

Chairman; Mr Jeremy Edwards; Mr Eric Ripper; Mr Mick Murray; Mr John Day; Mr Brendon Grylls; Ms Jaye Radisich; Mr Rod Sweetman

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**Water Corporation -**

Mr A.D. McRae, Chairman.

Mr E.S. Ripper, Minister for Energy.

Mr G.C. Meinck, Acting Chief Executive Officer.

Mr M.J. Peacock, Chief Financial Officer.

The CHAIRMAN: This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow. Members may raise questions about matters relating to the operation of the budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is my intention to ensure that as many questions as possible are asked and answered.

The minister may agree to provide supplementary information to the committee, rather than ask that the question be put on notice for the next sitting week. For the purpose of following up the provision of this information, I ask the minister to clearly indicate to the committee which 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 committee clerk by 11 June 2004, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required on the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers and, accordingly, I ask the minister to cooperate with those requirements. 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. Only supplementary information to which the minister agrees and to which I will provide a reference number will be sought by 11 June 2004.

Mr J.P.D. EDWARDS: On page 1128 the eighth paragraph relates to \$14.5 million to be spent on upgrading wastewater treatment plants in the metropolitan and country areas. I am aware that close to 90 gegalitres of water is pumped out to sea from Beenyup and Subiaco wastewater treatment plants. I will be corrected if I am wrong. What significant differences will the upgrade of the capacity to reduce odour and omissions make? Given that people in capital cities such as London and Tokyo drink recycled water, when can Perth expect to be in the same situation and is there a comparative cost between desalination and the upgrading of wastewater for drinkable purposes?

Mr E.S. RIPPER: I will not call for a glass of recycled water. I hope the Liberal Opposition makes an election promise to have people drinking recycled water. I encourage it to proceed down that path.

Mr J.P.D. EDWARDS: It is a serious question.

Mr E.S. RIPPER: I will ask Mr Meinck to deal with the question of the progress that has been made on the reuse of water. I think that there are significant opportunities there, probably more in the industrial and parks and gardens area than in the potable water area.

Mr MEINCK: I endorse that. Significant advances have been made in wastewater treatment upgrades, bringing about the opportunity for increased reuse. Woodman Point treatment plant is an example of that. There had been a significant \$140 million upgrade over the previous two years. The outcome of that has been the Kwinana reuse scheme, which is under construction; in fact, it is at the stage of being commissioned. It will allow in the vicinity of six gegalitres of water to be used on the Kwinana strip with the opportunity of it being increased as more customers come on board. Generally the issue of water recycling is a significant focus of the Water Corporation. We have put in place a water cycle project, which the member may have heard about, which is very particularly to look at demand management and also water reuse, particularly with the focus of the 20 per cent target that is in the state water strategy. We are advancing on that. We are confident that the 20 per cent reuse target will be achieved well before 2012 in the state water strategy.

Mr J.P.D. EDWARDS: My question also related to desalination and recycled water.

Mr E.S. RIPPER: I understand the member's question to be on the cost.

Mr J.P.D. EDWARDS: With respect, as far as I know, people in the cities of London and Tokyo drink recycled water. I could be corrected, but I believe it to be the case whether the minister likes it or not. What is the cost differential between desalinated water and recycled water, and has one the advantage over the other?

Mr E.S. RIPPER: I think we need to understand from a public point of view that we would be dealing with two quite different products. I am sure that would be the public view. Nevertheless, it would be interesting to know if there is a cost difference and what the magnitude is.

Chairman; Mr Jeremy Edwards; Mr Eric Ripper; Mr Mick Murray; Mr John Day; Mr Brendon Grylls; Ms Jaye Radisich; Mr Rod Sweetman

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Mr MEINCK: It depends on how one wants to utilise the recycled water. For instance, if we used Beenyup wastewater plant in the northern suburbs and treated water to a higher grade and sent it across to the Gngara water mound, we could either deep inject or put it into the superficial wetlands. Our calculations indicate that it would be somewhat more expensive than desalination but close to it. The reason it is still expensive is that even though the salinity level is lower, the pre-treatment of wastewater is more complex. Seawater is obviously much more predictable. The work we have done indicates that it is certainly in the ballpark of desalination, but we must deal with significant social issues and other matters before we can move down that path.

Mr M.P. MURRAY: The fifth paragraph on page 1128 refers to \$23.7 million to be spent as part of the five-year program to fulfil the requirements of the 1996 drinking water guidelines set by the Department of Health and a further \$6.6 million allocated to improve aesthetic water quality in selected country towns. Could we have a list of those towns, and is Preston Beach townsite included in the list?

Mr E.S. RIPPER: I am advised that Preston Beach has been under investigation but is not yet in the program. I will ask Mr Meinck to offer more detail on when a decision might be made on Preston Beach.

Mr MEINCK: It is a difficult one. The issue with Preston Beach is the fact that we are aware that aesthetic issues are associated with the water quality. However, it is one of quite a number of towns, particularly in the coastal belt, that have water quality that is perhaps not as good as we could have elsewhere. It still satisfies all drinking water guidelines, so from a health point of view it is a satisfactory product. Before we make the move to start redeveloping many of those towns - moving towards aesthetic improvement involves significant costs - that decision needs to be further contemplated. I could not really give a date. However, we are well aware of the issue. It is against more significant aesthetic issues in, for instance, the mid west and other towns throughout country Western Australia.

[8.40 pm]

Mr J.H.D. DAY: During discussion on the Department of Treasury and Finance division, I asked questions about the dividend from the Water Corporation. Page 176 of the budget papers shows an increase in the next two years of about 10 per cent each year from the expected amount of about \$274 million in 2004-05 to \$305 million in the following year and to \$333 million in the year after that. Can we have an explanation of how that increase of about 10 per cent a year is arrived at?

The CHAIRMAN (Mr A.D. McRae): While we are waiting for the Treasurer to respond, I advise the member for Merredin that I wrote down members' names as I saw them.

Mr B.J. GRYLLS: I have no problem with that.

Ms J.A. RADISICH: Are you extending an apology, Mr Chairman?

The CHAIRMAN: No, I am not; I am making an explanation.

Mr J.H.D. DAY: Can we get confirmation that it is expected that water restrictions will be lifted in 2005-06, as we were told earlier?

Mr E.S. RIPPER: I will ask Mr Peacock to comment in a moment. For planning purposes, the Water Corporation operates on the basis of a consumer price index increase each year. Each year the Government examines the proposed increases and makes a determination on what will be the increase. Our policy is always to have a lower than CPI increase. In fact, this year we decided that, in view of the growth in the State's economy and finally getting a measure of justice from the Commonwealth Grants Commission, we would freeze household charges, including water charges.

Mr J.H.D. DAY: Would the fact that an election is due in the next 12 months have had anything to do with it?

Mr E.S. RIPPER: We have been bashed for 10 years by the member for Darling Range's mates in Canberra. Finally, they relented just a tad and we decided to pass some of it back to the community.

Mr J.H.D. DAY: We know there will be continuous increases after this year.

The CHAIRMAN: I am not sure there was a question. Members are getting a bit anxious about the time. There are 17 minutes left.

Mr J.H.D. DAY: We need an answer to the question I have asked.

Mr E.S. RIPPER: The question the member has asked is why the dividend is increasing. Is that right?

Mr J.H.D. DAY: How does the Treasurer explain a 10 per cent increase over the next two years?

Mr E.S. RIPPER: I will ask Mr Peacock to comment on that.

Mr J.H.D. DAY: Is it correct that restrictions will be lifted in 2005-06?

Chairman; Mr Jeremy Edwards; Mr Eric Ripper; Mr Mick Murray; Mr John Day; Mr Brendon Grylls; Ms Jaye Radisich; Mr Rod Sweetman

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Mr PEACOCK: That is correct. The dividend policy for the Water Corporation is consistent over the period. It is not a change in dividend policy; it is purely as a result of a growth in revenue through increased services and growth in the population, plus the general price increase on non-residential customers, which is not frozen. There is nothing abnormal or unusual about that growth in the net accruals to government and the dividend.

Mr J.H.D. DAY: And the water restrictions?

Mr PEACOCK: For budget purposes we have presumed that restrictions will be lifted in 2005-06.

Mr J.H.D. DAY: Is that realistic?

Mr E.S. RIPPER: It is a matter of judgment as we go along. At the time it might be realistic or it might not be realistic. It depends on what type of winters we have in the interim and how the community responds to requests to make the most effective use of scarce water.

Mr J.H.D. DAY: Highly doubtful I would have thought.

Mr E.S. RIPPER: It may be that restrictions continue for a long period or circumstances may change.

Mr R.N. SWEETMAN: My questions relate to the infill sewerage program. At page 1126 it is stated that the corporation will spend \$44 million in 2004-05 to continue the implementation of the infill sewerage program. I want to refer to the works that are currently under way in Carnarvon. They are a limited package. Those works were put up for pretty close to two years, if not three years. When the works were finally put out for tender, it was for only half of what the community expected. I had some insight into that, because I was alerted 12 months earlier that it might be less of the package when it did go out for tender. When will the remaining part of the south ward of Carnarvon be completed? There is also the Coral Bay sewerage scheme. What is the assessment of the total income per annum in rates from the handful of ratepayers in Coral Bay if the maximum that can be rated is 12c in the dollar based on gross rental values? The Government is looking at something like a \$7 million program, yet it will be battling to get \$20 000 or \$30 000 in rates a year.

Mr E.S. RIPPER: I will ask Mr Meinck to deal with the specifics of the Carnarvon infill sewerage program. On the question of the Coral Bay sewerage program, I am pretty certain that we will make a loss.

Mr R.N. SWEETMAN: I am just trying to work out how big a loss.

Mr E.S. RIPPER: Most of our country schemes operate at a loss. There is a considerable community service obligation payment of about \$40 million a year to support those country schemes.

Mr MEINCK: In relation to the Carnarvon project, there is the Carnarvon south SC1A and its pump station and rising main, which has \$1.3 million for 2004-05. I understand that is a significant amount of the remaining requirement for Carnarvon.

Ms J.A. RADISICH: I refer to page 1128. My question relates to the Brand WA bottled water that the Water Corporation produces. Given that the Water Corporation is a government trading enterprise, what efforts have been put into branding up the WA water brand and looking to essentially sell and market it both domestically and internationally to try to raise revenue for the trading enterprise?

Mr E.S. RIPPER: That is an interesting question. Unfortunately, I know nothing about that, so I will ask Mr Meinck to respond.

Mr MEINCK: In the past, particularly after being corporatised, we looked very hard at the issue of becoming a bottled water supplier. The analysis we did and our investigations into some of the privatised companies in the United Kingdom indicated that the issue of bottled water is not about water; it is about packaging, transport and distribution lines. We concluded at that point that that was not our core business, as ironic as it may sound. Many examples, particularly in the UK, have indicated that they started with a bang and then ended up moving out of that market.

Mr B.J. GRYLLS: I refer to the fourth paragraph on page 1128, which states that \$30.7 million will be allocated to secure a water supply to Perth and country areas. Can the Treasurer outline what this \$30.7 million will be spent on? Will we find in this \$30.7 million some funding for the Kwinana desalination plant, which seems to rear its head whenever we predict there will be a low rainfall year but which we can never seem to find in the budget? If the desalination plant is included in that \$30.7 million, I would be happy to have that information as well.

Mr E.S. RIPPER: I think that a decent sized desalination plant would cost considerably more than \$30.7 million.

Mr B.J. GRYLLS: I know that, but is there funding?

[8.50 pm]

Chairman; Mr Jeremy Edwards; Mr Eric Ripper; Mr Mick Murray; Mr John Day; Mr Brendon Grylls; Ms Jaye Radisich; Mr Rod Sweetman

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Mr E.S. RIPPER: We know what the member is referring to; we are just looking for the back-up information. While that is being sought, I point out that of course that allocation does not include money for a desalination plant. My understanding would be that although the Water Corporation might have done preliminary work on that issue, it is not part of that \$30.7 million.

Mr MEINCK: For the metropolitan area there is the Stirling Dam upgrade for the Stirling-Harvey scheme, which is part of the metropolitan, or integrated water supply, system, and the Wanneroo MIEX plant. The Sawyers Valley tanks are also mentioned. Some \$8.6 million is involved in that, which is significant. Harris pump-back salinity offset moneys are to be expanded, and there is another salinity offset for that that is equivalent to \$1.8 million. There is the Mundaring water treatment plant at \$275 000, which will take place once we get through the environmental hurdles. There is the Harris water treatment plant, which is \$1 million in 2004-05 followed by nearly \$22 million in 2005-06, to improve water quality in the great southern town water supply. There is also the Mundaring raw water pump station, the Bridgetown town water supply, a dam raising of the Millstream Dam to provide greater security to Bridgetown, the Bridgetown town water supply water treatment plant and the Hopetoun desalination system. They are some of the projects that are included in that figure.

Mr B.J. GRYLLS: Can the minister provide a copy of that table by way of supplementary information?

Mr E.S. RIPPER: I am happy to provide that table.

The CHAIRMAN: We can table it now. We will take a copy of it and return it to Mr Meinck. Has any research been done into the use of either renewable energy or off-peak energy for the operation of any future desalination plant in Western Australia?

Mr E.S. RIPPER: As the Minister for Energy, when I have received information about desalination options I have asked the obvious question of whether there is the capacity for the electricity supply to such a plant to be interrupted. I am advised that, yes, a desalination plant can be switched off for up to five days without significant operational difficulties. That is quite a good load for a summer electricity peak demand situation. Energy utilities look for loads that can be switched on and off like that.

Mr M.P. WHITELY: The final paragraph on page 1128, under the capital works program, refers to the expenditure of \$6.7 million on the dam safety program and highlights the completion of remedial works at Churchman Brook Dam, which is in my electorate. The program is in response to the national guidelines for large dams released in 1999. Can the minister elaborate on what that expenditure is designed to achieve, particularly in relation to Churchman Brook Dam?

Mr E.S. RIPPER: I would like Mr Meinck to deal with that. Utilities starting to talk about the need to safeguard the safety of large dams is the sort of issue that attracts the attention of people on the Expenditure Review Committee.

Mr MEINCK: The work that will be done at Churchman Brook is essentially to stabilise the embankment. The embankment has some areas of gas high pore pressures - which is the terminology used. They arise when a degree of instability occurs within the bank. Investigations into it indicated that we needed to do remedial work in the sense of stripping off parts of the bank, putting increased drainage within the structure and improving the core cut-off. In the light of that, Churchman Brook Dam has been operated at a level lower than the conventional full supply level to ensure that the degree of safety for people downstream of that structure is assured. The project is principally to stabilise the bank.

Mr M.P. WHITELY: Are you saying that the danger is to people downstream?

Mr MEINCK: Correct. If the dam failed, the people downstream would be in trouble. It is a serious issue for which the response was to lower the full supply level and keep it at a lower level throughout the past two years. At the end of this year it will be able to come back to the normal supply level.

Mr J.P.D. EDWARDS: The fifth paragraph on page 1128 refers to a further \$6.6 million being allocated to improve aesthetic water quality in selected country towns. Which country towns, and what criteria have been used for their selection? It is a nice easy one!

Mr E.S. RIPPER: I will ask Mr Meinck to provide the list of country towns. We have had a series of programs - the previous Government also presided over some of these programs - to implement various improvements in Australian drinking water guidelines. We are still catching up to some of those improvements.

Mr MEINCK: Yes. Some funds also went to the metropolitan area, but not a significant amount. The major allocations are \$3.2 million to Mt Magnet in 2004-05; \$700 000 for improvements at Meekatharra; \$500 000 for improvements at Cue; \$1.4 million for improvements at Wiluna; and \$600 000 for improvements at Yalgoo. Also, a calgon dosing program will be carried out through general country areas to soften water, and there is still

Chairman; Mr Jeremy Edwards; Mr Eric Ripper; Mr Mick Murray; Mr John Day; Mr Brendon Grylls; Ms Jaye Radisich; Mr Rod Sweetman

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a little bit of money for Laverton, which received the major expenditure this financial year. Most of those areas are in the mid west. The reason they have received priority is the water quality in the mid west is without doubt one of the worst we provide. It is very high in total dissolved salts. That has been the target. There have been aesthetic issues of taste, which come from that salinity level. There are also excessive levels of such things as arsenic. They are within the safety levels, but we believe they need to be brought under control.

Mr J.P.D. EDWARDS: Is it possible to have that table provided by way of supplementary information?

Mr E.S. RIPPER: I am happy to table that list.

The CHAIRMAN: It is not a tabled paper; it will just be distributed for information.

Mr M.P. MURRAY: My question relates to page 1128 and concerns employment. The dams are located along the scarp and I notice that most of the rangers are employed from regional centres, which deprives people in the smaller towns of the opportunity of getting employment. Is there any policy on this at all?

Mr E.S. RIPPER: When the member talks about regional centres -

Mr M.P. MURRAY: I did not want to say Bunbury.

Mr E.S. RIPPER: I see! I am sorry to have been so dense on this occasion, but I will ask Mr Meinck to indicate what the Water Corporation thinks about fairness and giving everyone a good opportunity to seek employment with the organisation vis-a-vis different towns in the south west.

[9.00 pm]

Mr MEINCK: We do not have a policy that gives favouritism to people from different areas. However, as the member would be aware, we have a strong regional policy. We have regional centres in all of the major centres, and we have kept a large number of people under the regional arrangements. For instance, with the example that the member just gave of rangers, normally they would need to be housed locally, purely from a practical point of view.

Mr M.P. MURRAY: There are seven new rangers, and not one has come from anywhere other than Bunbury, although the dams are spread from Pinjarra to Collie.

Mr MEINCK: I see what the member means.