

Chairman; Mr Grant Woodhams; Mr Paul Omodei; Mr John Kobelke; Dr Kim Hames; Mr Tom Stephens; Mr
Mick Murray

Water Corporation -

Mr J.R. Quigley, Chairman.

Mr J.C. Kobelke, Minister Assisting the Minister for Water Resources.

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

Mr L. Werner, Manager, Pricing and Evaluation.

The CHAIRMAN: This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Hansard asks that the minister, members and advisers make their corrections on the daily *Hansard* proof. Hansard will forward the transcript to the minister's office for distribution to advisers. The cut-off date for corrections will be indicated on the transcript.

I caution members that if a member asks a question and that matter is put on notice, it is up to the member to lodge the question on notice with the clerk's office. Only supplementary information that the minister agrees to provide will be sought by 17 June 2005.

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 will assist the committee's examination if questions and answers are kept brief without unnecessarily omitting material or information. It is the intention of the Chairman 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 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. 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 17 June 2005, 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 of the day by which the information will be made available.

An example of the required Hansard style for the answers has been provided to the minister's advisers. Any information provided at a later date by ministers in response to members' questions may be published in a separate *Hansard* document.

Mr G.A. WOODHAMS: I draw the minister's attention to the table on page 389 of the *Budget Statements* that shows an allocation of \$34.5 million has been provided for new works for the infill sewerage program. Will the minister list the country towns for inclusion in the 2005-06 schedule? Will the minister clarify whether works have been delayed in any regional towns as a result of the government's decision to push the program back by a decade? If so, will the minister provide details of the towns that will be affected? Will the minister further explain why the infill sewerage program's completion date was pushed back to 2018?

Mr P.D. OMODEI: I have a supplementary question to ask. The table on page 389 of the *Budget Statements* indicates the total cost of the infill sewerage program and shows that it will be expended in 2005-06. Can the minister confirm that? Will the minister indicate whether the West Busselton program is included in that program? Will the minister provide the list of country towns involved in this program, and does it include West Busselton? Will the minister provide a list of the number and location of towns involved in the scheme?

Mr J.C. KOBELKE: I suggest that that information be provided as supplementary information. We have piles of data here but it would take a long time to read, and we have only limited time available. The supplementary question related to a particular town. We will provide the schedule for 2005-06 for all non-metropolitan infill sewerage. Members must keep in mind the small towns scheme, which is a different scheme. We will provide information on the infill sewerage program for non-metropolitan areas in 2005-06.

The CHAIRMAN: The supplementary information for the non-metropolitan infill sewerage program for 2005-06 will be supplied by the minister.

[*Supplementary Information No B23.*]

Mr P.D. OMODEI: I refer to the capital works contribution and the Water Corporation's depreciation of assets. What amount of money is held in the account? How often have the generated funds been used to assist in the funding of the Water Corporation's capital works program? What are the total funds that were withdrawn from the account in the last financial year and how much will be withdrawn in the next financial year? Which capital works programs were funded by this account? Were the funds used for any purpose other than for capital works funding? I will be satisfied if that information is supplied as supplementary information.

Chairman; Mr Grant Woodhams; Mr Paul Omodei; Mr John Kobelke; Dr Kim Hames; Mr Tom Stephens; Mr Mick Murray

Mr J.C. KOBELKE: We will provide supplementary information for the questions asked by the Deputy Leader of the Opposition.

[*Supplementary Information No B24.*]

Dr K.D. HAMES: I refer to borrowings on page 389. The table shows that the borrowings were budgeted to be \$60.05 million in 2004-05 and the estimate of the actual cost is \$95 million, and that they will jump to \$396 million in 2005-06. The \$396 million is obviously the borrowings to pay for the desalination plant. Excluding that item, the capital works program is otherwise between \$350 million and \$400 million, which it has been each year. How does the extra borrowings affect the total borrowings for the Water Corporation? Secondly, how does that relate to the capital works expenditure of the previous government from 1997 to 2001?

[2.40 pm]

Mr J.C. KOBELKE: We will need to provide that by way of supplementary information. We will provide details of the capital expenditure and total borrowings from 1997 to the present.

[*Supplementary Information No B25.*]

Mr G.A. WOODHAMS: I refer to "Sewerage Other", which appears under wastewater program on page 389 of the *Budget Statements*. Will the minister outline what the \$21 million represents?

Mr J.C. KOBELKE: The types of things covered - I am not sure whether this includes general money - are \$900 000 for the Woodman Point Wastewater Treatment Plant primary sequential batch reactor for odour control; \$1.64 million for the Beenyup Wastewater Treatment Plant amplification to 135 megalitres a day of odour control; \$500 000 for the Woodman Point Wastewater Treatment Plant sludge treatment odour control; \$100 000 for the Beenyup Water Treatment Plant odour control; and \$17 000 for the Subiaco Wastewater Treatment Plant odour control. That comes to a total of \$3.158 million. In the country, \$535 000 covers odour control for plant 1 in Gordon Road, Mandurah, and \$500 000 covers odour control for the Albany Wastewater Treatment Plant. That comes to just over \$1 million.

Mr T.G. STEPHENS: Will the minister provide details of the Water Corporation's budget for capital expenditure in regional Western Australia?

Mr J.C. KOBELKE: I thank the member for the question. In 2005-06, the Water Corporation's \$715 million capital works program includes \$117 million for the country. The expenditure on non-metropolitan capital works is \$630 million through to 2009-10. However, in 2005-06 some of the key capital expenditure components include \$6 million for the Wyndham town water supply and \$11.3 million for various upgrades and the expansion of regional water distribution in the Pilbara. I am sure that the member for Central Kimberley-Pilbara is keen to see that happen in his electorate, particularly in Port Hedland. A further \$2.5 million will be spent to upgrade and expand Broome's wastewater system; \$2.2 million is for water quality improvements in Meekatharra and Mt Magnet; \$14.2 million will be spent on additional water storage at Kalgoorlie; \$6 million on infill sewerage program works in the mid-west region; \$4 million on the Ningaloo wastewater treatment plant in Geraldton; \$2.8 million for Bruce Rock water quality improvements; \$16.9 million on infill sewerage program work in the Peel region; \$1.7 million on upgrading wastewater treatment plants in the Peel region; \$2 million upgrading wastewater treatment plants in the south west region; \$6.3 million on infill sewerage program works in the great southern region; and \$6 million on the Hopetoun water supply, which is a desalination system. They are some of the key capital expenditure items for non-metropolitan areas.

Mr M.P. MURRAY: I refer the minister to the bottom paragraph on page 387 of the *Budget Statements*. Will the minister provide details of the Harvey Water trading program?

Mr J.C. KOBELKE: As the member is aware, in May this year the Premier, as Minister for Water Resources, announced a \$29 million state government package that will kick-start a major water project near Harvey. In addition to the Water Corporation's large \$715 million capital works program, funding of \$14 million will be provided in 2005-06 for the Harvey Water trading project. The initiative will result in major water-use efficiencies for the area's 356 irrigation farmers and increase public water supply by 17 billion litres a year. What is particularly attractive about this is that it comes at a cost of 50c a kilolitre, which compares favourably with other new water source options. The project involves replacing open irrigation channels with a pipe network that will deliver pressured water to the farm gate. This approach will allow Harvey Water and the Water Corporation to enter into a significant water trade agreement that will provide an extra 17 billion litres of water a year through the integrated water supply scheme. This is enough water to meet the needs of 70 000 households. This is a key part of our security through diversity approach, which the Premier initiated. We certainly hope that the federal Government will support this because it has talked about support. The Prime Minister said that he will not penalise Western Australia for not signing the national water initiative. Clearly that initiative has focused very much on the eastern states. Water from the Harvey Water initiative will be

Chairman; Mr Grant Woodhams; Mr Paul Omodei; Mr John Kobelke; Dr Kim Hames; Mr Tom Stephens; Mr Mick Murray

progressively available to the integrated water supply by the end of 2007. Design work has begun. The on-site work is due to start in October.

Mr P.D. OMODEI: I refer to works in progress on page 388 of the *Budget Statements*, particularly to the Perth seawater desalination project. The way these programs have been set out seems strange. There is no expenditure for the forward estimates. I notice that the total cost of the Perth seawater desalination project is \$387 million, of which \$314.8 million will be spent this year. If we take into account other expenditure, there is quite a difference between that and the \$387 million. Obviously \$28.2 million will be spent up to 30 June 2005. The other component of the desalination plant is the energy source. No funds have been identified for the energy source. Will the minister explain that line item and its breakdown, including the alternative energy cost?

Mr J.C. KOBELKE: I will take the first and last parts together because they are related. Part of it relates to the presentation of accounts. As a general rule, we do not provide capital into the out years, although the Water Corporation does in its planning. However, in the presentation of budget figures, we present the four-year cost on a recurrent basis. If we employ extra police, teachers or nurses, we will not sack them. Because capital is much more lumpy in the way it is spent, it is not standard practice to give the out years for capital expenditure. They are contained in various documents but they are not normally presented in the budget papers.

Mr P.D. OMODEI: Can we get those on notice?

Mr J.C. KOBELKE: It depends whether they have been developed. These are the documents from Treasury and Treasury does not ask for those. Departments work up indicative figures, but they do not necessarily have Treasury support. They do them for their own internal planning. However, Treasury is much more guarded in what it will commit to for capital expenditure, because it gets moved around a bit from year to year. The second part also relates to that. We are dealing with capital, whereas the cost of the energy for running the desalination plant is part of the operational expense and, therefore, recurrent. As an accounting procedure, it is not included.

Mr P.D. OMODEI: Where does that occur in the budget papers?

Mr J.C. KOBELKE: Keep in mind that the Water Corporation is not a budget agency. This is a new innovation for accountability. We are allowing questions to be asked of the Water Corporation through the estimates committee.

Mr P.D. OMODEI: It still spends taxpayers' money.

Mr J.C. KOBELKE: It provides money to the taxpayer; that is not the right terminology. The public of Western Australia pays for its water. When the member for Warren-Blackwood was in government, as the minister of the day he corporatised the Water Corporation, which meant his government expected it to earn a profit.

[2.50 pm]

Mr P.D. OMODEI: No; it was not me; it was Minister Foss.

Mr J.C. KOBELKE: Nevertheless, the member for Warren-Blackwood was part of that government. Corporatisation clearly required the Water Corporation to provide a return on its capital. It does that at a very low rate. It is not the taxpayer who pays for it; it is the users - the general public and businesses of Western Australia.

Mr P.D. OMODEI: Where will it borrow the money from to build desalination plants?

Mr J.C. KOBELKE: Not from taxpayers. Taxpayers will benefit from the profits made by the Water Corporation and the other payments it makes. The government also provides community service obligations, but we will not get into that. That is why those figures are not shown here. They have been released publicly.

Mr G.C. Meinck: Operational costs are between \$18 million and \$20 million a year. The energy component of that has not yet been concluded, in the sense that we are negotiating a contract at this time. It is in the order of \$9 million per annum.

Dr K.D. HAMES: I refer to the fifth paragraph on page 387, which shows \$34.5 million to continue the infill sewerage program. As the minister is aware, money for infill sewerage has reduced considerably. I understand the government is tailing that off. Where will that money be spent? The minister just said \$6 million was being spent in the northern areas and \$6 million in the south west. I saw a document, and I am not sure whether it is a budget paper or a Labor Party policy paper, showing regional spending from the budget. It indicated that approximately \$16 million would be spent specifically in the Mandurah region. That is a significant component of the budget. Was that approximately \$16 million for the Peel region correct as a component of the \$34 million? If so, will the minister provide, as supplementary information, details of where it is being spent?

Chairman; Mr Grant Woodhams; Mr Paul Omodei; Mr John Kobelke; Dr Kim Hames; Mr Tom Stephens; Mr Mick Murray

Mr J.C. KOBELKE: A moment ago I mentioned \$16.9 million would be spent in the Peel region in 2005-06. We have given an undertaking to provide the 2005-06 program for non-metropolitan infill. Clearly, Mandurah is included as a non-metropolitan area. That information will be provided with the supplementary information we have already given an undertaking to provide.

Dr K.D. HAMES: A constituent e-mailed me a few weeks ago. She had called the Water Corporation and her property had been earmarked for sewerage infill in two years. She was told the budget would be \$35 million this financial year, a lesser amount next year and tailing off to \$10 million in each of the two subsequent years; yet her project, which is adjacent to the Peel Estuary, was to be delayed indefinitely. How can \$16 million be spent there while designated projects are being delayed?

Mr J.C. KOBELKE: The priorities for infill sewerage were laid down when the member for Dawesville was in government. Those priorities primarily centred around health and environmental issues. The expenditure has always been dependent on what was effective in terms of cost and engineering. A number of very small areas are scattered throughout the state. I am advised that 96 per cent of the environmentally sensitive areas have been completed. One of the examples given to me was Dwellingup, which I do not think is seweraged, and areas such as that which are quite well removed from the metropolitan area.

Dr K.D. HAMES: I am talking about Falcon.

Mr J.C. KOBELKE: I am giving the member an example of how the distance of some areas from existing systems can make them cost prohibitive, so they are put on the end of the priority list because more can be done with the money in areas that are easily accessed. With regard to areas such as Florida - I will seek advice on that - we will provide the member with the details. The connection might be adjacent to an area that is designed as part of another system and therefore it stands aside, although that might not be true of Florida. Those engineering and economic considerations mean a small number of areas wait longer than might be expected for those practical reasons.

Dr K.D. HAMES: I was referring to Falcon, not Florida - not that it matters. If the government intends to spend \$16 million in that area, it seems to me to be a significant increase for that area, yet a project has been delayed in a sensitive area next to the estuary where there are significant algal problems. It does not make sense.

Mr J.C. KOBELKE: I will look into that.

Mr G.A. WOODHAMS: I refer to the new works on page 388 and the line item of the south west Yarragadee with an allocation of \$1.8 million for 2005-06. What works will this allocation fund? Does the government have a time line for making its final decision on whether 45 gigalitres will be drawn from the aquifer?

Mr J.C. KOBELKE: That money is clearly for the development of the application or the planning required for testing water availability through the area. There is a very clear time line for approval of the south west Yarragadee, but it involves many steps. It is conditional on how long those parts of the approval take.

Mr G.C. Meinck: The \$1.8 million is primarily in conjunction with definition works associated with establishing the south west Yarragadee project. This is on the assumption environmental approval is granted and approval is given to move forward by March next year. It purely covers a period between March and the end of the financial year in which we would commence definition works such as land work, the determination of the pipeline route and investigations on site.

Mr M.P. MURRAY: I refer to country water distribution, which is the second line from the bottom of page 388, and to minor commercial projects on page 389. When will the water supply to the new subdivision in Harvey be completed? I will take that as supplementary information.

Mr J.C. KOBELKE: We do not have that information but I will provide it as supplementary information.

[Supplementary Information No B26.]

Mr P.D. OMODEI: My question relates to the south west Yarragadee aquifer. I ask this question, despite receiving a lecture last week about asking questions on matters that have not been finalised in relation to the Donnelly slide. I understand that \$1.8 million will be spent in 2005-06. Other budget papers indicate that a further amount is to be spent on this project next year. Given Mr Meinck said that it has not yet received environmental approval, why is the \$385 million shown in the budget papers? It seems that the Water Corporation has presumed for a number of years that this project will proceed, yet the south west community does not agree that it should proceed.

Mr J.C. KOBELKE: The \$385 million is not currently committed. It clearly indicates that we will proceed. In my estimation, we will proceed at some time to develop the south west Yarragadee. It is silly to spend a lot of money investigating something without having an estimate of the cost and the size of the project. I do not understand why the member for Warren-Blackwood is being critical.

Chairman; Mr Grant Woodhams; Mr Paul Omodei; Mr John Kobelke; Dr Kim Hames; Mr Tom Stephens; Mr
Mick Murray

Mr P.D. OMODEI: I agree with the minister entirely, but it should flow through for other questions that we ask in Parliament.

Mr J.C. KOBELKE: It depends what figures are being considered. Sometimes the figures in the budget indicate a commitment to fund certain capital projects in the coming year, such as the infill sewerage. The amount of \$358 million is not a commitment to that. It is an indicative figure of what will be required if this project is approved and goes ahead. Clearly, the government is looking very seriously at doing that.

[3.00 pm]

Mr P.D. OMODEI: An amount of \$34.5 million has been mentioned for the infill sewerage program. On page 389, under that same program, there is an item "Sewerage Other", and the figure for that is \$21 million. A large number of country towns are paying the maximum gross rental value on the small sewerage plants that have been put in place. There are no plans to expand or finish those sewerage projects. Will the minister give us an undertaking about what the government intends to do with those projects? I am talking about places such as Bridgetown, Manjimup, Pemberton and a range of other small towns, particularly in the south west, which have high watertables and environmental problems. Those ratepayers are paying 12 cents in the dollar GRV. In comparison, people in the metropolitan area are paying three cents in the dollar GRV. It is not equitable; it is not fair. I believe the government should complete the program. However, I would like to know whether the government has plans to do that.

Mr J.C. KOBELKE: Those projects must be considered in terms of the priority that will be given to them. If the member wants to nominate specific ones, we will look at them.

Mr P.D. OMODEI: All of them.

Mr J.C. KOBELKE: The member must keep in mind that the residents in the metropolitan area cross-subsidise the rural users. The community service obligation that is paid is hundreds of millions of dollars every year to make sure that country people can get a fair service.

Mr P.D. OMODEI: Is the minister suggesting that if people live in country WA, they will not get any services because -

Mr J.C. KOBELKE: No, I am saying that we spend in excess of \$200 million a year, which is paid for by metropolitan users to subsidise country users. That is fair and proper.

The CHAIRMAN: Members, as it is three o'clock, that completes the examination of the Water Corporation. Any further questions can be placed on notice.