

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

**2020–21 BUDGET ESTIMATES AND
2019–20 ANNUAL REPORTS**



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
TUESDAY, 17 NOVEMBER 2020**

**SESSION ONE
WATER CORPORATION**

**Members
Hon Alanna Clohesy (Chair)
Hon Tjorn Sibma (Deputy Chair)
Hon Diane Evers
Hon Aaron Stonehouse
Hon Colin Tincknell**

Hearing commenced at 9.01 am

Hon ALANNAH MacTIERNAN

Minister for Regional Development representing the Minister for Water, examined:

Mr PAT DONOVAN

Chief Executive Officer, examined:

Mr DEAN PAGE

Chief Finance Officer, examined:

Mr EVAN HAMBLETON

General Manager, Assets Planning and Delivery Group, examined:

Mrs KAREN WILLIS

General Manager, Customer and Community, examined:

Mr RICHARD BARRETT

Head of Media and Government Relations, examined:

Mrs AMY COWDELL

Senior Policy Adviser, Minister for Water, examined:

Mr COLE THURLEY

Chief of Staff, Minister for Regional Development, examined:

The CHAIR: Good morning, everyone, and welcome to the joint 2020–21 budget estimates and 2019–20 annual report hearings. On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I welcome you to today's hearings. Have the witnesses read, understood and signed the document titled "Information for Witnesses"?

The WITNESSES: Yes.

The CHAIR: It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. It is also being broadcast live on the Parliament's website. The hearing is being held in public although there is discretion available to the committee to hear evidence in private. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Members, before asking your questions, I ask that you identify whether it relates to budget papers or annual reports and provide the relevant page number.

Minister, have you got a brief opening statement?

Hon ALANNAH MacTIERNAN: No.

The CHAIR: Okay, members, we have allocated approximately five minutes for each member who has indicated they want to ask a question, with a little bit of extra time for official spokespersons. We will start with Hon Diane Evers.

Hon DIANE EVERS: My first question is with regard to the annual report, page 15, and in there the discussion about the operating subsidies, saying that Water Corporation received \$431 million for the provision of non-profitable services. I was interested in that \$431 million subsidy. Does this include the country water pricing subsidy funded through royalties for regions shown as \$191.5 million; and what other subsidies would be involved in that?

Mr PAGE: I can confirm the breakdown of the operating subsidy that was received by the corporation. That operating subsidy covers the country water pricing subsidy; so that enables us to deliver water to regional communities at the same price as the Perth metro for the first 300 kilolitres of water consumed by a residential customer per annum. It also covers the charge for the loss-making regional schemes. It sort of subsidises us for providing those services and it also has a component in there that provides for the concessional landholdings, so pensioner concessions, senior concessions and other not-for-profit concessions that we provide to customers across the metro and regional areas.

Hon DIANE EVERS: Thank you. Following on from that, also the interim dividend—it shows it as \$613 million, had it been paid \$559 million. But it says —

Due to COVID-19 uncertainties, the dividend will be paid in 2020–21 instead of 2019–20.

I am interested to know what those uncertainties are related to COVID that made it necessary to delay that payment; and also, would that then be expected that that subsidy as well as the 2020–21 subsidy would both be paid in this coming year?

Mr PAGE: The decision to defer the interim dividend was across all GTEs and government agencies. It was made by the state government in May 2020, an ERC decision. So it was referring to the uncertainties for WA in general and state finances and those of the agencies and the GTEs. The decision was made to enable ourselves and other GTEs and agencies to have the financial capacity to deal with the uncertainties that COVID might inflict upon the business. It was an across-government decision.

Hon DIANE EVERS: Noting the \$250 million that is in the budget from royalties for regions for that country water pricing scheme, it seems that by putting that in and then Water Corp then having a surplus to give back to the government, it seems to be a way of just shifting the money from royalties for regions back into the government's hands.

Hon ALANNAH MacTIERNAN: I will answer that. Water Corp obviously operates under commercial provisions and so any time that there is in fact a subsidy, whether it is any of those three categories that were provided, then that is brought to account and the dividend is paid separately to that. It never comes out of the dividend. That is a pretty important principle about transparency of subsidisation that I think was introduced some decades ago. Now a decision was made to fund that part of the country pricing subsidy from RforR, but that is really quite separate so whether or not it comes from the consolidated fund or royalties for regions, Water Corp's approach has always been the same. That is a decision not made by Water Corp; that is a decision made by government.

[9.10 am]

Hon DIANE EVERS: This refers to the questions that I put in prior to the hearings, and it relates to page 770 of budget paper No 2 with regard to the drainage works that will be done. In the answer to question 2)b), in the drainage capacity and renewal works that will be undertaken, one of those was the upgrade of the Vasse diversion drain in Busselton. That drain does have some water quality issues, so I am wondering in the process of this project what will be done to improve the water quality of the water running through this drain?

Mr HAMBLETON: The scope of works for the Vasse diversion drain upgrade is predominantly a widening and a deepening of the drain. That allows the faster flood events to convey to Geographe Bay in a faster manner. We have done some modelling of the water quality in both the drain and Geographe Bay, and what the modelling is indicating is that due to the change in the flow patterns, it will actually improve the water quality in the drain and, therefore, also improve the water quality in Geographe Bay.

As part of the scope of works, there are some additional culverts and some other activities, and, effectively, there will also be a second inlet, so there will be an ability for some minor, but enough, flushing in that drain to allow it to make sure that we do not have stagnant water and the water quality is improved. The scope of the work is not designed to improve water quality—it is flood mitigation works—but the nature of the works does have a positive impact on water quality.

Hon DIANE EVERS: Just one other one on the questions that I put in at 2)d) with regard to the wastewater treatment capacity. I have noted that Melbourne is using methane from their wastewater to create energy. I am just wondering whether Water Corp is looking at any possible plans to do a similar process.

Mr HAMBLETON: Yes, at our Woodman Point wastewater treatment plant, we have two large digesters where we convert biosolids—sludge from wastewater—into methane now. We use that to run generators on site for onsite power at Woodman Point. We have a similar project now, which is midway through delivery at our Beenyup wastewater treatment plant, where we already produce methane. We have been flaring that off to date, and we are putting engines in there to recover the energy, so to speak. We are continually looking at—there are advancements in technology—where else around the state we may employ similar technology.

Hon ALANNAH MacTIERNAN: Can I add to that? If you can clarify, I think it is at Woodman Point that you have entered into an arrangement with the Hazer Group.

Mr HAMBLETON: Yes.

Hon ALANNAH MacTIERNAN: So my understanding is we are actually, in that project, which we are assisting through our hydrogen fund, taking the methane and reforming that into hydrogen and into a carbon product, so it is an alternative way of creating hydrogen to electrolysis. It is very exciting technology.

Hon DIANE EVERS: I have another one—this is on page 27 of the annual report—with regard to the asset performance and the customer experience of that. I note that it shows that customer experience was targeted for 100 per cent. It shows it is only 97.3 per cent, whereas in the last few years it has always shown 100 per cent. I am just wondering what you think might have happened that made that reduce to 97.3 per cent. It is page 27 of the annual report. It is about midway down the page.

The CHAIR: Just one moment. I think the minister is still trying to get some advice on that.

Hon ALANNAH MacTIERNAN: Do you want to answer it? I am sorry. The papers have been done in quite a bizarre way. I cannot follow them. Who would like to answer that question?

Mrs WILLIS: We will have to come back to you on that one.

The CHAIR: Minister, just to save time, the agency is indicating that they will take that as a supplementary; are you comfortable with that?

Hon ALANNAH MacTIERNAN: I am sorry. Can we have a quick repeat of the question?

Hon DIANE EVERS: It is on page 27 of the annual report, about halfway down under “Asset performance”. There is a line that says “Drainage systems operating in accordance with guidelines”.

It shows that the target is 100 per cent, but in this past year it has dropped to 97.3 per cent. I am just wondering whether there is something that has happened within the drainage system that people are not happy with anymore, whereas they had been in the past.

Mr HAMBLETON: Our drainage performance is based on flood mitigation or removal of floodwaters, so for regional drainage, the metric is within three days after a significant storm event, the land should be free of surface water. I do not know the exact reason why. But, for example, it would not be based on customer response; it would be based on, I guess, when we have assessed that there was a storm event and within three days after the storm event, there may have still have been remnant surface water, which is why that KPI has changed. But we will have to come back with exact details on that one.

Hon DIANE EVERS: Yes, I would not mind, because I am not certain that you are saying that that drainage system is just referring to agricultural land and water. I thought there might have been other —

The CHAIR: We will take that as a supplementary, which is A1, as an explanation of that and whether it is is—what type of water, did you say, member?

Hon ALANNAH MacTIERNAN: Is it the “Asset performance”?

Hon DIANE EVERS: Yes—“Asset performance”, “Drainage systems operating in accordance with guidelines”. It has dropped.

Hon ALANNAH MacTIERNAN: It is just that the actual, slightly, did not meet the total. It is not as though there has been any change in aspiration here; it is just simply that there were some occasions when it was not met. Let us not make this too complicated. What we will provide is just the information on those situations when you were not able to meet the guideline.

[Supplementary Information No A1.]

Hon AARON STONEHOUSE: I do not have an annual report page number or a budget line item at this stage; rather, my question relates to wastewater charges in the metropolitan area. I am sure you would all be aware of the inquiry into efficient costs and tariffs of the Water Corporation by the Economic Regulation Authority, which produced a report in November 2017 that had some findings about overcharging of wastewater for metropolitan residents. The ERA found that there was a charge that exceeded total efficient costs by about 14.8 per cent, with the main contributor being wastewater customers who were overcharged to the tune of about \$365 million in the metropolitan area. What I am wondering is: what has been done in the last two years since we saw that report to address that overcharging issue for metropolitan wastewater?

The CHAIR: Member, do you have a page number for the annual report? I am pretty sure it is in there.

Hon AARON STONEHOUSE: Madam Chair, it does not appear in the annual report, but I am sure —

The CHAIR: That must be your point, then, is it?

Hon AARON STONEHOUSE: I am sure those opposite would be well aware of the ERA report.

The CHAIR: However, agencies come prepared with their information sorted in terms of the annual report and the budget, which is why we ask the question. Minister, do you have an answer?

Hon ALANNAH MacTIERNAN: We do not. As it is an interrogation of the budget and of the annual report, this was a matter that was not specifically addressed in either of those. I am sorry; I am not sure. I am not confident that the officers are prepared in that regard.

The CHAIR: Minister, would you —

Hon ALANNAH MacTIERNAN: No; I am just saying that I am not going to put it on notice because I do not see that it is a question that specifically arises out of the budget.

[9.20 am]

Hon AARON STONEHOUSE: I could ask some follow-up questions in regard to that. I remain somewhat optimistic that the gentlemen opposite, who represent the Water Corporation, may be able to give me some information about cost reflectivity and over-cost recovery when it comes to metropolitan wastewater customers, as similar questions were fielded in previous years' annual report and budget hearings. However, perhaps you could tell me whether the Water Corporation is able to address overcharging or whether this is a matter that is left to the government and the Minister for Water.

Hon ALANNAH MacTIERNAN: The use of GRV as the basis for levying those charges has been in place for a long time. What we have done this year, of course, is to place a freeze on the residential water and wastewater charges, which obviously is going to mitigate any overcharging and provide relief. Landgate provides those GRVs in a three-year cycle, and that can sometimes account for the differential that occurs between what has been recovered and the cost of it. But it is certainly not the intention to change that fundamental structure. Because GRVs at this stage continue to be reassessed only every three years, there possibly will continue to be some swings and roundabouts in that regard.

Hon AARON STONEHOUSE: The calculation for wastewater charges continues to be based on gross rental valuations rolling every three years, so what the minister is telling me is that nothing has been done to address the overcharging for wastewater in the metropolitan area since the ERA's report in November 2017.

Hon ALANNAH MacTIERNAN: The member is correct; there has been no change.

Hon AARON STONEHOUSE: That is astounding. Minister, I find it astounding because it is very clear that wastewater charges are an impost on people at least so much so to businesses. As the minister would be aware—it is on page 771 of the *Budget Statements*—part of the WA recovery plan is to waive wastewater charges for eligible businesses to the tune of \$5.5 million. Obviously, there is some recognition in government that wastewater charges are an impost and are hurting people economically, so much so that small businesses are getting waivers of \$5.5 million. However, nothing has been done in the more than two years since that report was produced by the ERA to address wastewater charges for metropolitan consumers. I find that astounding. That is all I have for now, Chair.

Hon ALANNAH MacTIERNAN: I think it is important, as I understand it, that overall we are not talking about over-recovery; it is just that there was some reflection on the mechanism of the GRV in how that is distributed across. It is not as if the system as a whole is over-recovering; there just was commentary about the use of GRV as the mechanism.

Hon AARON STONEHOUSE: To be specific, there is over-recovery when it comes to metropolitan wastewater charges. There is not over-recovery when it comes to regional customers, who of course are subsidised through the uniform tariff cap, which the minister mentioned previously. Yes, the overall system may not be over-recovering, but a specific segment, a specific group, of customers are being overcharged. That is very clear. That is in the recommendations of the ERA report. If the minister has a chance, I recommend she have a look at the recommendations and findings. Finding 1 specifically says that there is over-recovery. It is estimated to exceed its total efficient costs by \$338.4 million, the main contributor being metropolitan wastewater customers.

The CHAIR: I will ask the minister to briefly respond and then we need to move on.

Hon ALANNAH MacTIERNAN: It is true that there was that report. It would be fair to say that there have been no changes made fundamentally to the system since that report. As this is not something that specifically arises out of the budget or the annual report, I think perhaps we have done as much as we can on this.

Hon TJORN SIBMA: My question is grounded in the annual report document and it traverses a series of pages—the minister will get a picture of this; there is a theme. The first reference is to page 6, which is the CEO's report. The second reference is the performance summary table at page 26. The last reference anchoring this question is on page 37, and in particular the table concerning other revenue and the line item "Other fees and charges", particularly as it relates to sewerage testing fees. On page 6 there is a reference to responsiveness arising out of COVID-19; the table on page 26, I presume, where it relates to safety, infers the testing of water; and page 37 directly refers to sewerage testing fees. Can I get an understanding of when sampling of wastewater for the COVID-19 virus commenced?

Mr HAMBLETON: The sampling for wastewater at the inlet of our major metropolitan wastewater treatment plants commenced in April this year.

Hon TJORN SIBMA: How were those samples treated between April and October? Were they tested immediately or were they put into storage?

Mr HAMBLETON: My understanding is that they were put into storage. My understanding is that the testing of those samples has only recently commenced.

Hon TJORN SIBMA: To what degree, might I ask, is the Water Corporation involved? I understand there is a partnership arrangement across government. This will relate to Health, who are coming today, but I want to establish the working relationship here. I understand that there is a testing protocol and that there is a partnership between the Department of Health, presumably yourselves and I think another organisation, Water Research Australia. Can I understand the details of Water Corporation's involvement in that partnership and what Water Corporation is directly responsible for?

Mr HAMBLETON: Within that partnership the corporation is responsible for the collection of samples at the inlets to our major metropolitan wastewater treatment plants.

Hon TJORN SIBMA: Do you charge a fee for that service?

Mr HAMBLETON: I do not think we do. I am not aware that we charge a fee for that service.

Hon TJORN SIBMA: You might not be able to answer this question—it is operationally grounded, though. There had been public commentary about the speed of Western Australia's capacity to test for the COVID-19 virus in wastewater compared with other jurisdictions in Australia. I would like to understand, because I think there is public interest in it, why samples taken in April were not tested until recently, and why the full-scale operationalisation of the testing regime did not happen until last week or the week before.

Hon ALANNAH MacTIERNAN: I am not trying to deflect here, but I do think that those are really Health decisions. It is fine that we have been able to say that we commenced taking the samples in April, but I think the whole decision about when to test would really be a Health decision. I think those questions about the policy around when we started testing and why we did it are really decisions that were made by Health rather than by the Water Corporation.

[9.30 am]

Hon TJORN SIBMA: Did the Water Corporation have any input, though, into the testing methodology? You own the facilities; you take the samples of the water. Is that a fair reflection of the Water Corporation's participation in this process or is it a little more involved than that?

Hon ALANNAH MacTIERNAN: As I understand it, this is a fairly standard protocol. I do not know whether there is anyone from the Water Corporation here who knows something about this. It is a protocol developed in partnership.

Mr HAMBLETON: Yes. The corporation, on a daily basis, takes samples at our inlets of our treatment plants for a whole range of purposes. All we were doing was simply taking a portion of those samples and providing them for testing, and that was done outside the corporation. The corporation was not involved in the testing or the procedures for the testing of those samples.

Hon TJORN SIBMA: I have maybe one or two follow-ups quickly. How frequently are you taking contemporary samples? Is this occurring every 24 hours, and at which locations?

Mr HAMBLETON: We sample the inlet of our wastewater treatment plants daily—multiple times a day at our major metropolitan plants. That is predominantly done for our own operational and compliance purposes with our environmental licences and conditions. Yes, we sample, as I said, quite frequently.

Hon ALANNAH MacTIERNAN: You are constantly sampling for pathogens et cetera, but of those samples that you collect multiple times a day, how is it that the samples then go on to be tested for COVID? How does that happen? Out of all those tests that you do, how is it decided which ones are going to be tested for COVID?

Mr HAMBLETON: I would have to come back on the exact frequency of those.

Mr DONOVAN: I think it is weekly sampling on the inlet to five of our metropolitan wastewater treatment plants—that being, Woodman Point, Subiaco, Beenyup, Alkimos and Gordon Road. We have about 130 samples gathered already, so that would suggest weekly sampling.

Hon TJORN SIBMA: Thank you for that clarification. I just want to walk away with the right concept in mind. So, specific COVID-19 sampling occurs at those five inlets to the wastewater treatment plants on a weekly basis. Are those datasets then transmitted to presumably the Department of Health or some other centralised agency? What is the turnaround time between the taking of a sample and testing for the presence of COVID-19?

Hon ALANNAH MacTIERNAN: I think we had just better make sure who in fact actually is doing the testing of that. We know that Water Corp appears to be taking the samples. Does anyone have any insight as to who actually is doing the COVID testing?

Mr DONOVAN: It is PathWest.

Hon ALANNAH MacTIERNAN: The COVID testing is not done by Water Corp. The samples are transferred from Water Corp to PathWest.

Hon TJORN SIBMA: To PathWest—and that occurred last week?

Mr DONOVAN: I would assume so but I cannot confirm that it has last week. It is a regular occurrence as part of our ongoing sampling to take a sample that would be sent to PathWest where the samples are chilled and stored.

Hon TJORN SIBMA: I am on the clock.

Hon ALANNAH MacTIERNAN: If there is any inaccuracy on that one, we will get back on it.

Hon TJORN SIBMA: Clarification today would be a good idea, I think.

Hon ALANNAH MacTIERNAN: At this point, the best information that we appear to be able to get is that the sampling is done weekly by Water Corp at those five points and sent to PathWest.

Hon TJORN SIBMA: It is sent to PathWest. Does it also occur at the quarantine hotels; and, if so, how frequently?

The CHAIR: Will you take that as supplementary, minister?

Hon ALANNAH MacTIERNAN: We will take that one as a supplementary.

[Supplementary Information No A2.]

Hon COLIN TINCKNELL: My first question is on budget paper No 2, volume 2, part 12 and page 770. The WA water recovery plan sees a \$4.2 million investment by the corporation to deliver reliable and improved water services to remote Aboriginal communities. There were four communities identified—Ardyaloon, Djarindjin, Lombadina and Beagle Bay. However, there are as many as 26 towns and communities identified as not having acceptable drinking water, many of which are in the midwest and goldfields regions. How were these four communities identified?

Hon ALANNAH MacTIERNAN: Sorry; was it page 770?

Hon COLIN TINCKNELL: Yes. It is page 770 and regarding the Aboriginal communities that had unacceptable drinking water.

Hon ALANNAH MacTIERNAN: The communities that have been identified —

Hon COLIN TINCKNELL: There are four.

Hon ALANNAH MacTIERNAN: Are you questioning why they were selected?

Hon COLIN TINCKNELL: Yes. There were four identified, minister, out of 26. I am wondering how they were identified. Why were they chosen out of those 26?

Mr HAMBLETON: The delivery of the works we are doing in the remote communities is in partnership with the Department of Communities. The Department of Communities have previously identified what they call effectively their top 10 communities. Already we have an agreement to do works in three of those—that is, Bidadanga, Mowanjum and one just out of Fitzroy Crossing—I forget the name at the moment; sorry. These were the next four of those top 10 communities that obviously were conveyed from the Department of Communities and along the Dampier Peninsula. That was based on, effectively, the size of the communities, how their current operation was et cetera. We took the advice from the Department of Communities on what their top 10 communities were, and that is what we have been working through at the moment.

Hon ALANNAH MacTIERNAN: I would imagine, member, if you look, at least three of them—sorry; I am not sure where Ardyaloon is—Djarindjin, Lombadina and Beagle Bay are all on the Dampier Peninsula where the road is opening up. There is going to be a lot more activity up there and they are growing communities.

Hon COLIN TINCKNELL: I cannot find this information in the budget papers, but what is going to be done for areas declared water deficient earlier this year? What further action is going to be taken?

The CHAIR: Honourable member, that is a question you are asking about the future.

Hon COLIN TINCKNELL: Yes.

The CHAIR: These hearings are necessarily about those that are contained in the budget. If there is a matter relating to that in the budget, the minister will respond, but future policy decisions cannot be considered in these hearings. We will just see what the minister can get you.

Hon ALANNAH MacTIERNAN: Certainly, there was a record number of water deficiency areas declared, and it is an indication of the problems that we have with the drying climate. Minister Kelly and myself have been working closely to try to work through what longer term solutions are. We have done a certain amount of work, and Evan might be able to elaborate a bit on what has been done on community dams in that area. We have actually been doing up some of the community dams, because that means that there is more water closer to farms. We have been doing that. We have put in joint applications to Minister Littleproud to look at future drought funding. I am not sure that we are necessarily getting quite a positive response, but we thought that we could do a lot more upgrading of those community dams and it would be useful. We are doing work, and again we were hoping to be able to partner with the commonwealth on this. In those areas, we believe there is opportunity for on-farm desalination.

The technology is improving quite rapidly and I would suggest, if you have the time to go up and have a look at the trial that we have got up at Muresk with Water Corp, DPIRD and Murdoch University where we have a standalone facility, totally solar powered, basically a 40-foot container, which is able to work on—there are some complexities in doing it, but we have got this being able to function, so we do not need to even bring power out to the site. Obviously, brine disposal was an issue, so that is part of the work that we are doing. I think they are the sorts of things that we are trying to do, and we would love to do them in cooperation with the commonwealth to deal with the water carting problem.

[9.40 am]

The CHAIR: Sorry, member; that has to be your last one because we need to move on in the interests of time. If we have got time, we will come back to you.

Hon Dr STEVE THOMAS: Minister, if I can take you to a comparison of the annual report, page 16, with the budget papers of the state budget 2020–21, budget paper No 3, page 238. Each of those tables before you represents a reflection of dividends and income tax expenses from various government trading enterprises to the state government—obviously, the annual report is purely the Water Corp one. But, if you will note, minister, obviously, the annual report on page 16 goes through the historical basis—dividends, \$400 million to \$600 million each year from 2015–16 through to 2018–19; 2019–20, the dividends dropped to \$4 million. In budget paper No 3, that is reflected as \$3.8 million in dividends for 2019–20 actuals. It goes out to \$1.258 million in 2020–21 and then back to the mid-700s, which looks like it is still a very healthy thing.

Now, this was asked by Hon Aaron Stonehouse earlier, so I will start with this: in relation to the dividends collected and then paid by Water Corporation, when are they paid; how often are they paid; and do they sit in a separate account ready for payment in the Water Corporation's financials?

Mr PAGE: In a normal year that is not impacted by COVID, as 2019–20 was, we would make an interim dividend payment prior to 30 June of the year in question, and then we would make a wash-up payment, or a balancing payment, before 31 December of that same calendar year. That did not happen in 2019–20 for the discussion we had earlier about deferring interim dividends to enable us to manage through COVID.

Hon Dr STEVE THOMAS: Okay; so, effectively, a provisional payment and then a carry-up payment?

Mr PAGE: Yes.

Hon Dr STEVE THOMAS: Did that money sit in a separate bank account waiting to be transferred?

Mr PAGE: No. That money is drawn from our operating bank account, so our cash flows. Our net operating cash flows from our trading activities through the year reside in the operating account and then we make the dividend payment from that at the end of the year.

Hon Dr STEVE THOMAS: So your operating account would have looked in the order of \$400 million better off during the 2019–20 financial year because you made no payments. So, my question—it may be more for the minister than for the Water Corporation—is: what is the difference between that money sitting in the Water Corporation’s account versus being transferred to the consolidated fund? So, in effect, the money is sitting within a government account somewhere; it is ostensibly put in Water Corporation; you have held it over in Water Corporation, as you have other government trading entities, in excess of over a financial year, but it is still sitting within a government account. Why was it therefore not transferred to the consolidated fund? Was it getting more interest in the Water Corporation fund than it would have done in the consolidated fund?

Hon ALANNAH MacTIERNAN: I think, as has been explained, it was not Water Corp’s decision; it was a decision made at a central level because at the time, and now that we have come through the pandemic, we have seen that it has not had the massive impact that was possible and was seen possible at that time. So it was not —

The CHAIR: Minister, would you want to take that as a supplementary in the interest of time?

Hon ALANNAH MacTIERNAN: No, because I will just explain what it is. A decision was made by government because we were unsure as to what would actually happen, what would be the economic situation. Would our ports, for example, or trade be severely compromised? We did not understand what was potentially the diminution of economic activity that might have indeed seen far less water used by business, so a decision was made to defer that until the end of the year. Whether or not there is a difference in the interest rates—but you were not holding it in a separate account?

Mr PAGE: No. No, it is held in the public bank account system that is managed by the WA Treasury Corporation, so it would earn similar interest, I imagine, to the rest of the state’s finances.

Hon Dr STEVE THOMAS: That has not really answered the question, though, minister. So the interest rate is about the same. You have not removed the dividend; you have simply shifted it from one financial year to the next, and it is sitting in a bank account anyway earning the same interest. So, apart from the optics of making one financial year’s outcome look different to what it otherwise would have been, what is the difference between having it sitting in the Water Corporation account versus the consolidated fund except for what you write down as your budget surplus or deficit in the budget papers?

Hon ALANNAH MacTIERNAN: Member, all I can say is that the thinking at the time was that we were uncertain what the financial capacity of some of these agencies would be because we were uncertain as to what was going to happen with the pandemic. There was at that time in May a great deal of uncertainty, so a decision was made that we would defer these payments until December, by which time we would have greater clarity as to the capacity to pay and what, indeed, the earnings of the organisation was.

Hon Dr STEVE THOMAS: Thank you, Chair. Just one more. I think we have got the answer to that. It reflects on budget paper No 3, page 252. There is another table that does include—and Hon Aaron Stonehouse might have been able to use this—water, wastewater and drainage charges and the impact on individual households, so I might follow up on that, particularly in relation to a question I asked two years ago in agency estimates on the Water Corporation’s apparent over-recovery of wastewater charges. At that point the director general, Ms Murphy, said, “We do not set the price. The government sets the price. The government of the day decides what our tariff structure is. We always respect the government of the day to set that price. We do have a model and the ERA has a model. We do not totally agree with the ERA model, but the gist is correct.” Is it still the position of Water Corporation, therefore, that this is a government decision to over-recover the costs of

wastewater potentially as a subsidy for other areas? Is this a Water Corporation position still that this is entirely a government position, and has the Water Corporation done any modelling on what that impact looks like and what changes to that over-recovery would have on the Water Corporation's bottom line, or is it a because it is a government policy?

Hon ALANNAH MacTIERNAN: The advice that I have is that it is not an over-recovery overall, but it does mean that from time to time certain components are over-recovered and other areas are under recovered. That is my understanding of how that —

[9.50 am]

Hon Dr STEVE THOMAS: Are there any modelling of variations to it? Has the Water Corporation modelled variations to that charging regime?

Hon ALANNAH MacTIERNAN: There has not been any direction to Water Corp to look at changing those models.

Hon COLIN de GRUSSA: I turn to the expenditure in the regions on page 769 on budget paper No 2, volume 2. Is there a comprehensive list available of any of the programs funded under the asset investment program? I realise that may have to be taken on notice.

Mr HAMBLETON: Yes, we can provide a list of what projects make up the allocated budget for the asset investment program in regional areas.

[*Supplementary Information No A3.*]

Hon COLIN de GRUSSA: Turning specifically to one of those programs, the farmlands banding program—is that still underway or has that been ceased?

Mr HAMBLETON: The corporation is still progressing with the farmlands renewals project. That includes the replacement and banding of pipes.

Hon COLIN de GRUSSA: As I understand it, that is being done by external contractors?

Mr HAMBLETON: Predominantly, yes.

Hon COLIN de GRUSSA: Predominantly. Has any of that been moved in-house?

Mr HAMBLETON: No.

Hon COLIN de GRUSSA: So it is still external contractors who are undertaking that work?

Mr HAMBLETON: Yes.

Hon COLIN de GRUSSA: Has nothing changed in terms of the overall outlay of that program?

Mr HAMBLETON: Every year we review what projects are available, what the priority areas are, what is an appropriate scope of work and what is an appropriate bundle of contracts, so the budget does go up and down every year, but, in general, the allocated budget for that is relatively stable from year to year.

Hon COLIN de GRUSSA: How many businesses were awarded tenders for that program? Again, that could possibly be taken on notice.

Mr HAMBLETON: I would have to come back to that one.

Hon ALANNAH MacTIERNAN: Can I get some clarity? Is the member asking how many businesses in the last year were awarded tenders for the farmlands banding program?

Hon COLIN de GRUSSA: Yes.

[*Supplementary Information No A4.*]

Hon COLIN de GRUSSA: On page 769, again of budget paper No 2, volume 2, item 5 states —

Regional Western Australia will continue to benefit from the development and upgrading of water and wastewater infrastructure ...

Acknowledging, as we discussed before, the \$3.3 million on direct water carting that has occurred to date, has the Water Corporation committed any funding to improving the strategic water capacity in regional areas, and what would that involve if it has?

Hon ALANNAH MacTIERNAN: I think I answered that, in part, in response to a previous question. A number of pieces of work are being done. Some of those include upgrading those community dams that are assets, some of which are assets of Water Corp. Work is also being done by DWER and we are also partnering in some of these research projects around on-farm desalination. I do not know whether there is anything else.

Mr HAMBLETON: I particularly want to focus on the great southern area, for example. The member would be aware that we are constructing a pipeline between Albany and Denmark to deal with the impacts of climate change. Moving into the eastern part of the great southern, we are upgrading the transfer capacity in some of the pipelines between the Wickpin area towards Lake Grace, which allows us to transfer more water down into that area. We are also doing similar upgrades with new pump stations and boosters from Katanning heading east towards Nyabing to allow us to transfer more water. As the minister mentioned, we have upgraded around a dozen of our small dams to provide greater access to local communities, via standpipes and things. We have also taken the opportunity over winter, when demand is low, to top up many of the local storages. Therefore, if we do have to cart water, we will not have to cart it over as big distances as we did over the last summer, because obviously we have more water dispersed around some of the strategic reserves, particularly around the great southern area.

Hon COLIN de GRUSSA: On those community dams, as I understand it, a number of those are not suitable for drinking water. I am not sure of the reason why. There is obviously a particular reason why they are not suitable for drinking water.

Hon ALANNAH MacTIERNAN: I think it is saltiness, is it?

Mr HAMBLETON: It is predominantly because of the microbiological risks associated with them.

Hon COLIN de GRUSSA: Essentially, it is a disease risk?

Mr HAMBLETON: It is because of bacteria and viruses, effectively.

Hon COLIN de GRUSSA: Are there plans to upgrade those dams to be used for drinking water or to make them more available for emergency water supplies? As I understand it, for some reason a minimum level needs to be maintained in those dams, even though they cannot be used for drinking water.

Mr HAMBLETON: In terms of making them suitable for drinking water, we are doing some works at Ravensthorpe, Gnowangerup and a couple of other places where we are installing, effectively, complex treatment plants to allow us to keep using local sources, but that is probably limited. It is unlikely that we will bring back online as potable water those local sources that have a connection to what we call the great southern towns water supply scheme pipe infrastructure, because it is much more cost effective for us to transport potable water rather than treat it locally. As a result, we work quite closely with the Department of Water and Environmental Regulation on, effectively, what are considered strategic local sources. Where they are considered strategic between us and DWER and the local communities, we then look at what is the best management option for that local source. The corporation has been progressively trying to work, for example, with local governments on handing dams over to local governments if we do not need them so that they can

access them or, if it is a source that we will retain, we work on what we can do to that source to make it available. As the minister mentioned, in about a dozen of those we have installed additional standpipes and things like that to make them available to the local community. We are constantly working with DWER and the local governments on those local sources.

Hon COLIN de GRUSSA: So those options may become available for some of those dams for local governments to transfer. I am not sure how the guidelines are set in terms of the minimal level of water in the dam. There is a risk of a dam cracking, so you do not want the water level in the dam to be too low. If ownership of that dam is transferred or if it is not to be use for potable water, will there be a review of those standards or guidelines, given that it may not be perceived as such a risk if they are to be used simply for livestock water?

Mr HAMBLETON: Generally, these are very small dams. Some of our major metropolitan dams, particularly our earth bank field ones where you have a clay liner, absolutely there is a need that you do not want to have them run completely dry in your earth walls. That is on our major metropolitan dams. That does not really apply to some of the very small farmlands dams. As we know, last summer, many of them ran dry over that period. The risk of them running dry does not create a significant issue. What we are working on with local governments is generally not so much that it has run dry and therefore there is cracking in the liner, but: Are there other issues associated with the safety of the dam? How can members of the public access it? Is it safe? Is there a risk that someone could fall in? Generally, we try to work through those sorts of safety risks associated with a dam before we look to hand it over to a local government or other entity.

Hon LAURIE GRAHAM: Minister, I reference page 771 of budget paper No 2, volume 2, and also page 20 of budget paper No 3. Can you please advise how the Water Corporation is supporting customers experiencing financial hardship, particularly those who are still suffering from the impacts of COVID-19?

Hon ALANNAH MacTIERNAN: Thanks very much for that. There have been pretty extensive measures introduced to support households. In addition to water charges being frozen, no households in Western Australia experiencing financial hardship is being charged interest on deferred water bills or having their water connection restricted. We have been able to reduce the number of restrictions from 2 467 in 2016–17 to 517 in 2019–20. That is a 79 per cent reduction. In light of our policy, no regional customer has had a restriction placed on their water meter. We have implemented a wide range of hardship measures. These range from more time to pay to affordable no-interest payment plans or being able to defer payments to a later date. Each assistance measure is tailored to suit a customers' individual circumstances. Three new programs have been developed—medical assist, start over and time assist—to assist those in need. The existing water assist program is being amended to make it more available to customers who are doing it tough.

The CHAIR: Thanks, honourable members. That concludes this hearing. On behalf of the committee, I would like to thank you for your attendance. I remind members that due to time constraints, the electronic lodgement system will not be reopened for additional questions this year. For witnesses, I advise you that the committee will forward the transcript of evidence, which includes the questions you have taken on notice highlighted on the transcript, as soon as possible after the hearing. Responses to questions on notice are due by 5.00 pm, 10 working days after the receipt of the transcript. Should you be unable to meet the due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. I ask that you promptly leave the chamber for COVID-19 cleaning between sessions. Once again, I thank you for your attendance today. We will reconvene at 10.15 am.

Hearing concluded at 10.02 am
