

House: Legislative Council
Date: Thursday, 5 June 2003
Member: DEPUTY CHAIRMAN; Moore, Hon Norman; Griffiths, Hon Nick; Donaldson, Hon Bruce; Margetts, Hon Dee; Criddle, Hon Murray; Pratt, Hon Louise; Fischer, Hon John; Dermer, Hon Ed; Ellery, Hon Sue; Hough, Hon Frank; Ravlich, Hon Ljiljana
Subject: Water Corporation, \$462 787 -

Water Corporation, \$462 787 -

Hon Jon Ford, Deputy Chairman.

Hon Nick Griffiths, Minister for Government Enterprises.

Dr J. Gill, Managing Director.

Mr G. Meinck, General Manager, Planning and Development.

Mr M. Peacock, General Manager, Finance.

The DEPUTY CHAIRMAN: On behalf of the Legislative Council Estimates Committee, I welcome you to today's hearing. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The Committee values that assistance.

For the information of members, these proceedings will be reported by Hansard. The daily *Hansard* will be available on the following morning. Hansard will distribute documents for correction, which must be returned on the A4 documents sent to members. The cut-off date for corrections will be indicated on the bottom of each page.

Members are asked to sit towards the front of the Chamber where practicable so that witnesses will not have to turn their head when answering questions. It will greatly assist Hansard if when referring to the *Budget Statements* volumes or the consolidated fund estimates, members give the page number, item, program, amount, and so on in preface to their questions. If supplementary information is to be provided, I ask your cooperation in ensuring that it is delivered to the Committee's clerk within five working days of receipt of the questions. An example of the required Hansard style for the documents has been provided to your advisers.

The Committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations. For the benefit of members and Hansard, I ask the minister to introduce his advisers to the Committee. Have all witnesses read, understood and completed the Information for Witnesses form? For the benefit of Hansard, all witnesses have indicated in the affirmative. Do all witnesses fully understand the meaning and effect of the provisions of the document? All witnesses have indicated in the affirmative.

Also, I table questions on notice from Hon Norman Moore and the answers provided.

Hon NORMAN MOORE: Page 49 of the corporation's annual report indicates that the debt level of the Water Corporation for 2002 - I presume that is the financial year 2001-02 - is \$909 million. What is the debt level expected to be at the end of the 2002-03 financial year, and what is the projection for the end of 2003-04?

Hon NICK GRIFFITHS: Perhaps we could take the question on notice so a precise answer can be provided.

[*Supplementary Information No 54.*]

Hon NORMAN MOORE: As a supplementary question, without giving me the exact figures, can the minister indicate whether the debt level for this financial year and the next financial year will be in excess of the debt level in 2001-02?

Dr GILL: Yes, it will.

Hon NORMAN MOORE: A reason given for the decision to reduce funding for the infill sewerage program was the excess debt level of the Water Corporation. How can the minister reconcile that reason with the increased debt levels in the future?

Hon NICK GRIFFITHS: The adjustment to the infill sewerage program was to reduce the Water Corporation's debt level from what it would otherwise have been. Of course, that situation is also relevant to the overall debt levels of the State. In making adjustment to capital programs, particularly in 2001-02, it was necessary to reprioritise and cut programs in many areas of government because of the unsustainable position the Government was left by the previous Government. The document released by Treasury on 14 or 15 January 2001 about the situation under the previous Government disclosed the estimates for that financial year and the out years. The disclosed debt in the books of the Government outlined a very difficult financial position. As a result of measures undertaken by this Government with the Water Corporation and other agencies, the State's debt position is currently far better than otherwise would have been the case.

Hon NORMAN MOORE: We will have a debate about that matter another time I suspect, Mr Chairman. Page 222 of budget paper No 3 details revenue to government from public corporations. It lists the Water Corporation's contribution to government. Page 225 outlines expenses from government to public corporations. The first lot shows the revenue the Government will receive from the corporation, and the second lot is the money the Government provides to the corporation. The difference between the two grows from \$130 million to the Government's benefit in 2003-04 right through to a difference of \$220 million in 2006-07. How does the Government justify increasingly taking money from the Water Corporation at a time it professes we have a water crisis?

Hon NICK GRIFFITHS: The Government is ensuring that the Water Corporation has the funds available to it to safeguard the State's water in the future.

Hon BRUCE DONALDSON: Members cannot hear, Mr Deputy Chairman (Hon Jon Ford).

Hon NICK GRIFFITHS: I am not going to shout; I have the flu.

The DEPUTY CHAIRMAN: We will try to have the sound amplified.

Hon NICK GRIFFITHS: In its overall handling of the State's finances the Government has made provision to ensure that the Water Corporation is able to carry out its very important role. The money that this Government has taken from the Water Corporation is considered to be appropriate as no doubt was the case when previous Governments made decisions to ensure their operating balance was in the black, although that was not the case very often during the previous Government's term.

Hon NORMAN MOORE: It is rather difficult not to have an argument when the minister makes a response of that nature. However, we will resist the temptation now.

I refer to the dividends outlined on page 222 of the "Economic and Fiscal Outlook" being paid by the corporation to the Government. A subnote beside (a) on page 223 refers to provision for an infrastructure package on the Burrup Peninsula. How much is that and when will it be spent?

Mr MEINCK: The expenditure on the Burrup will be \$59.5 million in 2003-04, and in 2005 it will be \$1.5 million. The total is \$82.5 million.

Dr GILL: We have already let the first two major contracts, so it is under way.

Hon NORMAN MOORE: Who will use it?

Dr GILL: The initial agreement is with the Burrup fertiliser company.

Hon NORMAN MOORE: It is yet to sign off on the project.

Hon NICK GRIFFITHS: That is not my understanding but it is another portfolio area so I will not provide an answer to that. The view of the Leader of the Opposition is not my understanding.

Hon NORMAN MOORE: The Government may not need to spend the money anyway.

Hon NICK GRIFFITHS: That is argumentative.

Hon NORMAN MOORE: It is and, it is highly likely that the money will not need to be spent judging by the way things are going.

The CHAIRMAN: A couple of argumentative points have been made by both sides so I am tolerating them.

Hon NORMAN MOORE: I am trying to be subtle!

Will the minister provide an update on the infill sewerage program? Will it be expanded or will the meagre contribution continue that the Government has been making since it came to office?

Hon NICK GRIFFITHS: The infill sewerage program will continue. The program was initially proposed for a 10-year period commencing 1 July 1994. The program is ongoing. It is primarily funded from the Water Corporation's resources and borrowings. As I alluded to earlier, there is considerable competition for capital funding. The present drought facing the State has increased the need for the corporation to spend capital on water source development. To fulfil its commitment to the infill sewerage program it was necessary for the corporation to extend the initial 10-year period to a 15-year period with reduced annual expenditure for the remaining years. It is considered that the targeted significant health and environmentally sensitive unsewered areas throughout the State have mainly been completed. The remaining targeted unsewered areas have been prioritised based on areas that present septic tank problems due to the nature of the terrain. It is very important to understand that, unlike other sewerage facilities of the Water Corporation, infill sewerage provides a significant subsidy to those who receive its benefits; that is, in the form of capital donated by the State. Therefore, the community service obligation made by the State to those who benefit from infill sewerage is enormous. To some people it is much more than the amount of the first home owner's grant; to some it is thousands of dollars. It is important that members understand that.

[9.30 am]

Hon NORMAN MOORE: What are the known undeveloped ground water sources in the metropolitan area that could be exploited in the future as an alternative to the south-west Yarragadee proposal, which I suspect is more expensive in view of the fact that water must be pumped all the way here?

Mr MEINCK: The resources that can be tapped in the metropolitan area without resulting in some degree of environmental harm are very limited. The major resource is the deeper Yarragadee aquifer, into which we have recently put three bores to deliver 15 gigalitres of water to the system, and areas in Mirrabooka. However, the Water and Rivers Commission is constraining the amount of water that we can take both from the deeper Yarragadee aquifers and the superficial aquifers; for instance in Mirrabooka. Because of the sequence of dry weather in the past six to seven years, the superficial aquifers are showing signs of problems and we are at a stage at which it is highly unlikely that the Water Corporation will gain access to water in those areas.

Hon NORMAN MOORE: Are you basically saying that although the aquifers under the metropolitan area contain some 3 000 or 4 000 gigalitres of water, they cannot be tapped ahead of the south-west Yarragadee option?

Mr MEINCK: Yes. Because of the dry sequence in the past six to seven years and the impact of pine plantations and horticultural extraction, the indication is that we must be cautious in continuing to take water, in particular from the Gngangara mound. As I said, we are not the regulator in this case. However, together with the Water and Rivers Commission, we have a very sophisticated three-dimensional computer model that indicates we must be cautious in what we do on an ongoing basis with the Gngangara mound.

Hon NORMAN MOORE: That is a superficial aquifer. Are you therefore saying there is a relationship between that and the Yarragadee aquifer?

Mr MEINCK: Yes. The connection between the deeper Yarragadee and the superficial aquifer is not clear. We believe it is not dramatic. However, the indication is that the connection with the Leederville aquifer, which is also a confined aquifer and higher, is greater than we had previously considered. They are the areas of ongoing investigation that have occurred in the past three to four years.

Hon DEE MARGETTS: I refer to page 119 of the *Economic and Fiscal Outlook* and the extra revenue of \$16 million in 2003-04 and \$43 million in 2004-05 that the State Government expects to draw from the Water Corporation. Treasury has justified this increase in revenue as it anticipates that the Water Corporation will become more profitable as a result of an easing in water restrictions. Will the Water Corporation confirm that it will adhere to a commitment outlined in the state water strategy to continue daytime sprinkler restrictions; and, if so, how does the Water Corporation intend to ease water restrictions in 2003-04?

Hon NICK GRIFFITHS: Since September 2001 the Water Corporation has operated a two-day sprinkler regime, which has been very successful. It is intended that the regime continue until water supplies recover sufficiently to enable the regime to cease. The judgment of the Water Corporation is that it wants the dams to be at a certain level before consideration is given to changing the regime.

Hon NORMAN MOORE: At what level should it be?

Hon NICK GRIFFITHS: It is suggested that the level of water in the dams be in the region of 340 gegalitres, which is about half full. Dr Gill reminds me that it can reach that level at a particular time and the relevant time would be at the end of winter.

Hon DEE MARGETTS: Does that indicate that these figures of prospective extra revenue may be at risk? I do not suggest that the Government should not continue the restrictions but, given the low levels of dam water, how much risk to the revenue is involved? What assessments have been made of the risk to the potential extra \$16 million revenue in this financial year and the \$43 million next year from the easing of restrictions?

Hon NICK GRIFFITHS: Notwithstanding lower usage by people generally, there is a greater demand for water services and, therefore, a greater use of water services. That would mean that there is no risk to the revenue. I think members would be aware that, in addition, the rates charged by the Water Corporation have been adjusted in the past few years. I will not talk about what the previous Government did, because I do not want to be argumentative, but the rates have been adjusted in the period of this Government in line with the inflation rate and to accommodate areas of reform which had to be dealt with as a result of arrangements entered into by the previous State Government with the federal Government. In answer to the honourable member's question, in general there are two components. There continues to be a great demand for water services, notwithstanding an overall restraint on the part of the community, because the community continues to grow and prices go up. Prices need to go up in those two areas because the Water Corporation is a major player in our economy and for it to continue it must buy goods and services like any other player in the economy. I would therefore suggest that it is only reasonable that the adjustment take place. For example, the Water Corporation could not pay reasonable rates to its employees or the people with whom it contracts if it were not able to increase rates in line with inflationary trends. The reform process comes at a cost because it is not revenue neutral, but it often means that people who overall have been paying very large amounts for services find that they are paying a more reasonable amount. Members would be aware of a matter that was rectified to a considerable extent by the previous Government. A retailer in a shopping centre was paying what most people would consider to be an exorbitant amount of money for the use of a tap and toilet. The reformed process has evened things out so that such people, if I may put it in this way, are not being ripped off.

Hon DEE MARGETTS: I am pleased that the minister says that. In the state water strategy the Government promised to limit price increases for water, sewerage and drainage charges to the consumer price index, which has been estimated at 2.5 per cent. The reference is page 7 of budget paper No 3. With this in mind, will the minister outline the rationale behind the 3.3 per cent price increase which has been applied across the board?

Hon NICK GRIFFITHS: I invite the member to correct me if I am wrong, but the 2.5 per cent figure to which the member refers is the Department of Treasury and Finance estimate for inflation over the financial year. A longstanding practice of government is not to apply the inflationary component to taxes, charges, rates and the like for a financial year but a 12-month period which ends in September of the previous year. Therefore, for the rate that is applied for this year, we look at the 12-month period that ended in September of last year, otherwise we would be working on a guesstimate basis. Because the rise is retrospective, in some years the amount can be lower than the rate of inflation that one is experiencing in the financial year to which the rise applies, and in other years it may be greater. To do otherwise would prevent reasonable planning.

Hon DEE MARGETTS: What rate of inflation was applied last year?

Hon NICK GRIFFITHS: The rate was 2.8 per cent, which applied from September to September. It is not a financial year.

Hon DEE MARGETTS: No, but it must be a year of some sort.

Hon NICK GRIFFITHS: It is a measure over a 12-month period.

Hon DEE MARGETTS: There must be some quarters that the rest of us do not know about.

Hon NICK GRIFFITHS: That is how it is done, and that is how it has always been done.

Hon MURRAY CRIDDLE: On page 1145, the first paragraph reads -

The Water Corporation is committed to provide excellent and reliable water services to all West Australians . . .

It appears that there is an insistence that the local government fund the provision of the proposed development of a water supply in Port Gregory. Almost every other town in the State has the commitment that is outlined in that opening paragraph. Therefore, the Water Corporation is being discriminatory to not only the people of Northampton, who would have to fund a development at Port Gregory, but also the people of Port Gregory, bearing in mind the enormous opportunity for tourism in that area. Will the minister include funding for Port Gregory in his considerations?

Hon NICK GRIFFITHS: My understanding is that it has always been the responsibility of the local authority, including during the period of the previous Government. The Water Corporation does not provide services throughout the State.

Hon MURRAY CRIDDLE: Why put it in the opening remark?

Hon NICK GRIFFITHS: Members from the south west would know that the Bunbury water supply is provided by AqWest and the Busselton water supply is provided by the Busselton Water Board. There are many areas in which the Water Corporation does not supply the services to which the member refers.

Dr GILL: There are cases in which we do not provide water services but we do provide drainage and sewerage services. Examples are Bunbury and Busselton where we are not the water utility but provide drainage and sewerage.

Hon NORMAN MOORE: Perhaps Hon Murray Criddle should read the opening sentence again.

Hon MURRAY CRIDDLE: I have read the opening sentence and I understand it very clearly. I hope that other people will look at it as well.

Will the minister table information on the infill sewerage program for 2002-03 and 2003-04, so that we can see the progress of it? The estimates are very succinct and the figures balance very nicely. Are any unspent funds carried over from one year to the next?

Hon NICK GRIFFITHS: I will cause information on the program to be tabled. I do not have it with me at the moment. The Water Corporation is a very significant enterprise. When running an enterprise such as the Water Corporation, there are invariably areas in which money budgeted for is not spent during a particular financial year. There is invariably a carryover, as I understand is the case with this financial year. It is not unusual. It is a bit like timing: people can be either early or late; it is very rare that they are precisely on time. The Water Corporation can find itself in a situation in which money allocated is not able to be spent for a variety of reasons.

Hon MURRAY CRIDDLE: The reason I ask the question is that other departments which have come forward have clearly outlined their unspent funds. I have asked that question on quite a number of occasions and received an answer.

The DEPUTY CHAIRMAN (Hon Jon Ford): The minister has offered to table information. Can he table it now or will it be in the form of supplementary information?

Hon NICK GRIFFITHS: It would be appropriate if the information were provided in the form in which the member requested it. I have notes relating to the infill sewerage program, but I do not have documents in a form that could be properly tabled.

[Supplementary Information No 55.]

Hon LOUISE PRATT: I refer to page 1146, support programs, drought response. What programs are characterised within that funding allocation?

Hon NICK GRIFFITHS: An amount of \$58 million has been allocated to redress the drought issue in 2003-04 by developing new water resources and enhancing the existing system. In addition, the current drought situation means that it is important to recover scheme water from industrial users. Work will be continuing on the new water recycling plant located in Kwinana. That is scheduled to be in full operation by 2004. At the first stage it will produce three gigalitres of water per annum, and when fully operational its output will be close to six gigalitres per annum. The water freed up by this scheme will be available for use by other customers of the Water Corporation. The dams at Wokalup and Samson Brook will be completed in 2003-04, and that will be a welcome addition to the scheme water supply.

Hon LOUISE PRATT: Page 1145 states that \$22 million will be spent in 2003-04 to fulfil the requirements of the 1996 drinking water guidelines. Which communities will benefit from that program?

Hon NICK GRIFFITHS: A number of areas will benefit, mostly in the non-metropolitan area. This program has certainly been very welcomed by the people I have spoken to in the non-metropolitan area. I will ask Mr Meinck to give the full particulars.

Mr MEINCK: In the aesthetic water improvement program in 2003-04 money will be spent in Wiluna, Menzies, Meekatharra, Laverton and Yalgoo. Under the drinking water guidelines program there will be widely distributed types of investments for disinfection improvements, new tanks and things of that nature. It is a multitude of things - too many to list now.

Hon LOUISE PRATT: The budget papers also outline an expenditure of \$11.8 million on large dams for a dam safety program. What kinds of risks lie behind that program? Why is that expenditure necessary?

Hon NICK GRIFFITHS: The standards that the Water Corporation seeks to attain have been raised in recent years, thereby necessitating a greater amount of expenditure than would be the case were the lower standards that have applied until relatively recently still to apply.

Dr GILL: It is true that the standards have been changed greatly in recent years and we are now well advanced on a program totalling about \$200 million to assess and bring our existing dams up to modern standards. That will apply all over the State, from Wyndham in the north down to the south. We have done some major work. We have modified the highest risk dams, and we are steadily working through a program to modify the remainder.

Hon LOUISE PRATT: I do not know that that clarifies what kinds of risks we are talking about.

Dr GILL: The sorts of risks are basically dam failure, hence damage to communities living downstream. We have a large number of dams given our population, so it is important to address the high risk dams. I think the dams are generally in good shape.

Hon JOHN FISCHER: This question has been touched on, but how much money has the State Government received from the Water Corporation this year that has gone into consolidated revenue, and how much money did it receive last year that has gone into consolidated revenue?

Mr PEACOCK: In terms of inflows into the consolidated fund, the estimate for 2002-03 is about \$385.9 million, for 2003-04 is \$401.8 million and for 2004-05 is \$444.9 million. In terms of the outflows - which are actually noted in appendix 7 on page 225 of budget paper No 3 - it is essentially the community service obligation payments that we receive from the Government. We estimate that this financial year we will receive from the consolidated fund \$263.1 million, in the next financial year \$272.7 million and in 2004-05 \$284.8 million.

Hon JOHN FISCHER: I want to ask about the infill sewerage program in country towns, in particular Carnarvon. I ask that because Carnarvon experiences flooding, and that may create a health risk. An amount of \$35 million was spent last year but only \$33 million has been allocated for 2003-04. Why has there been a reduction when this is such an important issue?

Hon NICK GRIFFITHS: There are two areas at Carnarvon, and they are described in the documents that have been tabled. The first area is described as Carnarvon C-SOO700 SCIA PS and PM. The second one is described as Carnarvon C2 and C7. Some matters should be placed on the record. The average cost per lot in the first area is \$7 075 and in the second area is \$6 743. In the first area 124 lots have been provided and in the second area 495 lots have been provided. The total cost for the first area was \$1.425 million and for the second, \$3.502 million. I am trying to find the right column. It was \$3.5 million in the first area and \$0.499 million in the second area. The previous years have had expenditure of \$386 000 and \$91 000; in 2002-03 it was \$16 000 and \$8 000 respectively; in 2003-04 it will be \$1.1 million and \$400 000; and in 2004-05 it will be \$2 million in the first area. By the end of 2003-04 it is anticipated that in the second area some \$408 000 will have been spent, and by the end of 2004-05, \$3.116 million will have been spent on infill sewerage in these two areas of Carnarvon. Again it is a matter of these areas being prioritised in accord with environmental considerations and the corporation's capacity to deal with them.

Hon JOHN FISCHER: I refer to a question asked previously by Hon Louise Pratt about drinking water quality and a figure of \$22 million. There are several sections to my question. Can the minister give me the amount out of that \$22 million that is spent outside the metropolitan area? In response to the question by Hon Louise Pratt the towns of Wiluna, Menzies, Meekatharra, Laverton and Yalgoo were mentioned, but there was no mention of Cue. I know some work has been done there, but is the standard of water in Cue considered to be as good as it gets?

Hon NICK GRIFFITHS: I will ask Mr Meinck to answer that question.

Mr MEINCK: In answer to the member's first question, under the drinking water guideline expenditures, in the metropolitan area there is an amount of \$22 million and in the country \$21.3 million. I am sorry, that is the total. It is \$0.7 million in the metropolitan area and \$21.3 million in the country.

Hon NICK GRIFFITHS: So out of the \$22 million the non-metropolitan area is getting \$21.3 million and the metropolitan area is getting \$0.7 million?

Mr MEINCK: Yes; and with reference to the second one that I mentioned earlier, 100 per cent is in the country. In relation to Cue, the answer is no; Cue's water quality is not considered to be of a sufficient standard and it will be dealt with as funds become available.

Hon JOHN FISCHER: Cue has had a very serious problem with its water quality and it amazes me that it is not included with those other country towns for expenditure this year.

Hon NICK GRIFFITHS: These matters are prioritised. I am not aware that the water quality in Cue has deteriorated in the past two to three years, but the member should take comfort from the fact that so many areas in his electorate are getting a very high degree of priority, and as Mr Meinck said, the matter of Cue will be addressed.

Hon JOHN FISCHER: I was not indicating that the quality of water has deteriorated over the past two or three years; it has been bad for a long, long time.

Hon NICK GRIFFITHS: These matters have been progressed progressively and at a rate which I think the community finds very acceptable.

Hon JOHN FISCHER: They do not in Cue!

Hon NICK GRIFFITHS: The member should talk to people throughout regional Western Australia; they are very pleased with the job the Water Corporation is doing and the priority that has been given to improved water supplies in areas throughout the State. As Mr Meinck mentioned, quite a few significant parts of the Mining and Pastoral Region have received attention.

Hon ED DERMER: I was interested in the description of the capital works program at page 1145. I note that the total amount for 2003-04 is expected to be close to \$463 million for existing and new infrastructure for the supply of water as well as wastewater and drainage services. The description goes on to explain that \$125.5 million will be spent on the distribution network to replace and augment existing infrastructure. I appreciate that a number of questions this morning have led to some information being provided about the improvements of water supply in country areas, but I would be grateful for further information about specific projects to enhance the water supply in country areas.

Hon NICK GRIFFITHS: The question relates to the distribution network. Hon Norman Moore put on notice a very comprehensive set of questions, and that issue was dealt with, but it is important that I summarise that part of the answer.

Hon ED DERMER: I would be grateful for that.

Hon NICK GRIFFITHS: The member referred to that area dealing with the country. I will make reference to the answer I provided to the Committee. The program generally covers the expansion, upgrading and replacement of the Water Corporation water, wastewater and drainage collection, distribution and conveyance infrastructure. The major areas in the country are: Kalgoorlie, an additional storage reservoir, \$7.7 million; the Albany-Two People's Bay distribution main, \$5.3 million; the Brunswick new source from Australind, \$4.3 million; and the main conduit renewal, \$3.1 million.

Hon BRUCE DONALDSON: Yesterday I raised an issue concerning the Department of Conservation and Land Management and the water catchment areas. We have had reduced rainfall patterns, but there has been a build-up in the vegetation growth on the forest floor in the water catchment areas, which I know is controlled by CALM; there is also a program for some prescribed burning and there is talk about some selective logging and clearing. Does the Water Corporation want to accelerate that program? We all know there is a double-whammy with this. If there is less rainfall we seem to see more growth. I notice that some areas have pine plantations growing in the valleys, and it is well known that pines soak up water. Is there a problem area? I know the Water Corporation would probably like to do more, but is it hindered by those who do not want to see smoke over the city, or is it concerned more about the effect on water quality in those areas?

Hon NICK GRIFFITHS: The honourable member has raised a number of aspects about an interesting issue. The thinning around catchments would cause flows to dams to increase. The harvesting of pine

would have a beneficial effect on the water supplies available to the Water Corporation. The Gngangara pine forest is the subject of an agreement, and the Water Corporation, along with other agencies, played a significant role in bringing that project to the state at which it is now.

I note that thinning practices have been a matter of controversy. They are being examined. I invite Dr Gill to comment further on what is being examined and how far that has progressed. I understand that some research has been carried out.

Dr GILL: A trial is under way between the Water Corporation and Murdoch University of selective thinning of some areas of hills catchment to examine the relationship between tree growth and so on and run-off from the areas. We are testing that at the moment. It is certainly a fact that stream flow over the past 20 to 30 years has declined to a far greater extent than has rainfall.

Hon SUE ELLERY: The seventh paragraph under the capital works program on page 1145 refers to odour management initiatives in metropolitan waste water treatment plants, and states that capital works will continue to be done at Beenyup and Subiaco treatment plants. Given the spread and the increasing size of the metropolitan population, what other initiatives are being taken to control odour?

Hon NICK GRIFFITHS: First, the odours from the Subiaco and Beenyup plants have been longstanding problems and they are the cause of significant capital investment. Close to \$31 million has been budgeted in 2003-04 to deal with the Beenyup and Subiaco plants. I invite Dr Gill to comment on the matters in addition to that.

Dr GILL: Those two projects are under way at present. Money is being spent in the current year, so this is the quantum for the coming year. It involves extensive covering of those facilities and other areas in the metropolitan area. There is only one other major treatment plant in the metropolitan area and that is at Woodman Point. That has been recently expanded and upgraded, so it is in reasonably good shape from an odour point of view.

Hon FRANK HOUGH: This is a question that I have been asked regularly. I have been through the budget. The fourth paragraph on page 1145 states that work will continue on projects focusing on securing the water supply to Perth etc. One of the greatest catchment areas is Perth city itself; it is a huge run-off area. I presume that water runs down to the river. The question asked regularly by the public is whether it would be easier to clean the grey water run-off from Perth city and major shopping centres than desalinate water from the ocean.

Hon NICK GRIFFITHS: That is a very interesting question. We see rain falling and water running off at a time when there is a demand for water that is not being met easily without recourse to significant capital expenditure. There are treatment and expense issues in dealing with that. However, the member has raised a very interesting point and I invite Dr Gill to comment on that.

Dr GILL: Run-off from those inner city areas and major shopping centres does not readily feed into the aquifers that we currently tap. Some of the run-off in outer and northern areas most certainly would; it would go into soak wells, sumps and so on and feed the aquifers from which we draw. It would be difficult, for example, to capture Perth's central business district water and do anything with it, although, ultimately, depending on how much money one has to spend, one can use any water and process it into useable water. Taking CBD run-off at this time would not be an economic proposition with today's technology.

Hon FRANK HOUGH: As a follow-up to that, let us say, for instance, that a shopping centre was about to be built. Why would regulations not provide that all the run-off from that shopping centre should go into storage so that it can be treated and used by the shopping centre? Shopping centres are huge complexes. I do not see a great deal of cost involved, particularly while the shopping centre is being built, so that it can reuse its own water.

Hon NICK GRIFFITHS: Again, Hon Frank Hough has raised a very interesting proposition. With our technology and the engineering prowess of the Water Corporation, it is capable of doing the job. However, in the end, all these matters turn on how much money there is to spend and what the relative cost is of

other options. Again, it is an interesting proposition. It is a variation on the matter that was put a few moments ago. I invite Dr Gill to comment on the specific point.

Dr GILL: In the longer term, the use of that kind of stormwater and recycled grey water definitely has a place in Western Australia. Western Australia is a reasonably dry place and we must look at those resources as valuable resources. This year we have started a project called the water cycle project, part of which involves working with land developers, the Housing Industry Association and so on to look at how we can fruitfully use stormwater run-off and grey water and thereby save potable drinking resources. Work has begun. It is an important part of the future.

The DEPUTY CHAIRMAN: A number of members wish to ask questions. It would assist if questions and answers could be kept succinct.

Hon NORMAN MOORE: Are any funds provided in the capital works program or are there any capital works programs in the out years for the south west Yarragadee project to bring 45 gegalitres to Perth?

Hon NICK GRIFFITHS: The funds for the south west Yarragadee project have been provided for investigation only. No allocation has been made in the out years for development of the south west Yarragadee project, nor should there be, because no decision to develop has been made, only a decision to investigate. With regard to the expenditure that has been allocated to the south west Yarragadee project, the Leader of the Opposition may recall that in a debate a few weeks ago I referred to a figure of \$6.1 million, and that was the figure at the time. I am in a position to advise that the amount allocated has been increased as a result of a decision to use an investigative bore; I believe that is the correct terminology. I ask Mr Mienck to elaborate. The amount has grown from \$6.1 million to around \$8 million, which has been accommodated within the Water Corporation's budget because other matters have been brought in under budget.

Hon NORMAN MOORE: I quickly add to the question as both questions might be answered at the same time. The Water and Rivers Commission is involved in assessing the south west Yarragadee. Who is taking responsibility for proving it up - the Water Corporation or the Water and Rivers Commission? Who will make the final decision about whether it can be used?

Hon NICK GRIFFITHS: Government will make the decision.

Hon NORMAN MOORE: Which agency has responsibility for advising the Government about whether it can be used?

Hon NICK GRIFFITHS: Government will make the decision, and the Government takes advice from a number of agencies, as did its predecessors.

Hon NORMAN MOORE: With respect, the Water and Rivers Commission issues licences to the Water Corporation for the use of water. The Water and Rivers Commission will have a role in determining whether a licence will be issued.

Hon NICK GRIFFITHS: The Water and Rivers Commission has a role, as does the Water Corporation. I ask Mr Meinck to comment on the south west Yarragadee and to confirm the money allocated. Part of the money has been spent in the current financial year and part allocated for the financial year commencing on 1 July.

Mr MEINCK: The south west Yarragadee project is at the stage of investigation, as the minister has described. The lead role for that is the Water and Rivers Commission - it is the regulator. The decision about the quantity of allocation will be made by that commission. The decision on the project will be made by the Government. Our role is as proponent. Clearly, we see the south west Yarragadee as a very important resource both for the south west and the integrated system. Therefore, we have expended a significant amount of funds. The \$6.1 million has gone to \$8 million. The decision was to install an investigative bore, which duplicates more clearly the type of extraction one would see with a production bore in place. This will be an important additional piece of information to ensure that the modelling for the south west Yarragadee is accurate. That will be concluded by around August of this year.

Hon LJILJANNA RAVLICH: I am particularly interested in the expenditure of \$11.8 million by the Water Corporation on the dam safety program, which I understand covers a wide range of works in metropolitan and country areas. These include upgrades of Churchman Brook, Waroona Dam and Phillips Creek Dam. The minister or Dr Gill might expand on the benefit of the program to the Western Australian community.

Hon NORMAN MOORE: They already have.

Hon LJILJANNA RAVLICH: They could expand a little further then.

Hon NICK GRIFFITHS: The honourable member has properly drawn attention to an issue that I know she has championed over the years. I invite Dr Gill to elaborate a little further.

Hon LJILJANNA RAVLICH: There is always a little more to be said, I am sure.

Mr MEINCK: The Phillips Creek Dam project is a spillway upgrade that will make the dam secure. Churchman Brook is a similar situation, although it has some embankment stability problems. It involves a spillway, but, more important, security on the embankment. It is currently operated at a low level to ensure its safety. The Waroona project is under way and will be completed before this winter. It is an embankment and spillway issue.

Hon LJILJANNA RAVLICH: As a supplementary question, can the minister please explain why the federal Government thought it was important to have national guidelines for large dams? What was the underlying problem that led to the national guidelines being established. Hon Norman Moore has not heard that question!

Hon NICK GRIFFITHS: This is not a dorothy dixer, Mr Deputy Chairman. I understand that Mr Meinck is a member of the national committee, and probably is the best person in Western Australia to answer the question. I defer to him.

The DEPUTY CHAIRMAN: Please answer succinctly.

Mr MEINCK: It is a guideline. It is not implemented through the national Government. It is a guideline from a national committee. The reasons are that the standards of dam safety have changed over time. We must reflect international standards. The Board of the Water Corporation in 1996 decided it must adopt the national guidelines if it was to do its duty. The standards are replicated throughout the world. They are not out of order with any other developed country.

Hon NORMAN MOORE: In the capital works budget, as outlined on page 1146 of the *Budget Statements*, the drought response allocation for this financial year is \$7 million. In the previous year, \$97.1 million was spent on drought response. Has the drought finished, or has the Government used the terminology to indicate that the normal capital works was somehow directed to this program?

Hon NICK GRIFFITHS: I am looking at the weather daily, and I hope that the drought has finished. It is too early to say. Hon Norman Moore asked a specific question about the estimated cost of the drought relief in the \$7 million on page 1146. I think a specific answer should be given to that question. It will be taken on notice.

[Supplementary Information No 56.]

Hon NORMAN MOORE: It seems that a different description has been given of the expenditure to fit in with the Government's promotion of its drought response strategy, when it is capital works that would be regarded as commercial projects, infill sewerage or drinking water under normal circumstances.

Hon NICK GRIFFITHS: I am surprised that the member makes such a statement; it sounds very argumentative. It is most unbecoming and unlike the member.

Hon NORMAN MOORE: The program allocation has reduced from \$97.1 million down to \$7 million, yet there is no difference in the drought.

Hon NICK GRIFFITHS: I have said that a specific breakdown of the \$7 million will be provided as supplementary information.

Hon NORMAN MOORE: Capital overheads are listed as \$16 million. What are capital overheads? I refer to the support programs and capital works program outlined on page 1146 of the *Budget Statements*. What are capital overheads as a general description of the title, and what will they be used for?

Dr GILL: Capital overheads are internal costs of the corporation, including the use of consultants to carry out investigation, design, project administration and so on.

Hon NORMAN MOORE: Why would they be included in the capital works budget? Are they not part of the normal recurrent budget?

Dr GILL: No. If we were not carrying out the capital works, we would not incur those costs. That is the basis on which they are capitalised.

The DEPUTY CHAIRMAN: That concludes the division. I thank witnesses for their attendance and participation.

Sitting suspended from 10.30 to 10.45 pm