

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE B — Wednesday, 10 June 2015]

p391b-405a

Mr Dave Kelly; Mr Terry Redman; Ms Rita Saffioti; Mr Chris Tallentire; [7.50 Pm]; Mr Chris Hatton;  
Chairman; Mr Brendon Grylls

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**Water Corporation —**

Ms W.M. Duncan, Chairman.

Mr D.T. Redman, Minister for Regional Development representing the Minister for Water.

Mrs S. Murphy, Chief Executive Officer.

Mr P.D. Moore, Chief Operating Officer.

Mr R.M. Hughes, Chief Financial Officer.

Mr A.I. Vincent, General Manager, Planning and Capability.

Mrs A. McAllister, Principal Policy Adviser, Office of the Minister for Water.

**The CHAIRMAN:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible can be asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask that the minister clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 19 June 2015. I caution members that if the minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

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

[Witnesses introduced.]

**The CHAIRMAN:** Are there any questions? The member for Bassendean has the call.

**Mr D.J. KELLY:** I refer to the first paragraph under "Asset Investment Program" on page 766 of the *Budget Statements*. The budget has an asset investment program for the Water Corporation of \$3.1 billion for 2015–16 to 2018–19. When that is added to the actual for 2014–15, we get an asset investment program of \$3.9 billion for 2014–15 to 2018–19, which is a five-year period. The strategic development plan for that same period, which was tabled in Parliament in August last year, contained some very clear statements. It stated that the Water Corporation for that five-year period had assessed its total need for capital expenditure at \$5.4 billion, but that it was prepared to accept a capital spend of \$4.5 billion and that the \$954 million reduction was being imposed on the Water Corporation because of the requirement to lower state debt. The strategic development plan stated that the Water Corporation needed \$5.4 billion but that it was prepared to accept \$4.5 billion, which came with some very clear warnings that the Water Corporation's asset base was beginning to deteriorate and would lead to the potential for more leaks, bursts and spills and those kinds of things. It is of great surprise to me to see that the asset investment program in the budget is only \$3.9 billion. It is a massive turnaround for the Water Corporation to say that it needed \$5.4 billion and is now getting \$3.9 billion —

**The CHAIRMAN:** Can you get to your question please, member for Bassendean?

**Mr D.J. KELLY:** Can the minister explain how the Water Corporation has managed in such a short period of time to have its asset investment program reduced by such a great amount?

**Mr D.T. REDMAN:** It must be really interesting to come from the perspective of going through a strategic development plan—one of the historical ones that we have had—and then coming to the estimates hearings. That 2014–15 strategic development plan was prepared in December 2013 so it already has some history compared with where we are now with this current budget. A number of things change in the marketplace around asset investment, and we have made some calls in terms of the asset investment going forward. I will pass off to Ashley Vincent if he does not mind responding to this question more specifically.

**Mr A.I. Vincent:** The 2014–15 strategic development plan—SDP—was prepared in December 2013. Significant changes have since happened in the external environment in which the corporation operates, as well as a significant review that was undertaken by the corporation to look at its required level of investment. Through that review, a couple of key drivers became very apparent—a slowdown in demand for services in a general sense and the clear reduction in water use on a per capita basis that has been achieved over a decade or so. From 2001 through to today, the demand for water has fallen by about 31 per cent, which, when coupled with improved market conditions, has allowed us to make some significant reductions in our forward capital needs

that are now included in the program. An example of the sorts of opportunities that have been achieved is the East Rockingham wastewater treatment plant, where some good engineering thinking to change the scale and scope of that plant from a 40-megalitre-a-day plant to a 20-megalitre-a-day plant has saved in the order of \$90 million. An additional \$40 million was achieved through good market conditions, which is reflective of that slowdown in the external environment. The savings achieved were at the prudent direction of the board to look hard at our investment requirements. We are comfortable that the reductions have been achieved without exposing our customers to significant increased risks.

**Mr D.T. REDMAN:** It is important to also note that the Water Corporation operates within its operating licence and meets its performance targets. The member's question implies that if there is a drop-off in asset investment in a particular year, that is directly related to breaks and leakages or what the member would call a lack of performance. If there is a significant catastrophic lack of performance, it happens under investment over a long period of time. To make any short-term change and relate that back to a particular failure is a little insensitive.

**Mr D.J. KELLY:** Can I clarify the timing of the preparation of the SDP, which has been dated December 2013? My understanding is that it was approved by the Minister for Water and the Treasurer more towards mid-2014, so I do not quite buy that it is a December 2013 document. Can the minister provide more information on the timing of that document? I would also like to know whether that SDP provides a table with some \$950 million worth of projects that were deferred? Can the minister provide by way of supplementary information if necessary what those projects were and whether they will be provided because of better market conditions at a lower rate or have they been completely excluded as not being necessary?

[7.10 pm]

**Mr D.T. REDMAN:** I will ask the chief executive officer to make a comment about the strategic development plan in the first instance.

**Mrs S. Murphy:** Taking the two questions separately, the first is about the timing of the preparation of the strategic development plan and the statement of corporate intent. Our process is that we prepare those by the end of the calendar year prior and they go in draft form to the minister and the Treasurer, but they do not have any of the approved budget numbers in them because at that stage the budget has not been handed down, and our SDP includes a fifth year, whereas the state budget process is for four years. The SDP goes as a draft document, and it is held usually until the budget is handed down. When that happens, it is amended to reflect any adjustments that happen through the budget process and it is tabled formally. So the text and the capital program is largely set in December, and there were no changes made to that. The decision-making process that goes into the capital program for those five years is the culmination of a year's work of forecasting, first of all, the one-year program, which goes in the SCI, and then the five-year program, which goes in the SDP, so there is always lag in that process.

To respond to the second question about the projects, it is almost impossible to match project by project because we have done a major piece of work of the entire capital needs of the corporation, and that basically re-scopes a lot of the projects. Although some projects are deferred for a while or in their entirety, and we have some examples of projects for which the per capita water-use assumptions of planning had been done maybe five years ago and the per capita water use had dropped a lot, so that whole project might be deferred for 10 years, most of the projects have been phased, so we might do the first and most pressing component now and leave the rest until later. There have also been some technological changes. For example, we used to put high-level water tanks in a lot of country towns because that provided storage capacity as well as adding pressure and head to the water supply. With changes to the way we run our supervisory control and data acquisition, and with changes to pressure systems, we can pressurise those systems and manage them and manage the volume that we need without needing those high-level tanks. So as we have increasingly brought more and more schemes into our operations centre with SCADA or remote sensing equipment, we are able to defer capital or sometimes just phase capital, and sometimes not build it ever. That has been a major review of our capital processes and that has resulted in the capital program we have here.

**Mr D.J. KELLY:** So the Water Corporation, having put together a strategic development plan and having very forcefully identified \$950 million worth of deferred projects, 12 months later cannot identify projects that had previously been thought necessary and now are not thought necessary? That is what I am really trying to get my head around. Some of the savings may have been made because of better market conditions and lower construction costs, and I am happy if it can be identified what portion of savings are from that, but I am keen to find out what projects the Water Corporation thought were needed when it put together the SDP and which projects it now thinks it no longer needs.

**Mrs S. Murphy:** So the member is looking at which projects have gone altogether as distinct from those that have been deferred?

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**Mr D.J. KELLY:** Outside the five-year period.

**Mrs S. Murphy:** We do 2 500 separate projects in a year; it is almost impossible to map each one map by map. We have pulled about \$1.4 billion out of the forward estimates that we have identified as not needed in that period. Some of that work will be done in years 5 to 10, some of it will be deferred way beyond that and some we may never build.

**Mr D.J. KELLY:** It has to be admitted that to take \$1.4 billion out of that asset investment program is a staggering result, given the Water Corporation's view when it signed off on the SDP. I understand that the CEO is saying that some of the savings are due to construction costs being cheaper now than they were possibly two years ago. However, during those five years there must be projects that the Water Corporation believed were necessary when the SDP was put together that it now no longer believes are necessary. Sure, the CEO might say that the Water Corporation will do everything that it thought it would do, but it will just be cheaper—I find that hard to believe at \$1.4 billion. However, there must be projects that will no longer be done within that five-year period. That is what I am asking for.

**Mr D.T. REDMAN:** Just before the CEO or someone else responds, in that period there has also been a substantial change in the economy. We need to remember that a business makes adjustments to its investment decisions based on the outside parameters.

**Mr D.J. KELLY:** Like the credit rating?

**Mr D.T. REDMAN:** It has certainly been a challenge for the state government budget and it is reflective of what is happening in the resources sector. I know that in regional Western Australia we have also come off the back of some fairly substantial investments around some of these water assets. A risk-management approach is applied to this decision-making and I can understand and appreciate how it might be very difficult to itemise what the member is trying to pull out from a political perspective, and that is, "What have you not built now as a product of that change?"

**Mrs S. Murphy:** Ashley Vincent has some examples of projects that have gone altogether.

**Mr A.I. Vincent:** If I could just give a couple of examples, the list, if we tried to draw —

**Mr D.J. KELLY:** I am sorry to interrupt, but I am conscious of the time. If there is a list, I would be happy for it to be provided by way of supplementary information rather than just be given a few examples.

**Mr A.I. Vincent:** I have a two-page list, which is a summary.

**Mr D.T. REDMAN:** Is it very long to read out? How long will it take?

**Mr A.I. Vincent:** Not very long.

**Mr D.T. REDMAN:** I think we will go through the list.

**Mr A.I. Vincent:** Starting at the top, there are high-level tanks that we have been able to remove from the five-year expenditure due to a shift to booster pump stations. Tanks in Broome and Port Hedland fit into that category with a saving in the order of \$17 million, and the time frame for that reduction is indefinite because it is an alternative engineering solution. There is the integrated water supply system, the Perth groundwater replenishment program stage 1, and with good market conditions we have been able to deliver two stages of that project as opposed to the one originally planned. That has saved in the order of \$110 million and will defer any future investment by 10 to 20 years. There is the control system on the main conduct, which is in place for zone 6 between Bullabulling and Kalgoorlie. An improved SCADA control and operational system has meant we have been able to re-phase \$46 million-worth of investment by 10 to 20 years, and that is once again an alternative engineering approach that has enabled us to reduce the need for major main replacement on that particular pipeline. We have done the work in East Rockingham, which I mentioned before; by retiming the program, we moved from a 40-megalitre-a-day plant to a 20-megalitre-a-day plant, which saved us \$90 million, and that saving is effective for between 10 and 20 years, depending on the growth. That is one example of how the change in growth expectations has had a significant impact on our program. We believe that the market conditions associated with East Rockingham are attributable to a saving in the order of \$40 million, and that is an indefinite saving because we have got it forever. There have been savings across the categories by re-evaluating growth in the metropolitan area and regional areas. This is for things such as distribution mains, pump stations or pipework that would be required to service that growth. Those two categories combined are in the order of \$285 million, with various timings of when those projects would be re-phased. There was also an opportunity in Busselton with the upgrade to the Vasse diversion drain to look at alternative approaches to address what we would have done with traditional levees, which saved us in the order of \$9 million. They are some examples of significant savings that tally up to around \$600 million, which we believe has been achieved with no significant change in our risk profile.

**Mr D.J. KELLY:** On that list, regarding the first stage of the aquifer recharge project, does the Water Corporation now believe that once it is completed, there will not be a need to expand that aquifer recharge project to meet Perth's water needs for the next 10 to 20 years? Is that what is being said?

[7.20 pm]

**Mrs S. Murphy:** Provided we can keep demand on a downward trajectory or at least where it is now, with current growth, it is at least 10 years. If we get no rain at all in the next few years and absolutely not a drop of run-off into our dams, that 10 years might be nearer to six or seven years. If we are to do better in our demand management work, we may be able to make it longer, but it is certainly not in the next five years.

**Mr D.J. KELLY:** Is the minister's adviser saying that provided demand management continues to go down and we get some run-off into dams, she does not believe we need another major source of additional drinking water for Perth for at least 10 years?

**Mrs S. Murphy:** That is the current forecast based on current population growth. Remember, a couple of years ago our population growth was really high, and that put extra stress on us. On current projections of demand and current projections of population and with about current, albeit small, run-off, but some run-off into dams, it is at least 10 years. If any of those parameters change, as is the case every year, we monitor those big investment sources all the time. We have algorithms for the amount of run-off we get, what the population is doing and what is happening with groundwater. Those algorithms decide when we need to trigger the next major capital investment.

**Mr D.T. REDMAN:** We have a proven climate-independent water source to help droughtproof Perth.

**Mr D.J. KELLY:** I beg the minister's pardon; sorry, I did not catch that.

**Mr D.T. REDMAN:** I said we have a good proven source of climate-independent water to help droughtproof Perth.

**Mr D.J. KELLY:** That is interesting because the member for North West Central could not say the word "droughtproof" in the previous session. I am glad the minister got it in early.

**Mr C.J. TALLENTIRE:** I refer to the asset investment program on page 766. I understand that a decision was made in 2014 not to refurbish the Mundaring to Kalgoorlie pipeline pending an evaluation of the current program and the consideration of alternatives. Has a review of the refurbishment program been completed using the linear assessment risk model?

**Mr D.T. REDMAN:** I will ask Ashley Vincent to respond to that question.

**Mr A.I. Vincent:** The review of refurbishment is not yet completed. That work has been undertaken over the last six to 12 months. It is a comprehensive look at the condition of the pipeline and the best approach to ongoing refurbishment. We have completed a lot of work historically, and our view is that the pipeline is actually in quite good condition and we felt it was a good opportunity to reconsider the most appropriate approach into the future.

**Mr C.J. TALLENTIRE:** Has a decision been made about the future best course for the ongoing refurbishment of the pipeline? If it has, how much will that cost?

**Mr A.I. Vincent:** We have not made a decision as yet and that work is still to be completed. Our focus is to look at the broader goldfields and agricultural water scheme into farmlands, where we are about to kick off an extensive program of works.

**Mr C.J. TALLENTIRE:** From what Mr Vincent said, am I to understand that the refurbishment program has been deferred from 2015?

**Mr A.I. Vincent:** From its previous form, yes. We are looking at the best approach to refurbishment of that pipeline into the future and I believe a decision will be made by October this year.

**Mr D.J. KELLY:** The minister's adviser mentioned a broader program of refurbishment for pipelines in some of the agricultural and goldfields regions. Can the minister tell us what that program is and where it is up to?

**Mr A.I. Vincent:** The program is under development at the moment. It cannot be released because it has not been finalised, but it looks at the condition and performance of the broader goldfields and agricultural water supply network. There are 11 000 kilometres of water supply pipelines throughout those regions. We are looking at determining the best course of action to ensure that a high level of service is retained for customers.

**Mr D.J. KELLY:** When is a decision on whether that program goes ahead scheduled?

**Mr A.I. Vincent:** We are in the process of resolving the best course of action. I believe a decision will be made over the course of the next three to six months. We have had extensive ongoing works through that network and

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will continue to have ongoing works there. There will be a finalisation of the most appropriate mixture of operating and capital investment for that network to support its longevity.

**Mr D.J. KELLY:** Has a decision been made but it has just not been announced yet? Is that the case?

**Mr D.T. REDMAN:** The member for Bassendean is referring to the deliberative process within the Water Corporation and speculating on what the call means. There was a response from the adviser highlighting the process. I am not the Minister for Water, but I am advised that the Water Corporation is working through that process and a decision will be made imminently.

**Ms R. SAFFIOTI:** My question relates to some growth areas and connection and headworks charges for new developments. It was put to me that there are different headworks and connection charges in the different corridors of the metropolitan area. I put to the minister that charges for water in the north east corridor are about \$5 977 per block and standard charges in the metropolitan area are about \$4 030, and charges for sewerage in the north east corridor are about \$3 578 and standard charges in the metropolitan area are about \$1 359. Can the minister confirm whether that is the case?

**Mr D.T. REDMAN:** I will refer that back to Mr Moore, but I understand that there is a standard headworks charge for the connection of residential lots.

**Mr P.D. Moore:** There is a standard headworks charge across the state, save, for argument's sake, that there are some instances of higher charges in the north east corridor, such as in Ellenbrook. There was a special headworks charge put on properties in Ellenbrook because it was a development ahead of the front. At one point in time, there was also an additional headworks charge for lots in the coastal corridor, but that has been taken off. I do not think we have taken—I am sorry; this is to the best of my knowledge—the additional charge off the north east corridor, although there is discussion at the moment about whether that additional charge for the north east corridor at Ellenbrook has fulfilled its requirements.

**Ms R. SAFFIOTI:** Is that something that is likely to happen soon given it might have been a leapfrogging development 10 or 15 years ago but that development is now one corridor? It seems unfair that first home buyers in Ellenbrook pay higher charges than first home buyers in other parts of the metropolitan area.

**Mr P.D. Moore:** As I said, that additional charge is under review. It was set up on the basis of the cost of servicing Ellenbrook, and we have been in discussions with the developers about how far the development has gone and whether the charge has now met its requirements.

**Mr C.D. HATTON:** I refer to works in progress on page 767 and the line item “Metropolitan Water Sources and Distribution”. Can I assume this is where I would find funding for the cast iron water mains renewal? What are the parameters around that renewal program and how is it progressing?

[7.30 pm]

**Mr D.T. REDMAN:** I thank the member for the question. As the member is well aware, I was the water minister at the time of the Wellington Street water mains break. It was obviously a serious concern and one that caused a fair amount of disruption to the metropolitan area. Following that, the Water Corporation carried out a detailed condition assessment of those cast iron pipes in the CBD and they have now had a level of prioritisation for their replacement—and, I might add, using a bit of fancy technology at the time I looked at them. I will ask Mrs Murphy to elaborate on the response on how that program is progressing.

**Mrs S. Murphy:** There is \$17 million allocated to this program at the moment. Five sections that were identified have been replaced. Although the Wellington Street breaks were most regrettable and —

**Mr D.J. KELLY:** Spectacular!

**Mrs S. Murphy:** They were not really spectacular. Water was not squirting in all directions. The breaks unfortunately coincided with some other traffic works happening, which made them very annoying for the commuters of Perth. However, the program has forged a much closer relationship between the Water Corporation and the City of Perth and we now have back-to-back arrangements. So if either party is doing any works, we will get in there and replace pipes proactively. We are therefore doing our planned work, but if the City of Perth has any emergency works that require digging up pipes or digging up the road, or vice versa, we are quite able to work closely with the City of Perth to be able to do it. In fact, works are going on in Barrack Street at the moment that are exactly in that category in that we have brought forward some works so that we dig up roads only once between us.

**Mr D.J. KELLY:** I refer to the asset program on page 766, particularly the south west capital spend. In respect of the capital works that have been done to secure Denmark's drinking water, has a decision been made on how

best to dispose of the waste brine from the new desalination plant at Denmark and how much will this method of disposal cost compared with the option of pumping it out at Perkins Beach?

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

**Mrs S. Murphy:** When the member says “desalination plant”, that sounds somewhat grander than what it is. The water solution for Denmark, which has had the second-driest winter ever, is to take water from Denmark River, treat it and put it into Quickup dam. We found that the water is marginally too salty, so it is only to take some of the salt out so that the water is acceptable. It is nothing like a desalination plant like our big ones.

**Mr D.J. KELLY:** I appreciate that.

**Mrs S. Murphy:** It produces the equivalent of a couple of tanker trucks a day of water that is about half as salty as sea water. Our intent had been to dispose of that at Perkins Beach, as was recorded. Very unfortunately, some overzealous employees and other people decided to start that process before any community consultation had taken place, which we regret terribly. It has caused a lot of grief and angst to the Torbay residents group, which was never our intent. It is very clear that that is such an emotional solution that we have taken that off the table. We have three solutions that we are exploring in parallel. All of them require community consultation in different ways. There are three options. One is to put it through the inlet part of the Binningup desal plant. The community reference group of the Binningup plant is meeting tomorrow night and that as an option will be discussed with the members of that group to see what they feel about that. We have some unused ponds near Albany that we could store the water in, but that would require a change to the licence for that area and that part of our plant, so we are exploring some of those options. There are licensed waste handlers, but that is quite an expensive option and there are not many with the right capacity. So, at the moment we are working through all of those options in parallel. We want to get the community consultation right, so I cannot give the member costs yet because it depends on which way we go. It is not clear at the moment how long we would use the plant for and exactly how much brine would be produced because it depends on what happens with the weather this winter. The aim is to be ready so that we do not get Quickup dam too low before summer in case we have a very bad winter. So there are still a lot of balls in the air, and I guess we would be remiss if we did not note that we had not done a particularly brilliant job of community consultation on this one, so we are hastening very slowly to make sure that we do not repeat that error.

**Mr D.J. KELLY:** Further to that, if three options are being considered, the minister must have made some assessment of the cost of each option. I assume he would do that and then go out to the community consultation because there is no point in the community picking an option that is financially beyond the pale. Can the minister therefore tell us the financial cost of each option?

**Mr D.T. REDMAN:** I thank the member for the question. The response that has been given by the CEO here is pretty clear that there are still a number of balls in the air and still a number of decisions to be made. No doubt once a decision is made it will be a very appropriate question to find out what the cost of it is and we will be happy to provide it when the time comes.

**Mr D.J. KELLY:** With respect, I am not sure that it is up to the minister to decide which questions are appropriate. If he has the information, I simply want to know the cost of each of the options. Obviously the minister will not choose all three. If he has the information, I am requesting that he provide it.

**Mrs S. Murphy:** We can provide it.

**Mr D.T. REDMAN:** I am happy to provide it on notice, if that is the case. I am not sure that it is going to be very valuable to anybody, but we will provide it.

**The CHAIRMAN:** Can the minister just define that a little bit for me, please?

**Mr D.T. REDMAN:** I am being asked by the member for Bassendean to provide the costings for the three options that the CEO just put to estimates here for the potential solution to the brine that is a product of low-level desalination out of the Denmark River.

**Mrs S. Murphy:** Can I just add a clarification?

**Mr D.T. REDMAN:** Yes.

**Mrs S. Murphy:** We can give the member the cost per kilolitre but I cannot tell how many kilolitres of brine we will produce because that depends on the weather. I therefore cannot give a total but I can give a daily cost for operation of that plant with the different brine disposal solutions.

**Mr D.T. REDMAN:** Yes, absolutely.

[*Supplementary Information No B49.*]

**Mr V.A. CATANIA:** I refer to page 767 on country water sources and distribution. Water sources in regional areas are often vulnerable, particularly where there is only one water source, and there are many of those in my electorate. Can the minister please elaborate on that line item for country water sources and distribution and what the Water Corporation is doing to secure regional water supplies?

**Mr D.T. REDMAN:** I thank the member for North West Central for the question. I want to highlight that it is my understanding that this year \$275 million will be spent on new and upgraded regional water and wastewater initiatives. A lot of significant investments in regional Western Australia have been made in recent times, particularly up north as a product of the growth that has happened up there. The member for Pilbara would be only too well aware of many of these investments happening in his electorate, and again I will pass to Mrs Murphy to respond in more detail about the investments that are going to those regional areas.

**Mrs S. Murphy:** Drinking water quality is always the highest priority for the Water Corporation. As the member rightly pointed out, there are a very large number of country schemes. At any point in time any one of those schemes could be at risk; therefore, we spread our expenditure over them all to lift the standard of all those schemes and make sure we meet drinking water quality guidelines in Australia. We meet all Australian health drinking water quality guidelines in all of our testing. So far we have managed to do a reasonable job at keeping that in place. I have a great list of projects here but perhaps the biggest ones in the current 2016 estimates plan are some work on Samson Brook dam and some work on the Denmark source about which we spoke earlier. Cunderdin has a roof storage tank facility going in. There is work in Broome for a pump station upgrade, which means that water will circulate more rapidly. There is a storage tank and some pressure work at Barbalin. At Allanooka we are duplicating some of the water mains so that water stays less time in the mains. There is some extra piping in Narrogin–Brookton for the great southern town water scheme. There is a tank in Dalwallinu to be upgraded and roofed to make sure that we have a sealed storage plan. There is iron removal in Allanooka, and there is a four-megalitre tank going in and some piping upgrades in Beverley. Those projects vary between \$8 million each, and up to \$36 million for the Cunderdin tank.

[7.40 pm]

**Ms R. SAFFIOTI:** My question relates to water treatment plants, in particular the one in Mirrabooka on Alexander Drive and some of the issues surrounding that. The minister does not quite get what I am getting at, but I am sure the agency does. I know there has been an ongoing issue in relation to the type of chlorine used and there is a push for the Water Corporation to change the type of chlorine from, as I understand, a powder to a liquid to enable a reduction in the buffer and therefore to unsterilised land in Ballajura. Can I have an update on what is happening there?

**Mr P.D. Moore:** Certainly. As far as an update is concerned, the process we had agreed with the City of Swan now probably two years ago was to go through a lot of pre-design for that work, and we are about now to go out to tender—in fact, I am happy to announce that we are going to tender tomorrow. We will tender the work so that we get the firm cost, because the agreement with the city is that once we get that tender back in probably early July or mid-July and give it to the city, it then has to determine whether it is comfortable with those costs and allocate the funding if that is its will. Once that occurs—we expect it to take about two to three weeks, so mid-August—consistent with the timing that had been agreed all the way through, if we get that approval at that stage the project will then commence and be completed sometime I think late in 2016. The design is all now done and ready to go.

**Ms R. SAFFIOTI:** I think my colleague will talk specifically about what happened in Wanneroo today, but is this an issue around the suburbs where we are using, as I understand, the powder chlorine? Is that correct?

**Mr P.D. Moore:** No, it is liquid chlorine. In this case it is liquid chlorine as opposed to sodium hypochlorite. It is chlorine gas that comes in a cylinder that is liquefied and then comes out as a gas.

**Ms R. SAFFIOTI:** Is this an issue across the suburbs where we are using this type of technology, therefore creating not only a buffer issue and sterilising land for particular purposes, but also posing some potential hazard to the community?

**Mr P.D. Moore:** It is an issue. Historically, the amount of chlorine we need depends on the size of installation it is to be used in, and places like Mirrabooka have traditionally used quite a large amount of chlorine so we use chlorine gas, which as I say comes in a liquid in a cylinder. The buffer zone in that particular case was known on the day we put the plant in, and that is why the public open space was there in consultation with the city at that stage. I am not sure that it was called the City of Swan at that point; this is back in the early 1970s I am talking about. We have a number of chlorine facilities around Perth. As to the case at Wanneroo today that the member is referring to, we were converting that from a chlorine gas facility to a sodium hypochlorite facility that would

mean there would be no requirement for a buffer in the future. That was in the process today when that incident occurred.

**Mr D.J. KELLY:** Look, on the issue of the use of chlorine, can the minister tell us what the issue today was in Wanneroo at the water treatment plant? What was the nature of the chlorine leakage, how much was leaked, and, as best the minister understands, what caused the leak?

**Mr P.D. Moore:** I do not have the details on exactly what caused the leak but it was a minor leak associated with the changeover of the facility. It was not a direct leak out of a drum—we know that; it was one of the control devices on that vacuum system that failed during that. The amount of gas escape was very minor.

**Mr D.J. KELLY:** When Mr Moore says “minor”, what does that actually mean?

**Mr P.D. Moore:** Minor to the degree that once it was sealed off, it was less than 20 minutes, I gather, for it to be dispersed into the atmosphere.

**Mr D.J. KELLY:** But the volume is not known?

**Mr P.D. Moore:** No, I do not know the volume, sorry.

**Mrs S. Murphy:** To be clear: when our alarms sound for any chlorine, we have protocols with the emergency services. The emergency services come and take charge of the incident, and so they make, quite obviously, prudent decisions and are very cautious about community safety. So, although the leak was fixed very quickly, they were running to their protocols, so sometimes things look quite dramatic. Having said that, the chlorine storage facilities that we have are not dissimilar to existing swimming pools; it is the same chlorine-dosing mechanism that is used in most large suburban swimming pools. Our aim is to move as much as we can away from liquid chlorine in those built-up areas, but the fact is that when an incident happens, those decisions about what happens after that are taken out of the Water Corporation’s hands.

**Ms R. SAFFIOTI:** I know the Water Corporation is going out to tender tomorrow, but what would be the estimated—I am talking ballpark—figure of the conversion costs?

**Mr P.D. Moore:** I missed the question.

**Ms R. SAFFIOTI:** I will go to the minister. Minister, what would be the approximate cost of converting the Mirrabooka treatment plant?

**Mr D.T. REDMAN:** I will let a judgement be made by Mr Moore, but bear in mind that for anything that is going out to tender for a figure, we need to be very careful about what we provide. I will let Mr Moore make a judgement about that.

**Ms R. SAFFIOTI:** Sure. It is just that it is being done in Wanneroo, so there might be an approximate cost.

**Mr P.D. Moore:** Perhaps a little correction: we are not converting the Mirrabooka plant; we are moving it further to a different location on the site. That determination was done in discussion with the city in comparing what we estimated the costs of either activity would be. The estimated cost—this is why we are going out to tender to confirm that, although we still feel it is in the right sort of ballpark—is about \$3.8 million. The process at the moment, again agreed with the city, is that we would go to tender to confirm that. The city is expecting that sort of figure to come in. The corporation has indicated that it will contribute around \$750 000 towards that, so the city is expecting to have to front up with a bill in the order of \$3 million-plus.

**Mr C.J. TALLENTIRE:** I am referring to the first paragraph under “Asset Investment Program” on page 766 of the *Budget Statements*. The budget does not mention any decision by the corporation for assets such as the wastewater treatment plants or the desalination plants to be sold off. Have these assets been considered and are they now excluded from any future sale, or are they still under consideration for sale in the future?

**Mr D.T. REDMAN:** I thank the member for Gosnells for the question. As the member is aware, in the budget process the Treasurer, in his statements, has talked about a number of assets that the government is looking at in what he calls tranche 2. There have been no Water Corporation assets put in tranche 2, and there are only two tranches that have been announced in terms of what the government is having a look at. Again, no decisions have been made even around those tranche 2 assets as we are working through a process to see whether those sales have merit. I cannot make a decision about whether something does or does not come onto a potential asset sales list in the future, but certainly there has been nothing booked in this budget for any asset to be sold out of the Water Corporation.

**Mr D.J. KELLY:** The chief executive officer of the Water Corporation, as I understand, was part of the group that was looking at the asset sales. If there are not any asset sales from the Water Corporation currently being considered, is the CEO of the Water Corporation still a part of that group?

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE B — Wednesday, 10 June 2015]

p391b-405a

Mr Dave Kelly; Mr Terry Redman; Ms Rita Saffioti; Mr Chris Tallentire; [7.50 Pm]; Mr Chris Hatton; Chairman; Mr Brendon Grylls

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**Mr D.T. REDMAN:** I am advised that the CEO of the Water Corporation is still a part of that task force.

**Mr D.J. KELLY:** I have a further question on the issue of asset sales.

**The CHAIRMAN:** You have the next question anyway, member for Bassendean.

**Mr D.J. KELLY:** I will take that then.

My question refers to the asset investment program referred to on page 766 of the *Budget Statements*. The corporation has already announced its intention to consider the sale of the corporation's construction branch. It has already gone out to tender, and I understand a number of potential buyers have been shortlisted. Is the minister aware of any matters relating to that potential sale being referred to the Corruption and Crime Commission; and, if so, what are they, and have those matters impacted upon the timetable for the sale?

[7.50 pm]

**Mr D.T. REDMAN:** I am not aware of any reference to anything being referred to the CCC. I might add that as part of the discussions around that, there was an independent probity auditor appointed to ensure full probity.

**Mr D.J. KELLY:** What is the current timetable for a decision on the sale of that asset?

**Mrs S. Murphy:** The current plan will go to the board in August and be discussed with the minister, and we hope to make an announcement by the end of August or thereabouts about which of the three currently shortlisted bidders is successful.

**Mr C.D. HATTON:** I refer to page 767 and the line item "Infill Sewerage Program", about halfway down the table. I understand that it is probably quite an expansive or extensive program. Can the minister tell me which suburbs and towns will receive this infill sewerage, or if it is a regional implementation program? Can the minister identify where it is going?

**Mr D.T. REDMAN:** I thank the member for Balcatta. I am sure it is the same in the areas he represents that have a need for infill sewerage, and there is often a desire from the community to have that happen. Certainly in my electorate and particularly in many parts of the wheatbelt there have been calls for investment into an infill sewerage program, including in some areas that do not have a sewerage program at all. There have been calls for that from two communities in my electorate, Northcliffe and Boyup Brook, and I know that there have also been calls from communities in the electorates of the member for Central Wheatbelt and the member for Wagin. There is \$50 million allocated in the 2015–16 budget to extend the state's infill sewerage program and I am told that that will enable almost 2 000 residential lots across 10 different locations to be connected to public sewerage. I am sure the CEO will correct me if I am wrong, but in a couple of examples there is what is known as the STED system—the septic tank effluent disposal system—in which people are able effectively to use the current infrastructure already in place on residential lots to provide a reticulated system at a significantly reduced cost. That system was trialled in Hyden and I think there may be opportunities to use it in other areas where that system may have potential. I might ask Peter Moore to make some additional comments.

**Mr P.D. Moore:** Kukerin, Bindoon, Leonora and Boyup Brook have all been announced for the STED scheme. Under the STED system, the existing septic tank remains and we connect to the outlet, removing the need for the leach drain, so we are actually just moving the water component of the waste which, as the minister has said, reduces the cost considerably. The other project areas that are part of the \$50 million for the infill sewerage program include City Beach, Halls Head, Bunbury, Esperance, Bridgetown and part of Toby Inlet. They are all part of the \$50 million that was announced in this budget.

**Mr C.D. HATTON:** I gather from that information that a lot of it is regional, as in country, rather than metropolitan, or is that incorrect?

**Mr P.D. Moore:** City Beach is the main metropolitan one. The member should bear in mind that the \$80 million infill program started in 1994 and was designed to service about 100 000 lots over a 10-year period. Over the years, a lot of that expenditure has been focused on the metropolitan area. There was a situation in which, during the post-war era, a large area of Perth was unsewered because septic tanks were thought acceptable. At that stage the community of the day was unaware of the groundwater resource under Perth, so there was a whole area that had been allowed to develop with septic tanks. In 1994, the government of the day determined that it would initiate the infill sewerage program. A lot of it was focused on the metropolitan area, with a smaller percentage in the country. Most of the residential metropolitan area that requires sewerage is now done. There are only some pieces of City Beach left and some other small pockets around the place.

**Mr D.J. KELLY:** I refer again to the heading "Asset Investment Program". Presumably, when the minister makes a decision —

**The CHAIRMAN:** Member for Bassendean, can you advise a page number?

**Mr D.J. KELLY:** It is page 766. Presumably, when the minister makes a decision to embark on one bit of asset investment versus another, there is some standard cost-benefit analysis or criteria that the projects are run against to make sure that we are getting the best value for money. I am wondering whether the minister is happy to provide a copy—whether it is a matrix or whatever—of the criteria that he runs projects through in order to satisfy himself that the corporation is getting the best value for money and using its resources appropriately. As the minister knows, there are competing desires for projects, so I ask the minister what management tool he uses, obviously without the numbers for any individual projects poked into it, to make an assessment from one project to another.

**Mr D.T. REDMAN:** Just as a general response before I ask the CEO to comment, from what I understand there is a risk-based assessment process for asset investment right across the state. The CEO mentioned a little while ago the use of algorithms, so I imagine it is very, very complex. I am not sure that it is something as simplistic as being able to shove risks and issues into one side of the program, pushing a button, and having pop out the other side information about where the assets should go; I am not sure it is as simple as that. I will ask the CEO to please explain the decision-making process around asset investments, because I am sure it is as complicated as I have read it to be before!

**Mrs S. Murphy:** Mr Vincent actually runs the process, but I will start by explaining that we divide all our assets into a series of what we call strategic investment business cases. We look at the 20-year horizon for groups like country wastewater, we look at growth needs and we look at broader categories of investment and what we think the long-term trajectory is, and that sets up the broad percentages of the capital program and where it goes. Then there is a series of cascading risk processes that come down to project-by-project within that. We have modified the way we are doing a lot of the risk bases at the moment, and it now explicitly links back to our corporate risk processes, and then there is an overlay on all of that for some of the other corporate risks. There is an environmental risk; there might be a customer risk; there might be a regulatory compliance risk, and so forth. That comes up with a series of values for strategic investment over 20-year, 10-year, five-year and one-year periods, and that is prioritised back to work out which order things are going to happen in. For example, if we have no water, it does not matter about water quality, so having source water is always going to be the highest priority to make sure that water comes out of the tap. Once we have made that source decision, then we have to work on water quality to make sure that the water quality is fine. We have non-negotiables that we will always apply to. We then get into parts of the business case that may be more desirable; things like aesthetic water quality are nice to have, but they are not as essential as the health-based part of drinking water quality. It is quite a complicated matrix.

Over and above that, there is a big piece of work that we do which is to look at whole-of-life costs for all assets. Sometimes a capital solution is the right answer, but it may be more appropriate for an operating solution, so if it is an operating solution, we would take the net present value of that operating solution and compare it with the capital solution. We are trying to move away from always building something as the solution, when it may be that there is a maintenance option that may be more cost-effective in the long term. We have been looking at what we have been calling “totex”, which is a total expenditure regime, not separating capital and operating into separate buckets. Ashley runs that prioritisation program.

[8.00 pm]

**Mr A.I. Vincent:** Just to reiterate, it is effectively a top-down and a bottom-up build of our investment portfolio or investment program. We start, as Sue said, with a strategic look at where the investment drivers are, and we build a series of business cases around that that feed into portfolios or programs. A great example of that over time would be something like the dam safety program which was run and successfully delivered over an extensive period and which looks at the risks and treatments for a particular type of asset. In addition, we build also from the bottom up. Our field-based people, our people in regional and metropolitan operations, can identify shortfalls in the condition or performance of assets and feed those in from the bottom up. They collectively generate an extensive list of potential work that could be undertaken by the corporation. That then feeds quite an extensive project-by-project assessment. We referred earlier to a rigorous review of our entire capital investment program. That has been undertaken extensively over the last 12 months, and that is really at the project-by-project and then portfolio level. It looks at the drivers, the triggers and the data that underpins an investment need. That list of drivers or triggers can be extensive. It can range from growth to condition and performance—a range of factors can drive the need for investment. We aim to bring that program together literally through a top-down view of the strategic needs of the corporation and also then a bottom-up view of the actual condition and performance of the asset base. It comes together to form the program that we have, which we believe is a good set of trade-offs and decisions that get made.

**Mr D.J. KELLY:** I appreciate that detailed explanation of the process. I suppose my question is: is there documentation that outlines that process within the corporation that the minister could supply by way of supplementary information?

**Mr D.T. REDMAN:** There is not a compact disc in the corner. This is something that has been developed by the Water Corporation. It is complex; it is part of its deliberations as to where it directs resources. It is not an off-the-shelf product or anything like that. I guess it is a computer program that it works through, so the short answer is no.

**Mr D.J. KELLY:** The minister has said that one of the drivers there is risk. Referring back to the service delivery platform that was tabled in Parliament last year, it identified a number of risk areas and some of them appeared quite high. Given what has been said in this session about the review of the asset investment program, I would expect that the risk profile that appears in the next SDP would be quite different. I am wondering whether by way of supplementary information the minister can provide that extract—I think it appeared as appendix B in last year's SDP. Could the minister provide that risk profile that has been prepared for the next SDP?

[Mr I.C. Blayney took the chair]

**Mr D.T. REDMAN:** We are not going to offer the member the extract from the current SDP, but I will ask the chief executive officer to make a broad comment about the change from one to the other and the sorts of decisions that sit around that.

**Mrs S. Murphy:** Our corporation risk analysis is done on an annual basis. That goes to board on Monday. It goes to the audit compliance committee of the board and then to the board. Until each year's risk profile has gone through that process, it is not released publicly. The level of risk, as shown there, is the likelihood multiplied by the consequence. Risks such as drinking water quality have a very high consequence. Even if the likelihood is very low, they will always appear as an extreme or a very high risk in the risk matrix. That is how risk processes work. We would expect a very slow rate of change of those risks over time. It is highly unlikely that there is a dramatic change year on year. The aim is to gradually move those down, but if we take a risk category such as drinking water quality in the regions, even if the likelihood is very low, the fact that we have well over 100 to 130-odd separate schemes and that the consequence of failure would always be catastrophic, it would always remain a high risk. That is why drinking water quality will always get priority in the capital program to make sure that the correct amount of money is spent in that space. I would not expect a dramatic change in the risk levels in the corporation between one year and the next. We are tracking down, but we have also been looking at different ways to move the risk down without necessarily rebuilding the whole Water Corporation. It may be operational changes or it may be just that when we examine what could cause some of those failures, we look at the one or two areas that are the most likely and how we can remove them. We are gradually reducing risk in that way.

We have slightly changed the process we use. It is now really a whole-of-corporation process and a bit like capital prioritisation. We do a bottom-up aggregation of the risks as the business sees it, and then we do a top-down prioritisation process across the lot. Then it goes to board as well. There are changes every year in what the answer spits out, but they are not dramatic changes.

**Ms R. SAFFIOTI:** My question is about the Perth northern pipeline project. I am asking for the status of that project—that is, where it is at in the planning stage.

**Mrs S. Murphy:** This is a project that was to look for potential pipeline routes for a pipeline through the northern corridor—a pipeline that will probably not be built for 10 to maybe even 30 years, depending on Perth's growth and water needs. We had identified three indicative pipeline routes. That whole process has subsequently been subsumed into the Perth–Peel strategic assessment process. All three pipeline corridors have been put in the review process with that same process because it is not urgent. We started the discussions with stakeholders quite early, and it perhaps caused some people to get upset somewhat prematurely because nothing is planned for quite a long time. It is not inappropriate that it is a part of that whole wider strategic assessment process, which is looking at pipeline corridors, roads and all those lineal infrastructure needs for Perth–Peel going forward.

**Mr B.J. GRYLLS:** I refer to part 16 at page 766, which outlines expenditure in the regions. In the north west a total of \$61 million will be spent, including \$26 million on projects to deliver water and wastewater under the Pilbara Cities initiative. Can the minister please outline to the committee what projects they will actually be? And I thank the minister for the effort made by the Water Corporation to provide water infrastructure in the Pilbara, which has led to us being able to release land and bring the rents back to a normal level that make it possible for families and small businesses to function. In the community it has been a dramatic turnaround from where we were five years ago.

**Mr D.T. REDMAN:** I have just been presented some information by my adviser here, stating that approximately \$26 million is being invested in 2015–16 for the Water Corporation to deliver water and wastewater projects to support the Pilbara Cities initiative. This includes \$11.8 million in 2015–16 to complete upgrades to Karratha’s wastewater system; a project with a total cost of \$5.7 million for construction of a new wastewater pump station at Bathgate Road; and constructing 1.4 kilometres of pipeline along Bathgate and Balmoral Roads in Karratha. Work on that is due to begin in mid-2015 and be completed in early 2016. It is fantastic to go up there and see a community now significantly enriched by access to services that they did not have before. I was even taking some questions today about Pelago, which the member for Pilbara is well aware of, and I think all the right calls have been made on that because no-one up there is making any complaint about the fact that there has been a good response from both the government and the private sector. I will ask Mr Vincent whether he has any other comments.

[8.10 pm]

**Mr A.I. Vincent:** A couple of additional pieces of work include the expenditure of just under \$3 million in the next financial year on improvements to the water supply distribution system in Port Hedland, as well as in excess of \$1 million on upgrades to the Yule River bore field. I think that is a comprehensive suite of projects that will finish off our work in the Pilbara. In excess of \$500 million was spent over five years on water and wastewater assets to improve circumstances in the Pilbara.

**Mr B.J. GRYLLES:** This question might be another one for the minister’s adviser to answer. Karratha was to undergo a wastewater re-use project in which wastewater would be being pumped onto sporting fields. Karratha has a very hot climate and it is difficult to maintain parks and gardens there, but the community is looking outstanding. That wastewater project will mean a lot to the local community, which is trying to keep their fields green. Can I get an update on that project?

**Mr A.I. Vincent:** Major treatment plant upgrades have been completed in Karratha and Port Hedland, and that has enabled the expansion of the re-use scheme in Karratha. An amount of \$7 million has been allocated this year to extend the major supply main in Karratha, which will enhance the ability to move high-quality treated wastewater for re-use on parks and ovals.

**Mr C.J. TALLENTIRE:** I refer to page 767, under the heading “Works in Progress”, and ask about sewerage pumping station failures. What monitoring does the Water Corporation carry out on faecal coliform levels in the Swan and Canning Rivers when occasional sewerage pumping station failures result in a spill into the Swan and Canning Rivers?

**Mr P.D. Moore:** In the unfortunate circumstance of a spill into the rivers, we work with the Department of Environment Regulation and the Department of Health to undertake monitoring that is determined in cooperation with those three groups over, normally, one, two or three days depending on the time of the year and the flow rate in the river. It is the Department of Health that ultimately indicates its comfort with the status of the river and determines when reopening occurs. Samples are taken and, as I say, we sit down with both those organisations to agree on a sampling regime to take the samples, and the Department of Health will then review the outcomes and determine when it is safe for humans to go back into the river.

**Mr C.J. TALLENTIRE:** I seek clarification on that answer. Does the department carry out ongoing monitoring of bacterial levels in the Swan River whether or not there has been a spill in the past few days?

**Mr P.D. Moore:** We do not monitor rivers as a general event. We only monitor them if there has been a spill and, as I say, up until the time that it is handed back to the community. Monitoring the river and its overall health is not a role of the corporation; it is the role of the Swan River Trust and others.

**Mr C.J. TALLENTIRE:** I have seen comments by Professor Imberger on this matter that suggest that there is ongoing monitoring of the river, but he was not clear which agency was responsible. If it is not the responsibility of the Water Corporation, which agency might it be?

**Mr D.T. REDMAN:** It is the Swan River Trust, is it not?

**Mr C.J. TALLENTIRE:** This bacteria is specifically related to sewage, and that is why it was reasonable to think that the Water Corporation would do the monitoring.

**Mr P.D. Moore:** I can only say that it is not the Water Corporation that does that monitoring. Either the Swan River Trust or the Department of Water could do it, but I do not know specifically which does.

**The CHAIRMAN:** I remind members that at 8.30 pm we have to put this appropriation because this division is off budget.

**Mr D.J. KELLY:** I refer to the heading “Asset Investment Program” on page 766. The minister has indicated that one of the drivers for the reduction in the asset reduction program has been the decline in per capita water usage. Is he able to say how much has been spent each year on the Fresh Water Thinking campaign since its inception? If the advisers do not have the figures, can they be provided as supplementary information?

**Mrs S. Murphy:** Can I ask a clarifying question? Does the member for Bassendean mean the development of the campaign or the actual cost of running an ad?

**Mr D.J. KELLY:** I am asking about the total cost of the campaign, which would include the cost of consultants that have helped with it, the staff time that has gone into it, the tweets and whatever—the total cost of the campaign for each year since its inception.

**Mrs S. Murphy:** We can advise the member what we spend on our demand management advertising in general—whether it is that specific campaign—because at any point in time we may have other water demand management campaigns running. They are usually run under the Fresh Water Thinking banner, but there may be other campaigns. We can give the member what we spend on those campaigns.

**Mr D.J. KELLY:** Previously I have asked and been supplied with a figure for the Fresh Water Thinking campaign, so as best as the corporation can.

**Mr D.T. REDMAN:** By way of supplementary information, the Water Corporation will provide the full cost of the Fresh Water Thinking campaign as a component of the demand management campaign since its inception.

**Mr D.J. KELLY:** That is for each year since its inception.

**Mr D.T. REDMAN:** I am assuming that means the financial years, which takes us to the 2013–14 financial year.

**Mr D.J. KELLY:** Including this year to date.

**Mr D.T. REDMAN:** So it includes from inception to this year to date.

[*Supplementary Information No B50.*]

**Mr D.T. REDMAN:** Do you like the campaign, member for Bassendean?

**Mr D.J. KELLY:** *Hansard* does not pick up sarcasm, so I have to be very careful about what I say. Good campaigns sometimes are irritating, can I put it that way.

I refer to demand management. The most recent report by the Bureau of Meteorology shows that household water usage in Perth and in a number of regional centres in the south west has gone up after many years of —

**Mr D.T. REDMAN:** Is the member saying that the Bureau of Meteorology is giving that?

**Mr D.J. KELLY:** That is right. How concerned is the Water Corporation about the increase in household water usage, and is there a response from the Water Corporation to turn that around again?

**Mr D.T. REDMAN:** I ask the CEO to respond.

**Mrs S. Murphy:** This is for the 2013–14 year. The national benchmarking numbers used to come through the National Water Commission, but it is now under the jurisdiction of the Bureau of Meteorology. The figures show that if we divide the 2013–14 water usage by the number of connections, it had gone up by one or two per cent. If we divide by the population at the time, it had gone down by the same amount. We work on per capita water use not per connection water use, so our numbers say that in 2012–13 it was 132 kilolitres per person per year, and in 2013–14 it was 131 kilolitres. Whichever way we cut it, it is probably about the same. It probably means that in that year it did not change much. In this year to date our water saving looks quite good. It was not as hot a summer as in some years and we got some early rain, so at the moment we are on track to come in lower. Even at that level, when we did Water Forever a few ago in 2009, we had a demand management trajectory that was so far ahead that that is one of the contributing factors for our ability to defer capital. We are pleased with the response from the community and the fact that it is continuing. Demand management is like a war of attrition. We cannot stop and we have to change the story and messaging, and annoying as they are, ads with beautiful orbs or buckets or people yelling slogans, or whatever they are, need to be freshened up and changed.

**Mr D.T. REDMAN:** It is fantastic to support such a very effective campaign.

[8.20 pm]

**Mr D.J. KELLY:** I am pleased that the chief executive officer has said that it is a war of attrition that we can never really let up on—it is a very serious question. The government is now talking as though it is a fact that it has droughtproofed Perth. Is that not sending completely the wrong message to the population when we are trying to constantly encourage people to use less water? Does the Water Corporation believe that we have in fact droughtproofed Perth, and even if it thinks that that is a fact, is that a good message to be sending to the public?

Mr Dave Kelly; Mr Terry Redman; Ms Rita Saffioti; Mr Chris Tallentire; [7.50 Pm]; Mr Chris Hatton;  
Chairman; Mr Brendon Grylls

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It says to people that the war has been won so we can go back to wasting water the way we used to. There are two parts to that question.

**Mr D.T. REDMAN:** I can understand the tenet of the question and the message that the member might think sits around it, but the notion of making a statement about droughtproofing Perth is around having climate-independent sources of water and the level of reliance on those sources. Even under the member's government, a decision was made to have a desalination plant that produced 45 gegalitres of water. I remember the discussion at the time; I was in the south west trying to win a seat and the alternative was pumping water out of the Yarragadee aquifer, which was a big concern, I am sure, for the member for Gosnells. My point is that that first desalination plant effectively put a significant amount of climate-independent water into the water supply scheme. We now have a second desalination plant—the southern seawater desalination plant—and we are moving towards making fairly significant investments into groundwater replenishment, which all add to a significant proportion of water and the capacity to be climate independent. That is the principle around which we make the notion of droughtproofing Perth, which goes along with some fairly high costs. As the member well knows, the chief source of water comes out of our dams. The level of runoff contributing to that source is getting less, so dams are not the reliable sources of water they once used to be. Having these climate-independent sources is the right move and we are getting security in diversity—a previous statement said something like that. I can understand why the Minister for Water makes that statement and I support it.

**Mr D.J. KELLY:** I take it that the minister is saying that the Water Corporation is of the view that it has droughtproofed Perth; if that is the case, is that the right message to send to the public? I believe that sends the message that the war is over and people can go back to turning on their sprinklers whenever they like.

**Mr D.T. REDMAN:** I do not think that anyone for a second thinks the war is over and no-one certainly wants people to change behaviours from having an efficient use of water. That is the message that the Water Corporation has put out with its domain management work and advertising campaign. In terms of government decision-making around investing into climate-independent sources of water, it is appropriate to give some confidence to people that when they turn on their tap that water will come out. There are two sides to this argument. We do not want those heavy-handed approaches to water restrictions being used every other year whereby people have to wash their car with only a bucket of water. We want a secure source of water so we have invested in those decisions and that is where the comment around droughtproofing our supplies comes from. It certainly does not send a conflicting message. People are smarter than that; they understand why we invest in those climate-independent resources but they also understand that it is a very precious resource. In fact the very campaign that the member does not like, the Water Forever campaign, is premised on people's closeness to the importance of water.

**Mr C.D. HATTON:** I refer to the sixth dot point on page 756, which refers to the Water Online project. From the little I know about it, it deals with information technology improvement progressing into 2016 and refers to the portal becoming fully operational next year, but there is actually movement into it —

**Mr D.T. REDMAN:** I think that is the wrong division member.

**Mr C.D. HATTON:** My apologies.

**Ms R. SAFFIOTI:** My question relates to the forecast increase in charges for the Water Corporation over the next four years. I understand that the forecast increase on water charges is six per cent per annum. What is the impact on the cash flow from Treasury to the Water Corporation if that six per cent is not achieved?

**Mr D.T. REDMAN:** Can the member just repeat the last question please?

**Ms R. SAFFIOTI:** As we know Treasury —

**Mr D.T. REDMAN:** It was four per cent this year —

**Ms R. SAFFIOTI:** And six per cent in the forward estimates, and provides an operating subsidy to the Water Corporation that is a cost differential between full cost recovery and the charges that are set and also other community service obligations. If a six per cent charge is not levied, what is the impact on the amount required by Treasury to ensure the Water Corporation bottom line is not impacted? I can take the answer by way of supplementary information.

**Mrs S. Murphy:** It would not be calculated quite like that.

**Mr R.M. Hughes:** It depends on the detail of the question. Operating subsidies comprise a number of elements: pensioner concessions, infill sewerage and country losses. Is the member referring to country losses?

**Ms R. SAFFIOTI:** And metropolitan losses as well.

**Mr R.M. Hughes:** The operating subsidies do not apply to metropolitan operations.

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE B — Wednesday, 10 June 2015]

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Mr Dave Kelly; Mr Terry Redman; Ms Rita Saffioti; Mr Chris Tallentire; [7.50 Pm]; Mr Chris Hatton; Chairman; Mr Brendon Grylls

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**Ms R. SAFFIOTI:** If six per cent is not achieved, is there any impact on consolidated funds?

**Mr R.M. Hughes:** Yes, but not through the operating subsidies.

**Ms R. SAFFIOTI:** Through dividends and tax equivalents?

**Mr R.M. Hughes:** Absolutely.

**Ms R. SAFFIOTI:** Does the Water Corporation have any estimates in relation to those?

**Mr D.T. REDMAN:** Presently we have a 4.5 per cent increase in water prices for the 2015–16 financial year, and a six per cent increase after. The member is asking about the impact of not having a six per cent increase but she needs to put up an alternative amount. Is the member asking what the impact would be if it was 4.5 per cent in all the forward estimates? I am sure that is a question that could be put on notice.

**Ms R. SAFFIOTI:** Could we have it answered by way of supplementary information?

**Mr D.T. REDMAN:** The member is asking us to do a modelling exercise.

**Ms R. SAFFIOTI:** Does the minister have a sensitivity analysis on what impact a one per cent change in forecast charge would have on dividends and taxation equivalent regimes?

**Mr D.T. REDMAN:** I would like the member to put that question on notice, Mr Chairman.

**The CHAIRMAN:** So this is not supplementary information?

**Mr D.T. REDMAN:** No, it is a question on notice.

**The CHAIRMAN:** We know exactly what we are doing then.

**Ms R. SAFFIOTI:** I would like it to be supplementary information.

**The CHAIRMAN:** It is the minister's choice on how he provides that information.

**Mr D.J. KELLY:** I have previously put a similar question on notice to the Minister for Water and she refused to answer it —

**Mr D.T. REDMAN:** I am asking the member to put the question on notice. I will let the minister make a judgement on how she responds.

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

*Meeting suspended from 8.28 to 8.35 pm*