

Chair; Mr Terry Redman; Mr Dave Kelly; Dr D.J. Honey; Mr Dean Nalder; Mr Vincent Catania; Mr Matthew Hughes

Division 39: Water and Environmental Regulation—Services 1 to 3, Water, \$87 166 000 —

Ms M.M. Quirk, Chair.

Mr D.J. Kelly, Minister for Water.

Mr M. Rowe, Director General.

Mr G.R. Gilbert, Executive Director, Corporate Services.

Mr P. Brown, Executive Director, Science and Planning.

Ms S. McEvoy, Executive Director, Strategic Policy and Programs.

Mr R. Newman, Acting Executive Director, Regulatory Services, Water.

Ms J. Sheppard, Principal Policy Adviser.

Ms P. Pedelty, Senior Policy Adviser.

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

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Warren–Blackwood.

Mr D.T. REDMAN: I refer to page 552 of budget paper No 2 and the third dot point, which refers to the department implementing a new fee structure for the assessment of applications for water licences. Could the minister outline the extent of that fee structure and whether it includes farm dams, surface water users and private bores?

Mr D.J. KELLY: The only fees that have been introduced in this budget are for water licences and permits relating to mining and public water supply users. In this budget, they are the only new fees that have been introduced.

Mr D.T. REDMAN: The minister may recall that in 2007 or 2008, then Minister for Water Resources Kobelke introduced some water charges for surface water users at the same time as he implemented some water reforms. The minister said in his response just now that that is not in this budget, but is it his intention to consider those as options?

Mr D.J. KELLY: I have said publicly that I am happy to talk to industries about whether licences should apply elsewhere, but I think the two examples the member gave were farm dams and private bores in Perth. Does the member mean bores in the metropolitan area?

Mr D.T. REDMAN: Yes.

Mr D.J. KELLY: No, we are not looking at licences for private bores or for farm dams.

Mr D.T. REDMAN: I assume that the minister is prepared to under-recover on those, because I assume that the licence cost arrangements right now actually under-recover for the cost of processing those licences.

Mr D.J. KELLY: Currently, we do not charge for those licences and metropolitan bores are not licensed.

Mr D.T. REDMAN: It is a broader question that goes to other licences. At the time, then Minister Kobelke tried to bring in a fee structure for surface water users, and I am trying to understand whether it is the intention of the government to do the same.

Mr D.J. KELLY: I am not looking at anything that then Minister Kobelke did. It is a clean slate. Public water suppliers and mining are in this budget and that is all. We have no intention to introduce licences for private domestic bores—residential bores. Likewise, farm dams are not being considered.

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Dr D.J. HONEY: Is it possible to have some idea of the magnitude of those fee increases or a list of those fee increases? I did not see those in the budget papers.

Mr D.J. KELLY: The fees will apply to public water suppliers and mining. There will be a new 5C licence assessment fee, obviously a renewal of that licence fee, a trade transfers or agreements application fee, an amendment to a 5C licence fee, a construct and alter well licence fee and a permit for bed and banks assessment fee. They are the six level fees that we are looking at.

Dr D.J. HONEY: Will this be over-recovery or will this simply recover the costs?

Mr D.J. KELLY: This is cost recovery. The member would appreciate—well, he may not appreciate—that we currently spend almost \$25 million on the licence system and currently we do not recover any of it. It is all paid for—I think the member will be familiar with some of the people—by the mums and dads of Western Australia through other fees and revenue that the government collects. Currently, the big miners, the gold miners and the very profitable lithium miners, do not pay anything—absolutely nothing. In the current circumstances, I think most people would say that asking those miners to pay their way when it comes to a water licence is a very reasonable thing to do. If they do not pay, it is the mums and dads or the households or the big families or the struggling residents of Cottesloe who have to pick up the tab. We are asking those two industries—public water suppliers and mining—to pay their way on a cost-recovery basis.

Mr D.C. NALDER: I can see the dot point that refers to the fee structure. How much revenue will it bring in? I tried to find the revenue stream associated with that dot point and the fee structure.

Mr D.J. KELLY: It is \$770 000 annually.

Mr D.C. NALDER: That is not a big deal in the relative scheme of things.

Mr D.J. KELLY: One of the reasons the previous government got into trouble was that it did not think amounts of money were significant, and \$770 000 —

Mr D.C. NALDER: Now you're politicising it, minister.

Mr D.J. KELLY: Hang on; I'm answering your question.

Mr D.C. NALDER: Don't politicise it!

The CHAIR: Member, you asked a question. Listen to the answer.

Mr D.J. KELLY: Don't politicise it.

Mr D.C. NALDER: That's what you're doing.

Mr D.J. KELLY: I am answering the member's question. That \$770 000 annually across the forward estimates is a couple of million bucks.

Mr D.C. NALDER: Further to that question —

Mr D.J. KELLY: No, I have not finished my answer yet.

The CHAIR: The minister has not finished his answer.

Mr D.J. KELLY: It is not correct to say that this is an insignificant amount of money. I would not want the member to think that opposing these changes is inconsequential, if that is what the Liberal Party was minded to do. In our view, every dollar counts, and it is perfectly reasonable that in these economic circumstances, miners be asked to pay their way. It all adds up.

[7.10 pm]

Mr D.C. NALDER: That is \$770 000 out of what total budget for the Water Corporation?

Mr D.J. KELLY: It does not go the Water Corporation, it goes to the department.

Mr D.C. NALDER: No, I asked a specific question. What is the total budget for Water Corp?

Mr D.J. KELLY: We are not dealing with the Water Corporation; we are dealing with the department of water.

Mr D.C. NALDER: I know that, but in the scheme of things, \$770 000 out of what is generated from water?

Mr D.J. KELLY: Water is a big industry in Western Australia, but in the budget, \$770 000 is a significant amount of money. Over the forward estimates it is \$2 million.

Mr V.A. CATANIA: The minister said that mining companies are profitable and do not pay water licensing fees. Is that what the minister is saying?

Mr D.J. KELLY: That is right.

Mr V.A. CATANIA: The minister is saying all goldminers do not pay a licensing fee; is that right?

Mr D.J. KELLY: We do not currently charge anyone licensing fees for water licences.

Mr V.A. CATANIA: In the mining industry, full stop?

Mr D.J. KELLY: Anyone. There is currently no recovery for licence fees in the system.

Mr V.A. CATANIA: Do they pay for water and what they use?

Mr D.J. KELLY: No, they do not pay for water.

Mr V.A. CATANIA: They do not pay? I think that they do.

Mr D.J. KELLY: If companies are purchasing scheme water from the Water Corporation, then they pay, but if they are self-supplying, they do not pay. They only pay if they are purchasing water.

Mr V.A. CATANIA: When it comes to companies such as Rio Tinto and BHP, under their state agreement they did not have to pay for their water; it was part of their state agreement. My understanding is that now they pay a commercial rate for the water that they produce.

Mr D.J. KELLY: As I said before, if they are purchasing water from the Water Corporation, they pay, but this fee structure is in relation to self-supply, in which case they do not pay.

Mr D.T. REDMAN: I refer the minister to the sixth dot point on page 552. It refers to the department's support of the reform agenda and to a water resources management bill. Can the minister outline the timing of that and his strategies for consultation with various industry groups? It is quite a touchy point, as I am sure the minister knows.

Mr D.J. KELLY: The water resources management bill has a long history. The member would be aware that the previous government announced that it was committed to it. The previous government started drafting it but it never appeared in Parliament. Since we got into government we have revisited that issue. The water resources reform reference group is still in place; that group has continued to meet and the department interacts with the group. I have been to two of those meetings to try to tease out some of the outstanding issues. As a government we are still considering how we might progress that bill. We have not yet made a decision on that. There are some compelling reasons to do it: the legislation is 100 years old, there are six bits of it and it is all a bit complicated. If we want to do things such as groundwater replenishment, which was not really thought of 100 years ago, there are some compelling reasons to progress the bill. I am aware that previous governments have committed to it and then those best endeavours have produced nothing. I want to be clear about what the sticking points are so that if we are in a position to bring something to Parliament, it will go somewhere this time.

Mr D.T. REDMAN: Are the members of the reference group public? Is that on the website? If it is not public, will the minister provide the names of the members on that reference group?

Mr D.J. KELLY: It is largely the same groups who were represented under the previous government. It is no secret.

Dr D.J. HONEY: I refer to the "Spending Changes" table on page 552 of budget paper No 2, volume 2, and also the same topic in table 1 on page 171 of budget paper No 3. We can see a progressive phasing out of the Water for Food program. What was being phased out? Was something being completed in that program or is that program being phased out all together?

Mr D.J. KELLY: The previous government made some very substantial commitments to that program. I think it may have been removed in the previous budget. The responsibility for that program has now been moved to the Minister for Agriculture and Food. In the previous government it was the responsibility of the Minister for Water. When we came into government, we thought it was a little odd that there was a Water for Food program, which is primarily about promoting agriculture, but it was overseen by the Ministers for Water and Regional Development.

Mr D.T. REDMAN: And proving up water resources, which is the Department of Water and Environmental Regulation.

The CHAIR: Member!

Mr D.J. KELLY: I suspect the reason it was structured like that is that the agriculture minister was a member of the Liberal Party and it was really a National Party program. When we came into government, we thought that it was primarily a food program and, from a portfolio point of view, it should be overseen and governed by the Minister for Agriculture and Food. What is left in that Water for Food program has largely gone over to DPIRD, which used to be the Department of Agriculture and Food. Some funding remains with this department, I think there is \$4.7 million in 2017–18, to finalise some groundwater investigation programs and related project work, but that program is now primarily the responsibility of the Minister for Agriculture and Food.

Dr D.J. HONEY: I have a further question.

The CHAIR: There is a further question from the member for Cottesloe, but, before we do that, I counsel the minister not to use acronyms for the assistance of Hansard.

Mr D.J. KELLY: Okay.

Dr D.J. HONEY: Is the minister aware whether any other programs are currently slated to replace that program, or is he unaware of that at this stage?

Mr D.J. KELLY: No, the Water for Food program was a program funded by royalties for regions. Much of it was announced in the 12 months prior to the election. Personally, I think the National Party was finding it hard to spend the money that it had, so it made commitments in a range of areas including Water for Food. It was a royalties for regions program. We are continuing some worthwhile parts of it, but it is now the responsibility of the Minister for Agriculture and Food.

Mr M. HUGHES: I refer to the line item “Employee benefits” on page 564 of budget paper No 2. How many staff members does the minister expect to convert from temporary contracts through agencies to employment within the Department of Water and Environmental Regulation?

Mr D.J. KELLY: I thank the member for Kalamunda for that question. One of the issues that we discovered in the Department of Water when we came into government was the very large number of staff who were employed not just on temporary contracts but on temporary contracts through agencies or labour hire firms. These were staff basically working for all intents and purposes on departmental projects, but instead of being employed by the department, they were employed by an external agency. To me, that seemed to be very unsatisfactory for a range of reasons. One is that it is not good for staff morale to have departmental people sitting next to people employed by a labour hire firm. It is not good for making everybody feel they are on the same team and working in the same direction. It is also more expensive to have people employed through a labour hire agency, because the agency takes a cut.

[7.20 pm]

Mr M. HUGHES: Is it limited to only the minister’s agency?

Mr D.J. KELLY: There are issues across government. This previous government was wont to fill the pockets of labour hire firms. I can happily say that as part of this budget process, we have permission to adjust the agency’s salaries spending limit to allow 23 people who are employed through a labour hire firm—two from 1 July—to be transferred over to become employees of the department. They will be employed on temporary contracts because they are funded for specific projects. I do not have a problem with people being employed on temporary contracts if it is for a specific project with a specific amount of funding. They will be employed on temporary contracts with the department, rather than with labour hire firms, which is better for teambuilding and everybody sort of rowing in the same direction, and it will save us money.

Mr M. HUGHES: That is good news.

Mr V.A. CATANIA: I refer to page 555 of budget paper No 2, volume 2. Note 1 under “Explanation of Significant Movements” states in part —

... the draft Gascoyne Master Plan project is unlikely to be finalised during 2017–18. The decrease between the 2017–18 Estimated Actual and the 2018–19 Budget Target is due to the resetting of the list of priority areas at the start of the 2018–19 financial year ...

Can the minister please explain why he is re-prioritising those funds to other projects? He says that there are 14 new priority areas. I want to know why the Water for Food Gascoyne master plan and the Gascoyne is not a priority area for the Labor government.

Mr D.J. KELLY: We are very committed to assisting the producers in the Gascoyne to maximise their production. The Minister for Agriculture and Food has been working very hard to work out some issues with that scheme. We are not winding back our commitment to improving production in that area. There have been some governance issues with the Carnarvon scheme for a considerable time. We are working through those.

Mr V.A. CATANIA: Does the minister know what it is called?

Mr D.J. KELLY: It is called the Gascoyne Water Co-operative. We are working through those issues, as the previous government did. It had some considerable difficulties. That item goes beyond the issues in Carnarvon. I will ask Mike Rowe to talk about the new priorities referred to in that paragraph.

Mr M. Rowe: From time to time, we re-prioritise the areas that the department will be focusing on in water supply planning and similar initiatives. The decrease to 43 per cent in the 2018–19 budget is a reflection of that. It does

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not mean that we are not focusing on important areas or that we are not doing considerable work. It means that we have completed a lot of the work that we previously set ourselves for the preceding years and now we are commencing work in new areas across the state. The reduction reflects that as a proportion. By way of example, in 2018–19 we are aiming to finalise the phase 3 feasibility study of water supply solutions for irrigation expansion in the Ord; finalise water options for intensive agricultural use in north Wanneroo; undertake an evaluation of water supply options for Perth's north-east corridor; finalise the WA water supply and demand outlook for agriculture to 2050; undertake an evaluation of water supply options for Perth's north-east corridor; evaluate water supply options for green spaces in the Quinns Rock area in metropolitan Perth; focus on the publication of Perth and Peel@3.5 million, looking to project outlooks and strategies for water going forward, as well as undertake an evaluation of non-potable water supply options for Wanju and Waterloo around Bunbury; and complete the WA water supply and demand outlook for mining to 2050. That is a sample of the sorts of things we anticipate completing in that financial year.

Mr V.A. CATANIA: Since the minister is now saying that the Gascoyne master plan is not part of the department's 14 new priority areas, when will the master plan be finalised? The minister is probably not aware, but in that master plan is a single bulk water supply for the Gascoyne horticultural area. Can the minister update us on that? The previous government announced that the single bulk water supply would be the Gascoyne Water Co-operative. Has that changed in the minister's eyes now?

The CHAIR: Member, you are up to three questions.

Mr V.A. CATANIA: When will it be finalised?

The CHAIR: That is four.

Mr D.J. KELLY: As I said, there have been a number of governance issues with the Gascoyne Water Co-operative over a considerable time and the member would be well aware of those. It received a grant of taxpayers' money to improve that governance, and the member would be aware of that. I would like to be assured that those governance issues have been resolved, not only in the short term, but also in the long term. It is an important operation in Carnarvon. We would like to see that those governance issues have been resolved and that the cooperative has a good track record in functioning. The director general might be able to give us more of an update on where that is up to, but that is a crucial issue. The previous government's proposal, as the member would be aware, was to transfer assets to the cooperative. Before we would do that, we would want to be very certain that those governance issues have been resolved. That is an issue and it continues to be an issue.

Mr V.A. CATANIA: Where is it up to? Has it been resolved?

Mr D.J. KELLY: As I said, I will ask the director general to give us an update.

Mr M. Rowe: We meet reasonably frequently with the Gascoyne Water Co-operative. It is operating underneath a financial agreement that is looking to see the governance improve. That is now managed by the Department of Primary Industries and Regional Development as part of the change in machinery-of-government arrangements, notwithstanding both agencies engage with the cooperative. The cooperative is thinking hard about its future and what it would like to see for the Gascoyne Water Co-operative. Its work, together with work that the government continues to do to look at options about the future of water supply delivery and governance arrangements for the Gascoyne area, will ultimately inform advice to government about what it will do about the future of the ownership arrangements of the assets in that area. In short, the government is yet to make a decision on a future single entity for the Gascoyne Water Co-operative.

Mr V.A. CATANIA: Is there an end date for when the government will make a decision, to provide certainty moving forward?

Mr D.J. KELLY: At this stage, it is a question of working that out with the cooperative and coming to a position. No, I cannot tell the member that it will be done by this Friday. No, we are not in a position to do that. It is a serious issue, as the member would understand, and the previous government was going to give a substantial sum of assets to the cooperative.

Mr V.A. CATANIA: That was so long as it met the requirements that were put in front of it by the Department of Water and Environmental Regulation.

[7.30 pm]

Mr D.J. KELLY: Yes. In our view, they need to have a track record of good performance before those issues can be resolved.

Mr D.T. REDMAN: I refer to the table "Details of Controlled Grants and Subsidies" at the bottom of page 564. I draw the minister's attention to two of those in particular, the "Rural Water Grants", the funding to which I notice

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he has cut quite significantly and “Water in WA”. I note that although the “Water in WA” funds come to an end in 2019–20, they are not referred to in the spending changes. I assume therefore it is royalties for regions money that is coming to an end as an initiative. I am interested in why \$2 million has been spent for the 2018–19 year, which is significant compared with what was spent the previous years. Can the minister clarify the impact those reduced rural water grants are likely to have on a number of people who receive support for water resource security?

Mr D.J. KELLY: There are a number of parts to the rural water grants program. The community water grants will still be available up to \$100 000.

Mr D.T. REDMAN: Six communities will get them.

Mr D.J. KELLY: That is comparable to what was previously budgeted. Communities that want to put in an application for a community water grant can get up to \$ 100 000. That will not change. We think that helping communities to improve their community water supply is a good thing. Making water available in drought-declared areas will not change. The only part of the program that will change is the grants that were available essentially to farmers and pastoralists. The member will probably be aware that the program originally gave people up to \$750 to do an audit on their property. Once the audit was done, they could come back and get a grant—farmers, I think, up to \$15 000 and pastoralists up to \$20 000—50 per cent up to that amount. As the member will be aware, that program in various forms has been around for 20 years. It was brought in to try to improve community understanding of the need for farmers and pastoralists to be water resilient. That message is well and truly out there. The question in the government’s mind is: do we really need to continue to subsidise private businesses to improve their water? The decision we came to was that we would still subsidise the audit component of the program. In fact, we will increase the maximum amount in the audit component from \$750 to \$1 000. People who want to do something on their pastoral lease or property but want to get some professional advice about what they should do, can still get an audit done and get up to 50 per cent to a maximum of \$1 000. We will lead the horse to water but once that audit is done and they can see what the water improvements could be, we think it is then up to them to make a decision in the best interests of their business about whether it is viable. The state continuing to subsidise those private enterprises after 20 years is probably no longer required. In the way that we introduced subsidies for solar power, washing machines or whatever, we would not do that forever, we do that to get the message out to people. With the behaviour change, once the message is out there, we can wind it back. After 20 years, rural communities well know the benefits of being water resilient and that is why, in these circumstances we have not wound back the audit; but the actual grant.

Mr D.T. REDMAN: To clarify, the farm water grants component is gone altogether and of the nearly \$700 000 that is budgeted for in the out years, it is only for community water grants and drought-related grants.

Mr D.J. KELLY: And for audits. The components of the program, as I said, are for community benefit—community water supply and drought relief funding is still there. Private farms and pastoralists can still get an audit. In fact, they can get more, but once they have that audit or professional advice, it is up to them. Some people in rural areas have said, “It’s great you are subsidising farmers for their water supply for a new rainwater tank or whatever; I’m a small business in a regional town; I’d like a subsidy for a new ute. Why isn’t the government subsidising my new ute?” There is the view that after 20 years, the benefit of continuing to subsidise private businesses to improve their water supply is marginal.

Mr D.T. REDMAN: The other part of my first question was: has the Watering WA component come to an end? It did not show up in the spending changes, so I assume it is a project that has come to an end. There are fairly significant resources budgeted for 2018–19. Can the minister clarify what that is directed at?

Mr D.J. KELLY: They were decisions made largely in the last budget. In 2018–19, eight community projects had been approved under the Watering WA Towns initiative. We are honouring all of them. They will be delivered for people who have had their projects approved. That is why that money is allocated in 2018–19. I remind the member that we were saddled with \$40 billion worth of debt by the previous government, so it is necessary. It is difficult for members opposites to understand, but in the budgetary circumstances that they left us, in this area we have honoured all the projects from that Watering WA Towns initiative.

Mr D.T. REDMAN: It is really difficult for the minister to understand regional Western Australia. You really need to get out.

Mr D.J. KELLY: We have honoured all those projects. The community watering projects out of the rural water grants will still be in place. I hope that when the member is talking to people about these projects, he is honest about his responsibility for some of the spending changes that have had to be made by this government in getting the state’s finances back on track.

Mr D.T. REDMAN: Power cuts!

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Mr D.J. KELLY: That is right; things are that desperate.

Dr D.J. HONEY: I refer to the fifth dot point on page 552 of budget paper No 2. It is the third dot point from the bottom. The last paragraph refers to a ground resources management plan. In relation to the Gngangara portion of that plan that is mentioned, do we expect a reduction in the water use allocation for that area?

Mr D.J. KELLY: The member may not be aware that the impact of climate change on the south west of Western Australia has been quite dramatic, despite the previous government's claims that it droughtproofed Perth, which has to be one of the worst bits of messaging on water from a government in the last 20 years.

Mr D.C. NALDER: You are grandstanding again. Unbelievable!

Mr D.J. KELLY: The member for Bateman was part of that government.

The CHAIR: Member for Bateman!

Mr D.J. KELLY: It was the previous —

Mr D.C. NALDER: I think you would be very careful because we know what you are doing to the City of Perth.

The CHAIR: Member for Bateman, listen to the minister. If you are not able to do that, you might like to leave.

[7.40 pm]

Mr D.J. KELLY: The previous water minister, now the Leader of the National Party, claimed that she had droughtproofed Perth. I thought that was just a bit of Nationals WA folly.

Mr D.T. REDMAN: Is water still coming out of the taps?

Mr D.J. KELLY: That is great! The member for Warren–Blackwood just said is water still coming out of the taps. That is the level of sophistication of the previous government—is water still coming out of the taps!

Several members interjected.

The CHAIR: Excuse me, members!

Mr D.J. KELLY: The previous government claimed that water was still coming out of the taps; therefore, it had droughtproofed Perth. I thought that was a bit of National Party folly, but the Leader of the Opposition, the former Treasurer, repeated that claim in one of his speeches on the budget and said that the former government had droughtproofed Perth. As the new government, we understand that climate change —

Mr D.T. REDMAN: Security through diversity; the minister knows the mantra.

Mr D.J. KELLY: — is an issue we must continue to deal with. Part of dealing with that issue is having an honest conversation with the community of Western Australia about our water supplies. Our water supplies are absolutely well managed, and with proper management we will continue to have secure water supplies and pleasant and green environments in which to live in our towns and cities. One key issue is the Gngangara Mound —

Several members interjected.

The CHAIR: Members, if you do not desist, your name will be taken off the list and put down the bottom.

Mr D.J. KELLY: One key issue is water supply from the Gngangara Mound. When the rain stopped and we moved from relying on dam water to relying on groundwater, the Gngangara Mound became a key source of water. It is well understood that it is unsustainable to continue taking water from the Gngangara Mound at the current rate. It is time the water allocation plan was looked at. As part of that we need to look at a range of things, including the land use on the Gngangara Mound. The change of land use from native bush or pine plantations to urban infill has an effect on the amount of water that is taken from the mound. We need to deal with a whole lot of issues and, hopefully, one outcome will be that we can draw less from the mound. Because the water is drawn from a range of sources, we think that that can be done sustainably and it will not have a significant impact on people's lifestyles or businesses. The department is having long discussions with stakeholders about how that will be done, but no firm decision has been made. It is something we need to address and I think most people accept that.

Dr D.J. HONEY: Minister, based on that conversation, can we anticipate that pending reductions will have an impact on commercial operators?

Mr D.J. KELLY: As I said, no firm decisions have been made, but the department has talked to a range of commercial growers about a more water-efficient future. No decisions have been made. The member can run a fear campaign all he likes, but most people understand that if we are to take from the Gngangara Mound sustainably, it will have to be managed better. I want the businesses of commercial users who currently take water from that mound to grow and flourish, but that needs to be done in a more sustainable water sense. People understand that. By

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talking to the department, they can grow their businesses and be water wise at the same time. There are plenty of places around the world where this happens. People talk about Israel—I have never been there—as an economy that produces incredible amounts of food with much less water than we do. There are plenty of examples around the world in which commercial growers are given the knowledge and they flourish. I like the idea of food being produced close to the city. It is part of my view of a modern city—a green, pleasant city that has its food sources close to the city. We are committed to enabling commercial users to continue to operate close to the city, but we must encourage people to be more water efficient.

Dr D.J. HONEY: The minister mentioned Israel, which reuses about 90 per cent of its domestic water.

The CHAIR: And it siphons off water from the Jordan River, but we will not go into that.

Dr D.J. HONEY: That is under an agreement, Madam Chair. In relation to the level of water in the Gngangara Mound, is the minister evaluating options for infiltrating more water so it does not have to be treated to the same level as it currently is to recharge the mound? If we take the example of Israel, it appears that we have excessive water treatment and that is limiting the amount of infiltration. That is not done in most parts of the world where they are reusing that water, particularly when it is being used for agricultural purposes.

Mr D.J. KELLY: The only current groundwater replenishment—correct me if I am wrong—is done by the Water Corporation, through treated wastewater.

Dr D.J. HONEY: There is one at Kwinana and one at Gngangara.

Mr D.J. KELLY: In Kalamunda, stormwater is treated and used for public open spaces, but as far as I am aware we do not have any groundwater replenishment for agricultural purposes. It is complicated. If we are going to start groundwater replenishment for a variety of different reasons, we have to make sure we know what the aquifer is doing and where the water is going. The government is keen to consider the use of recycled water for a range of purposes. One reason for potentially new legislation is to make that a little bit easier. I am not aware of any proposals to use recycled water or groundwater replenishment for agricultural purposes at this stage.

Dr D.J. HONEY: If allocations to commercial users are reduced, will some transition payment be made like the one used for the taxi industry as it transitions away from taxi licences? Is the government considering a transition arrangement as part of this study?

Mr D.J. KELLY: No decisions of that nature have been made.

Mr D.C. NALDER: I refer the minister to the table “Service Summary” on page 554 and the second expense, “Water Planning, Allocation and Optimisation”. Would the minister explain specifically what that is and the basis for the budget appearing to blow out by over 20 per cent in the 2017–18 year? Why would the budget blow out by that amount?

Mr D.J. KELLY: I will ask the director general to explain that budget difference.

Mr M. Rowe: The member would be aware that to accommodate service summaries in budget papers, the costs of the organisation must be fully apportioned across all the various outcome and service areas. In this case, water planning, allocation and optimisation includes a combination of things, inclusive of, for example, severance payments that were made under the voluntary targeted severance scheme. It also includes some Water for Food money, which comes to an end during this financial year. It appears artificially high by comparison with the normal expenditure against that service for the following years.

[7.50 pm]

Mr D.C. NALDER: Just so I am clear, I thought the Water for Food program was all budgeted for, but the department is saying that this is blowing out because it is being wound up. Is the department suggesting that it has been brought forward. Why would it be blowing out because of the Water for Food program if it was budgeted for?

Mr M. Rowe: In the previous budget the responsibility for the Water for Food program was transferred to the Department of Primary Industries and Regional Development. However, about \$4 million—possibly slightly more—was transferred back to the Department of Water and Environmental Regulation in this budget to allow us to complete work on a number of Water for Food projects that we were responsible for. It is partly about an accounting treatment that is showing up here. It does not mean that there has been any undue reduction in the money that the former department of water was responsible for in delivering the outcomes of that Water for Food program.

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Mr D.C. NALDER: If it is an accounting treatment, there should be an appropriate credit somewhere else, I imagine. If there is a debit here, is the department able to point out where the corresponding credit is? Is it sitting in the other department? Where would I find that?

Mr G.R. Gilbert: There is no corresponding debit or credit. It is simply that in that particular budget year the impacts, as the director general said, were the voluntary severance scheme, Water for Food expenditure in that financial year that will not occur in subsequent years and also some anomalies with bringing the new department together and the attribution of the cost base to the new department. Corporate overheads are different from the three agencies that were brought together so there is a bit of an anomaly in that financial year, but it normalises further in the out years.

Mr D.C. NALDER: I want to stay on the Water for Food program so that I can chase it down and clearly understand it. I am not asking why the numbers drop off in future years, because I can see the department is budgeting for a significant reduction. I can understand that the Water for Food program has disappeared to somewhere else. But the Water for Food program was budgeted for and I am trying to understand why the estimated actual cost is \$41.7 million as opposed to a budget of \$34.37 million. We are talking about \$7 million and, according to the minister, \$750 000 is significant. I do not know what he would call a \$7 million difference, but it is far greater than significant. I am trying to understand why the cost has blown out by that much and I do not quite appreciate how the Water for Food applies, given that there is a budget item for that program and it has been transferred. I can understand why there is a reduction in future years. I am trying to understand why it has gone from \$34 million to \$41 million for this financial year.

Mr G.R. Gilbert: The Water for Food program was one aspect of that difference.

Mr D.C. NALDER: I want to understand the Water for Food program aspect specifically.

Mr M. Rowe: Under the last budget the entire funding that we had as the former agency was transferred to the Department of Primary Industries and Regional Development. Under a memorandum of understanding, it was transferred back to us by a section 26 transfer. We continued to deliver only the portion of the Water for Food program in the balance of the year. It is an accounting treatment. There is no diminution in what the department was going to deliver through the program. It was simply an artefact of the way the budget was constructed as the machinery-of-government changes took effect and the new Department of Primary Industries and Regional Development assumed responsibility for the entirety of the Water for Food program, which is worth about \$40 million. The new Department of Water and Environmental Regulation then received money back for that portion of the Water for Food program that remained the responsibility of this agency.

Mr D.C. NALDER: I must be missing something. Am I hearing that the budget was taken away but the expense continued into this year and then some of the budget came back, or something like that? Is that what I am being told? I am asking this genuinely.

Mr D.J. KELLY: I understand that and even I am trying to answer the question for the member. In last year's budget, the budget for that line item was \$34 million and a bit more.

Mr D.C. NALDER: That was for this current year. I am talking about it blowing out to \$41 million.

Mr D.J. KELLY: I understand that. It was budgeted to be \$34 million on the basis that the whole of the Water for Food program would move out of the then department of water. I think what the director general has explained is that in this budget some of that money was brought back. A sum of \$4 million came back to the department for the department to undertake some water investigation programs. Even though it was budgeted at \$34 million, all that has happened is that the money has come back to the department this year to carry out work that it was always going to do. It is not a blowout. The director general is telling me that it is an accounting treatment, but that makes me sound like I would know what an accounting treatment was. That is the reason.

Mr D.C. NALDER: I want to pursue the angle on severance payments.

The CHAIR: That is a different line item, member.

Mr D.C. NALDER: It was just mentioned in this line item that part of the variation was because of severance payments. I was coming back to that technical point. When departments are doing severances, is there not a central pot allocated to compensate the departments for the severances? Are they wearing the hit themselves? Is that how I understand what the department is saying about the costs blowing out?

Mr D.J. KELLY: No. The severance payments under the voluntary severance scheme are paid for by Treasury.

Mr D.C. NALDER: Part of the earlier explanation was severance payments. I am trying to understand why severance payments was used as part of the explanation.

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Mr G.R. Gilbert: The actual expense is higher than the budget because of those payments that were made out of that severance payment bucket. The expense was increased in that financial year because severance payments were made.

Mr D.C. NALDER: The department gets a compensating budget to match the expense from Treasury. That is how it works so it still shows up on the department's books. I am obviously looking at the past budget, which does not have that. Even though it has blown out, the department has been given a commensurate budget to support that.

Mr G.R. Gilbert: That is right.

Mr V.A. CATANIA: I refer to employee benefits under the heading "Expenses" on page 564 and footnote (b), which states —

The Full Time Equivalents for the 2016–17 Actual, 2017–18 Estimated Actual and 2018–19 Budget Estimate ...

It increases from 823 employees up to 854 respectively. The figure for employment benefits under expenses goes from the 2017–18 estimated actual of \$102.808 million and in 2020–21 it goes down to \$92.503 million.

Mr D.J. KELLY: Sorry, I have only just identified the member's references.

Mr V.A. CATANIA: Employee benefits seems to be going down at a rate of knots and the number of full-time equivalents seems to be going up. Is that simple enough for the minister?

Mr D.J. KELLY: What was that, member?

Mr V.A. CATANIA: Is that simple enough?

Mr D.J. KELLY: Sorry, I missed that.

Mr V.A. CATANIA: One is going down and one is going up.

Mr D.J. KELLY: What was that? Sorry, I misunderstood the question; that is all.

The CHAIR: Members, one at a time. Minister, we are at "Cost of Services". The member is asking about employee benefits and footnote (b) underneath that table.

[8.00 pm]

Mr D.J. KELLY: So what is the question in relation to those?

Mr V.A. CATANIA: One is going down and the other one is going up. Why is that the case? Should it not be level?

Mr D.J. KELLY: Would the director general like to answer that question?

Mr M. Rowe: The simple answer is that the bulk of the increase in the number of FTEs will be derived as a result of an increase in fees and charges from the environment portfolio. The government is also increasing fees on its regulated premises and allowing the department to retain the fees and charges to employ additional staff and to improve our online systems. That, together with, as the minister mentioned earlier, the conversion of 22 or 23 temporary agency labour hire staff to full-time contract staff, means that our FTE limit is increasing. The main reason that employee benefits are reducing yet the number of FTEs is increasing is that increasingly the proportion of the budget that we receive will come from industry as a result of an increase in fees and charges, and that will allow us to employ more staff and be more responsive and timely in our approvals processes.

Mr V.A. CATANIA: Employee benefits is decreasing over time and the number of full-time equivalents is increasing. I still do not understand how industry will benefit. What does the director general mean by "industry"? It does not make sense.

Mr D.J. KELLY: Member, I will ask the director general to explain it as simply as possible.

Mr M. Rowe: A very large proportion of the costs of the environment side of the department is already paid for by industry through fees that are charged under part V of the Environmental Protection Act. The government is increasing the fees and charges that can be recovered from industry under part V of the Environmental Protection Act and that will allow us to employ more staff.

Mr V.A. CATANIA: But the department is not employing them; is industry employing them on the department's behalf?

Extract from *Hansard*

[ASSEMBLY ESTIMATES COMMITTEE B — Thursday, 24 May 2018]

p522b-532a

Chair; Mr Terry Redman; Mr Dave Kelly; Dr D.J. Honey; Mr Dean Nalder; Mr Vincent Catania; Mr Matthew Hughes

Mr D.J. KELLY: I seek your direction, Chair. The explanation is that most of the additional employees are being employed under the environment part of the department's activities, which is not really my ministerial responsibility, so maybe the member could direct the question more appropriately elsewhere.

Mr V.A. CATANIA: I am happy to ask another minister that question.

The appropriation was recommended.