIR: They had to take a decision; they were at that drop-dead point.

Mr Moore: They are actually looking at commissioning a desal plant at the moment in Victoria.

Hon PETER KATSAMBANIS: I think you have got five million Victorians who disagree with you.

[3.00 pm]

Mrs Murphy: The difference is when it becomes political and political parties take sides in a water source; my personal view is that is when you have problems. Water is too big an issue. We all have to work together on this, because at the end of the day we all live here.

The CHAIR: It took us a while, but I think we now have bipartisan support for the desalination.

Mrs Murphy: I think we are blessed. I think we have bipartisan support for groundwater replenishment at a level that is the envy of other states.

The CHAIR: You were saying that the next desalination—what is the capital cost of the doubling of the reinjection?

Mrs Murphy: I do not know, I hate to say a number because, you know, it has a number and if it becomes a public number, if we do it for less for less than that, we have done something dodgy.

The CHAIR: I assume it is less, from what you are saying, than the cost of the initial 14? What is the cost of the initial 14? What is the cost of the current desalination plant?

Mr Vincent: The current groundwater replenishment plant? It is $125 million.

Mrs Murphy: Plus the bores are not necessarily in that.

Mr Moore: Bear in mind that it is not planned that we would duplicate. You have then got to put new injection bores in and the question is whether they can or cannot be on or around that site.

The CHAIR: Yes, how far you have to pipe it out.

Mr Moore: If you have to take pipes out to them and inject, it is going to increase the cost reasonably.

Mrs Murphy: We have not got that last bit nailed down. We are still working with the Department of Water to model some of those aquifers to work that out. There is a source of that scale in our current forward estimates.

Mr Vincent: The state of the market in terms of construction makes a huge difference to the sorts of prices.

Mrs Murphy: It is very good.

The CHAIR: My understanding is that it is not in your current—it is obviously in your list of capital works; you currently do not have funding for those capital works projects.

Mrs Murphy: The currently approved capital budget for the forward estimates period would allow us to double that.

The CHAIR: That is because you would redirect money that is currently allocated something else?

Mr Vincent: We had a series of investments in water sources that, if we made that type of decision, to actually aggregate rather than building a series of small sources you would aggregate them and work towards a single larger source like doubling of the groundwater replenishment.

The CHAIR: Would that mean taking it from things like the trials or the rolling out of the pressure reduction and things like that?

Mr Vincent: No, they are sort of incremental additions to the groundwater network, so things like Eglinton and places like that, which were always part of our planning, and they vary in timing depending on development and growth of those suburbs. There is an opportunity for us to redirect where that funding would be placed and put it towards a single larger source.

The CHAIR: Is that because you get 14 gigalitres out of the doubling, whereas those other projects combined might only give you eight gigalitres?

Mr Vincent: It is the timing of how you would do it.

Mrs Murphy: You might still do the others, but you do them later because you want the water now.

Mr Vincent: Exactly right.

Mrs Murphy: The other issue is about making sure that we keep demand down, and that means going forward we are adjusting our operating budget to make sure we keep those campaigns red hot all the way through.

The CHAIR: What sort of work do you do to monitor that "Drop 2". Do you do survey work or research?

Mrs Murphy: We do a lot of survey work and we are trying to do year-on-year customer comparisons; that is what we have been doing at the moment. I do not know whether any of you received a letter from us. We wrote to the top 10 per cent, by volume, of water users.

The CHAIR: That was a trick question, because if we had said yes, we would have been outing ourselves! I see now!

Mrs Murphy: There may be a very valid reason that you use a lot of water. You may have 22 children living in your house and a very large lot and you grow rice or something. What we have done is write to those customers at least pointing out to them that they are a high water user. That has been an interesting process. A few of them have been very offended and have said we were wrong and that they are not high water use at all. A few of them have come back to us and said that they had a look, found a leak and fixed it and thanked us for telling them. The majority of people said nothing. With some of the work we are now getting into a bit more detailed analysis. What I have been told is that the top 10 per cent water users this year used about the same quarter as the used last year, so, if you like, water guzzlers are consistently guzzling the same amount of water. The bulk of the increase seems to be spread across everybody else. We have not got the data yet to pinpoint where in the community—we know which subgroups use more water than others—but to see whether there is a part of the community that has used more. We are looking at perhaps trying to pull out any customer who has used, say, 20 per cent more water this year than they did last year to write to them and ask them to have a look to see whether they have a leak. There might be a reason.

The CHAIR: Do you do either qualitative or quantitative survey work to get public opinion to then work out how the "Drop 2" campaign—first, what is driving the increase and second, whether the "Drop 2" campaign is actually penetrating?

Mrs Murphy: We do. The penetration is strong—something like 90 per cent in the focus groups could recall a Water Corporation ad and 80-odd per cent could recall that it was a "Drop 2". Some of them were not sure—"Two what?"

Mr Vincent: I said in some of those focus groups. There was some questioning around what the two was that we were asking them to drop, but there was certainly a high level of recall, reasonable numbers in those focus groups who had made changes or at least claimed to have made changes to their water-use behaviour. We took that as a real positive, because at that stage the campaign had been, I think, in place for about four weeks, so it was quite good penetration very early in the campaign. I think that has been repeated in the last four to six weeks in terms of telephone surveys and online-type surveys as opposed to in-a-room focus groups, but we are seeing a very consistent and positive results.

The CHAIR: I am still trying work out how you actually measure the impact of all that. Have you identified the drivers of the increased use?

Mrs Murphy: It is garden. It has external use and hot, dry weather.

Mr Vincent: It is mid-September; it is hot and dry.

The CHAIR: The advertising seems to be focused on—my recall of it is about taking shorter showers and those sorts of things. I think there is slightly less on the time that you water for.

Mrs Murphy: The first tranche was about taking two minutes off your sprinklers. The ones that are out in the market right now, this week and last week, are about taking two minutes off your shower, and then it goes back —

Hon PETER KATSAMBANIS: It had an impact with me.

Mrs Murphy: Excellent.

Hon PETER KATSAMBANIS: I took more than two minutes off; I think.

I took five minutes off the end. We will see how it goes.

Mrs Murphy: Well done.

Hon PETER KATSAMBANIS: It is brown anyway, it cannot get any browner!

Hon ALANNA CLOHESY: You get a special water droplet badge!

Mr Moore: It also suggested you mulch your gardens and other things in the first round.

Mr Vincent: When it started, it was specifically about taking two minutes off your reticulation.

Mrs Murphy: But you are right, the current ads are about showers. You have got to shift it up a bit and change it a bit.

Mr Vincent: Ultimately we track daily consumption, so are we seeing a change or shift in daily consumption patterns and how does that go against what we would have expected to use on that day?

Mrs Murphy: We have an algorithm that looks at the weather, the temperature and we use the temperature as a model to predict what we think we are going to need for the day and our op centre are managing that and then they are managing what is coming in from desalination, what they get from the dams, what is coming in from the groundwater and they analyse all of that. But then, you can have a hot day and it gets a bit of rain. We have had these thunderstorms come through, which kind of mucks it up. Our algorithms do not usually expect rain on a hot day.

Mr Vincent: A positive January.

Mrs Murphy: January's been good so far. The farmers do not like the rain at these times, but for the water supply it is good.

Mr Vincent: The water supply and demand has been good in January.

The CHAIR: I went out and put new reticulation in and it rained that night and I did not ever have to use it.

Mr Vincent: We are seeing the response that we needed.

The CHAIR: For the desalination plant you said you were originally looking at 10 years hence, but it may need to come forward. From go to woe, what is the time it takes to get a desalination plant from planning through operation? I would have thought probably a five to six-year operation.

Mrs Murphy: It depends whether you have federal environmental process, probably.

Mr Moore: Yes, probably five years, if you said go today and you had a site determined, getting through the environmental approval process, contracts and having it in the system. It depends a bit on where, because another part of the project may be the pipeline from there back to your scheme.

The CHAIR: Where you connected into your scheme.

Mrs Murphy: That is the biggest issue.

Mr Moore: That can be just as long as building the plant.

Mrs Murphy: For the far north we have got our groundwater schemes that are largely north of Perth to bring water in, but they are not that far north of Perth, so if we were to build a desalination plant, it would probably be further north still, so we would need a big trunk main back in, which could cost as much as the dissemination plant.

[3.10 pm]

The CHAIR: I would have thought, based on what you said earlier, there was a need to actually be starting to do that early planning work.

Mrs Murphy: We have done that.

The CHAIR: You were saying that there is a chance that you may actually have to bring that decision forward. Obviously, you are already working on the sites of the next major desal plant.

Mrs Murphy: We are, but I think it is time we start going wider than the Water Corporation and go to the public or the private sector. There are a lot of ideas out there. We do our work, but there might be other ideas out there. I think this year it is probably time to start to explore what other options are out there.

The CHAIR: So when will that public discussion start occurring about either a public sector role or the future sites, because I assume part of the desal plant is about identifying and engaging with the public about where it will be located.

Mrs Murphy: Yes. This year this winter, I think, we will certainly be out talking more broadly about possible options for the future. Even if it is 10 years out, the earlier you have the conversation, the better anyway. The problem is that people get panicky about things. I do not want to scare everybody by talking too much, so it is a fine line. We do not want to scare people. It is not that we are all going to die of thirst or anything like that. We need to keep enough tension in the discussion about the demand management story without being miserable about it, and we need to be looking at sources without panicking everybody.

The CHAIR: We used to have levels of restrictions, did we not? We had level 1 through to, I think, about level 5.

Mrs Murphy: They still exist.

The CHAIR: I think we now operate on a level 2 on a permanent basis or something like that, is it not?

Mr Moore: Water efficiency measures.

Mrs Murphy: They are called water efficiency measures, not restrictions.

Mr Moore: They are not restrictions; they are water efficiency measures.

The CHAIR: Do not call them "restrictions". We have got a new term for them.

Mrs Murphy: No; it has been about a decade.

Mr Moore: They are permanent.

Mrs Murphy: They are permanent. Honestly, with the exception of the people we are sending fines to—we do not get the revenue of the fines, by the way —

Mr Moore: That is a very big differential. The water efficiency measures—the winter sprinkler ban and whatever else—and the two-day-a-week rostering were designed around using water efficiently.

The CHAIR: What would be the next level of water efficiency measures that we would introduce?

Mr Moore: You then potentially go to restrictions. The two-day-a-week rostering that we brought in in 2001 was done in conjunction with discussions with the gardening industry and others on the basis that if you watered on those two days a week with a properly prepared garden, you could sustain your garden and lawn. Going to a more stringent level of use is probably going to have an impact that will not allow that to continue. We have got to work that through yet.

Mrs Murphy: You might remember a few years ago we dabbled with one day a week in spring. We had a total sprinkler ban and then it went to one day a week, and that did save some water. Those things are possible. They are complicated for people to understand. At the moment, you have two days a week or nothing, and most people can understand that. I do not want to make it too complicated.

The CHAIR: I saw some reports about making an application for the Jandakot mound.

Mrs Murphy: This is actually old. This is an application that has been bobbing around for years; it has just taken a long time to get to this point.

Mr Vincent: I mentioned before what I call routine expansion of groundwater, and that fits absolutely into that category. We have been working with the department over a number of years to determine whether there was additional water available at Jandakot. It is coincidental in terms of the timing as opposed to being driven by the winter.

The CHAIR: It was suggested that it was a one-off measure.

Mrs Murphy: No.

The CHAIR: It is a permanent, ongoing measure.

Mr Vincent: It is a permanent request for allocation, yes.

The CHAIR: So where is that up to then?

Mr Vincent: It has been publicly advertised and I think it has just finished and closed, and it then goes to the department to make a decision.

The CHAIR: Would that require additional capital infrastructure or is that about using your existing bore field to extract more?

Mr Vincent: Largely, yes.

The CHAIR: I think Jandakot is the same as the Gnangara mound where you have got a whole lot of bores at the surface that have been turned off for years and then you have got your deeper bores.

Mr Vincent: The modelling and the work that has been done down there suggests that there may even be additional groundwater beyond that allocation which we would look at in future years.

The CHAIR: Was Jandakot 15 gigalitres; is that right?

Mr Vincent: It was 1.5; that was the additional request.

Mrs Murphy: I wish you were right.

The CHAIR: If that is unsuccessful, have you got other ones that you are just rolling in behind that?

Mr Vincent: In terms of requests for additional allocation?

The CHAIR: Yes.

Mr Vincent: Not at Jandakot. Our management operating strategy that we have agreed with the department allows us to request, or creates some provision for us to request, additional water in extreme years. We are working with the department around whether there is a need for additional groundwater in the context of the winter of last year. We will certainly consider that.

Mrs Murphy: But the department has done the science and is very comfortable with the 1.5. This is like 18 months ago science work. It has just taken a while to get to this point for the advertising and coincidentally it coincided with the fact that we would really like the water. It is part of an ongoing process; it is not a knee jerk to any of this.

Mr Vincent: It is not a response to the winter in that context.

The CHAIR: Based on that, it sounds like you are reasonably comfortable that you will get it, but it is up to the department.

Mr Vincent: On the technical work, I would be quite confident. I believe there is a potential for even additional groundwater at Jandakot. I guess this would enable that to be tested and to be well tested. We believe 1.5 is a pretty safe allocation in that regard. But, like any other allocation, it can change.

The CHAIR: Is the work you have done on that public? Is your application a public document?

Mr Moore: The application is. It has been advertised in the press.

Mr Vincent: Yes, it was advertised in the paper.

Mrs Murphy: And that is the way for anyone who has a licence and wants to change their licence allocation.

The CHAIR: So there would not be a problem with getting that supplied.

Mr Moore: No. It is in the public domain.

The CHAIR: Often after those things have closed, you cannot get them off the website, so I will make it B5.

[*Supplementary Information No B5*.]

Mr Moore: Is it B5 or B4? I did not hear a B4 earlier.

The CHAIR: It is B5.

Mr Moore: Can I just ask what B4 was, please?

The CHAIR: B4 is the options and the summary of the business case for construction. B5 is the application.

The last one is the issue at Wyalkatchem and the plan out there. Where are we up to with that?

Mrs Murphy: We are briefing the contractors and our staff on the outcome of the inquiry and the trial—we did a trial where we measured everything—and that is on Friday. We have committed to WorkSafe and to our employees to take them through all those outcomes on Friday, but we are hoping that we will make everything public on Friday. I do not want to talk about anything, if that is okay, without talking to my people first, because they are the ones that are affected.

The CHAIR: Maybe you can provide it to us again as supplementary information.

[*Supplementary Information No B6.*]

Mrs Murphy: Sure. It will be on our website hopefully Friday night.

The CHAIR: I think you have talked about how it occurred. Does that include the results of the investigation into how it arrived at that?

Mrs Murphy: Yes, it does.

The CHAIR: Are we comfortable that it has not happened anywhere else?

Mrs Murphy: Yes. We have done an analysis of 997 projects over the last five years and it has not happened anywhere else. We have done a huge amount of work. It is a most unfortunate thing. We are reasonably confident that the risk to the employees was very small, as it has turned out. But that is not the point. That is an important point, but the point is that our processes failed and that is unacceptable, and it cannot happen again.

The CHAIR: And hopefully no-one has been impacted by it.

Mrs Murphy: That is our hope.

Hon ALANNA CLOHESY: I just wanted to talk about employee numbers. On page 34, there has been a reduction of employee numbers from 3 098 to 2 852. If you take out the 49 redundancies from the engineering and construction services, where did the other 298 come from?

[3.20 pm]

Mrs Murphy: Just to be clear, those 49 redundancies will not be in these numbers because that took place after the annual report.

Hon ALANNA CLOHESY: So where did the 246 come from?

Mrs Murphy: They are spread across the entire business. Remember, these include people on contract as well as people paid through the payroll. Our capital program in the boom time—not the boom time, but when we were building desal plants and the state was growing—peaked at about $1.2 billion in a year. Our capital program is significantly lower. Our capital program has always employed a number of contract project managers and contract people to help us deliver that program, and that was always a deliberate strategy to have a percentage on contract so that we could deal with peaks and troughs in the capital program. Some of those are people who were delivering capital that is no longer being delivered, so some of those are there, and we also had done a major piece of work—really, a short interval control piece of work—across regional areas, and our direct operating areas, and at that stage it had not gone through the whole of Perth and now it has, to look at where we needed people and that had indicated that we had some surplus capacity. As at the date of the annual report, there had been a few voluntary redundancies but most of it had been just natural attrition where we had not replaced people to get the numbers correct.

Hon ALANNA CLOHESY: So how many voluntary redundancies were there?

Mrs Murphy: In what period? What are we talking about?

Hon ALANNA CLOHESY: Up until 31 December would be useful.

Mrs Murphy: Well, 31 December, it starts in April, when we started our program. I do not know if it is voluntary or involuntary. What I can tell you is there is a difference between the number of positions and the number of employees. The number of positions that the Water Corporation made redundant was 368, but the number of employees who left the business was 195, which meant that there were 166 employees whose position was made redundant but who accepted another position, and sometimes it would be that there might be eight of a particular position and we only needed six, so all eight are offered a redundancy and two accept and six take another role, so that is why there is that. There are no employees at the moment who have been offered a role but have not taken it, and as of 31 December, there were seven employees whose position had been made redundant, but who

had not yet decided whether they want to take another role or whether they want to take a redundancy package.

Hon ALANNA CLOHESY: So what savings have been made from that?

Mrs Murphy: Those savings are actually embedded. The savings that have been made are the savings that allow us to deliver our budget for this year.

Hon ALANNA CLOHESY: So how much was that?

Mrs Murphy: We have a two per cent—the way our pricing or our costing model works is, in broad terms, you take last year's operating cost, you add escalation, you add growth, and you take off two per cent. That happens year on year on year. So to deliver that two per cent in some years we have been able to do it through growth. If growth is very high, you have some economies of scale. At the moment growth is low and escalation is low, so to deliver that two per cent in our budget we had to pull—how much have we had to pull out this year?

Mr Hughes: Probably $40 million to $50 million.

Mrs Murphy: We have delivered that through these savings and with any luck, if we have achieved more than that—we have forecast out the savings we have made over and above redundancies—then that will take us towards that two per cent for next year slightly.

Hon ALANNA CLOHESY: So how much of that related to staff redundancies—$40 million to $50 million?

Mrs Murphy: We have 195 employees who have left the business. In broad terms, it is $100 000 a head with on-costs per person, so that is about $20 million —

Hon ALANNA CLOHESY: Perhaps I could take that on notice—how much —

Mrs Murphy: I cannot answer it exactly because we have restructured the whole business. We can certainly, at the end of the financial year, tell you what our labour costs were for the year compared to our labour costs for the year before, so that is not only due to that because the business is smaller in the scale of what we are doing, so there are changes that are nothing to do with this program as well.

Hon ALANNA CLOHESY: So you do not know the savings that have been made as a result of the redundancies?

Mrs Murphy: We have a forecast. As any person is made redundant, we forecast the savings on for the year, but it depends when in the year they are made redundant, so we forecast that out, but we are also endeavouring —

Hon ALANNA CLOHESY: So what is the forecast for this financial year for redundancies?

Mrs Murphy: For the savings or for the number of people?

Hon ALANNA CLOHESY: Savings.

Mrs Murphy: Sorry; this is last year's annual report, so I do not have all of that here.

Mr Hughes: The data that Sue provided earlier was from April through to December, so it crosses financial years, and it also has the implication of the payouts of leave as well as any retrenchment payout offset by that year or an annualised year of savings.

Mrs Murphy: So when we started the year, when we do our budget, we set the budget and each part of the business is required to lead its operating budget, so the savings we are making are not savings below—we are not taking more out of where we are, they are savings to enable us to meet the budget that we have.

The CHAIR: I just have one. The "Drop Two" campaign—do you have a total budget for that?

Mrs Murphy: The budget for actual advertising?

The CHAIR: The total cost of the campaign and how that compares to last year.

Mrs Murphy: Yes, we do. I do not have it with me.

The CHAIR: Compared to what you spent on similar campaigns in 2014–15 and what you currently spend. I am assuming it has jumped a bit, based on my own sense of —

Mr Vincent: It has.

Mrs Murphy: It is a couple of million dollars. The advertising, there is the cost of placing the ads and the design work was largely done last year anyway, because we always have stronger campaigns up our sleeve, never knowing what is happening, and —

The CHAIR: No, I guess what I am looking for is the cost of market research, the placement, the preparation.

Mrs Murphy: It would be between $2 million and $3 million. I can tell you exactly—well, we can provide it roughly because it depends what March weather is like, because we might go harder still in March or not; we will have to see how we go.

The CHAIR: It depends on where you are tracking, I guess. What you currently estimate.

Mrs Murphy: Yes. It is well above last year.

[*Supplementary Information No B7*.]

The CHAIR: If there are no other questions, I think I will call it quits there, noting the time.

The committee will email the transcript of evidence, which includes the questions you have taken on notice highlighted on the transcript to you, in the next couple of days. The corrected transcript will be requested to be returned within five working days of receipt. The answers to questions taken on notice will be requested by 15 February 2016. Any additional questions the committee has for you will be forwarded via the minister next week and will also be requested by 15 February 2016. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. In the event that you are unable to meet the due date, could you provide as many answers to questions as possible by the due date. If members have any unasked questions, I ask them to email them to the committee clerk by 12.00 pm on Monday, 1 February.

On behalf of the committee, again can I thank you very much for your informative attendance today.

Hearing concluded at 3.28 pm

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