

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020–21 (Neville)

Melbourne—Wednesday, 16 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallence

WITNESSES

Ms Lisa Neville, MP, Minister for Water,

Mr John Bradley, Secretary,

Ms Helen Vaughan, Deputy Secretary, Water, and

Mr Xavier Hinckson, Executive Director, Finance, and

Mr Daniel Erickson, Head of Office, Department of Environment, Land, Water and Planning.

The CHAIR: Minister, welcome back to you and your officials for consideration of the water portfolio. Again, we invite you to make a 5-minute presentation. This will be followed by questions from the committee.

Ms NEVILLE: Thank you, Chair. It is good to be back talking water, one of my favourite subjects.

Visual presentation.

Ms NEVILLE: If we just go to the first slide, this gives you a bit of a sense of the storage levels. After a number of consecutive years of sort of warm and dry years we have had a little bit of rain, and that has given some relief. The allocations on the right show you that for some in our irrigation communities they are up to 100 per cent. The Murray actually is now at 88 per cent, and depending on rainfall that may continue to increase. The La Niña I think we stated was going to be October to December. We have not yet experienced it in Victoria—we have seen it in New South Wales, the sort of flooding that was predicted—but we have had enough rain to bring up some of our storages. But I would say that if you look at Melbourne, I think as of today it is sitting at 75.2 per cent. Of that 75.2 per cent, 14.9 per cent is actually desal water, so we would actually be down more at 60 per cent but we have got a bit of a buffer. But with the hot weather we are starting to see more go out than come in, and given the bureau have now shifted their view, we still could have a La Niña impact in December, but January to March looks like it is going to be more of an average rainfall level.

A lot of the water areas—not only—are funded out of the environment contribution levy. We are at the end of EC4 and now into EC5, and the government have committed to the continuation of the EC as well as continuing to commit to spending all that we recover. So EC5 will collect in this period \$694 million up to June 2024. We have allocated \$563 million of that. We have not allocated all of it yet. We will do so, we have committed to spend it all—not to have carryover, which we have seen in previous administrations, but to spend all of it—but we wanted to leave a bit aside, because we have got a number of water assessments going on at the moment, so that we have got some capacity to spend, to allocate further to the projects that might come out of those particular works. In addition to that, we also received funding for the building works package, which was part of the stimulus—\$50 million for water projects, \$20 million of which comes out of EC, so an additional \$30 million. So in the next four years we have allocated \$614 million to the range of water management projects and water quality projects and water infrastructure projects.

I am sure some will remember me speaking about our water policy settings, our Water for Victoria settings, which is what is used to allocate and to determine the policy priorities for government, and one of those is obviously around how we secure and safeguard our water future. So we know that despite having had a bit of rain this year overall we are well below averages, 30-year averages, right across the state in terms of rainfall. That impacts on storages, it impacts on water security. We have got rapid population growth as well, so we do have less water for more people, and our water corporations and our community have done very well in terms of reducing water use, and of course we have added to our water future through infrastructure investments.

Some of the key projects in this budget include the Macalister irrigation district project. When I talk about water security I talk about it in the context of how do we build infrastructure like desal but how do we modernise our system to reduce water losses? How do we then ensure that we are investing in the best use of stormwater recycling, our integrated water management systems and processes, how do we continue to drive down water use as well? All of those things are about how we make sure that we have the most robust systems in place to secure our water future given we know that there are challenges in terms of population and climate change.

I wanted to quickly touch on at the end—we talk a lot about the money going in—what are some of the outcomes. So here are some of the outcomes that you will see, and we might get to talk a little bit about that during the session.

The CHAIR: Thank you, Minister. Mr Danny O’Brien, MP.

Mr D O’BRIEN: Thank you, Chair. Minister, can I ask a question to Ms Vaughan, who is just walking your way. I wonder if you could provide me with, as of 1 July 2020, how many customers across each water authority were on payment plans, and likewise for 1 July 2019?

Ms NEVILLE: What I can provide you with, because the ESC report came out yesterday, is—

Mr D O’BRIEN: I just want an answer to the question, Minister—

Ms NEVILLE: Well, I can talk about—

Mr D O’BRIEN: not something else.

Ms NEVILLE: I can tell you. Sorry, I have the information; that is all.

Mr D O’BRIEN: Have you got the number of how many customers across each water authority are on payment plans?

Ms NEVILLE: What I can tell you is that we have got an increase of 4700 who have accessed and are using hardship grants. In fact our payment plan schedules are actually stable. So we can provide you recording, but basically they are stable, and that is probably because of the actions our water corporations have taken since COVID, which has seen that they have not taken any legal action. They have used their hardship grants to support people, so in fact we have not seen any significant increases at all.

Mr D O’BRIEN: Sorry, to clarify, you said an increase of 4700 people?

Ms NEVILLE: On hardship grants. So this is where we might either give them a grant to offset their bill or it might be that we have said, ‘Don’t pay this bill. Are you going to be in a better position next period?’. Each water corporation does it differently, but they have an increase in order to deal with some of the issues that the customers are facing due to COVID, and the fact that it has increased shows that our water corporations have actually taken this issue seriously and provided the support. That means that the payment plans have not changed. We have not seen any increase. So we are trying to stop people being in long-term issues. It has also meant that we have had—

Mr D O’BRIEN: Okay. Thank you, Minister. Ms Vaughan, can that detailed information that I asked for be tabled?

Ms NEVILLE: Well, we will provide any additional that we might have.

Mr D O’BRIEN: I understand the department was given advance warning.

Ms NEVILLE: Yes, and I am providing you with the answers. I am happy to provide that.

Mr D O’BRIEN: Sorry, with respect, Minister, that is not the question I asked.

Ms NEVILLE: I was provided with the—

The CHAIR: Mr O’Brien—

Mr D O’BRIEN: Excuse me, Chair. Can I ask the minister a question?

The CHAIR: You can ask the question, but I expect that you would then also want to hear the answer to the question.

Mr D O'BRIEN: Chair, I have been listening to the answer for 2 minutes. With greatest respect, that is not the question I asked. The officer at the table is offering to provide the information. The minister keeps taking up time.

Ms NEVILLE: I have got the information.

Mr D O'BRIEN: Well, thank you. Can you table it for me, please?

Ms NEVILLE: The question was asked of me, not the department.

The CHAIR: Mr O'Brien, can you let—

Ms NEVILLE: I was given early warning from the shadow minister about this question. I have the answer. I think it is unfair to then go to the department. I have said I have the information, Mr O'Brien.

Mr D O'BRIEN: Okay.

Ms NEVILLE: I am happy to provide it.

Mr D O'BRIEN: Thank you.

Ms NEVILLE: I have said on instalment plans it is basically not changed, and I am happy to provide it to you, okay?

Mr D O'BRIEN: Thank you.

Ms NEVILLE: So you do not need to be pressuring Ms Vaughan about it, okay?

Mr D O'BRIEN: I am not pressuring; I am asking a question. For God's sake—what is this?

The CHAIR: The minister has indicated she has the answer and would like to provide it to you.

Mr D O'BRIEN: Okay. I am moving on.

The CHAIR: But you do not want the—

Mr D O'BRIEN: Minister, last year you milked a record dividend from the water authorities of \$345 million, and now this year, on page 174 of BP4, the government is forecasting a decline in dividends because of lower profits. Is it not the fact that, in ripping out that much money from the water authorities, you have actually limited their ability to reduce prices at a time when Victorians most need it?

Ms NEVILLE: Absolutely not. So again, dividends are based on profitability. Our water corporations are quite profitable, given population growth in Victoria, so they are doing very well. In fact just—

Mr D O'BRIEN: Your own budget papers say that the dividend is smaller due to lower profits.

Ms NEVILLE: And just so we are really clear, Melbourne, Victoria, continues to have some of the lowest bills in the country, reinforced just recently by the Productivity Commission just the other day. We are below Sydney, we are below Perth, we are below Adelaide. We are doing very well. We have one of the lowest bills in the country. And let us just be very factual about the fact that in fact during our time, between 2014 and 2018 we have collected \$580 million. During your four years, \$617 million, so this idea of record dividends is just incorrect, Mr O'Brien.

Mr D O'BRIEN: Minister, in 2013 the now Treasurer said that dividends were 'effectively an indirect tax' on Victorian households and that taking the dividends out was 'squeezing every drop' out of the water authorities and adding pressure on their business operations. The profits are lower from the authorities this year. That is what your budget papers say. Was the Treasurer wrong then?

Ms NEVILLE: Well, I think in 2013 we were not in government. He was not the Treasurer.

Mr D O'BRIEN: Exactly. That is my point.

The CHAIR: Thank you, Mr O'Brien. Your time has expired. I will pass the call to Mr Gary Maas, MP.

Mr MAAS: Thank you, Chair. Thank you, Minister. If I can take you to the topic of building the water grid and specifically to budget paper 3, page 49, table 1.11, would you be able to explain for the committee how this government is providing water security for farming communities and announcing jobs around the state?

Ms NEVILLE: Thank you, Mr Maas, for that question. I have spoken often to this committee and publicly about Victoria's water grid. I suppose firstly it is an acknowledgement that as a state we have to—as a whole—understand the pressures that we will have in relation to water security, both due to population growth but also most importantly due to climate change and the decline in rainfall that we are seeing and continue to see and will continue to see over time. So we need to look at when we talk water security: how do we ensure we make the most of what we have, and what do we need to add to that?

So the water grid for me is, firstly: how do we use our water markets best? How are we the most efficient and effective in terms of using our water markets? How do we make sure that our systems are as modern as possible so we reduce water losses? We cannot afford to see evaporation. We cannot afford to see seepages, particularly in our irrigation communities. How do we, in terms of the water grid, create the connections between different communities? This is particularly important, say, with the desal plant. So we have added a whole range of additions to the desal plant to be able to ensure water security for other communities—South Gippsland, Western Port and we have got a connection from Melbourne to Geelong and out to Western Water areas as well. So again, how do we make the most of that investment—that additional non-rainfall-dependent supply of water and get it to as many communities to provide as many opportunities as possible for communities for water security? So all of that is part of what I consider the water grid.

There are on-farm improvements as well that can be done, and there is a further investment in terms of that. There is also our investment in this budget around integrated water management. We established this process out of Working for Victoria. So in communities across the state we have got water authorities, CMAs, key experts working together to look at: what are the opportunities for better use of stormwater or recycled water? How are we smarter with our water use? And there are some really good and interesting projects that have been funded through that. So again, we are looking at non-rainfall-dependent sources of water as a way to boost our water security into the future.

The other project is our modernisation of the irrigation system. Apart from some of our new projects, one of the ones that we have completed this year, which I think many people thought back in 2014 was never going to be completed and certainly would not deliver what it is supposed to, is the Connections Project—this is the Connections Project in the Goulburn Murray. It is part of the Murray-Darling Basin project, but also, importantly, it delivers water back to irrigators, it delivers water back to the environment and it meets our Murray-Darling Basin commitments without further buyback. So we completed that. We reset that project, we completed that project. That is an example of how you modernise our current system to make the most of every drop of water.

But other projects like that that we are doing are the East Grampians domestic stock pipeline; the Mitiamo domestic stock pipeline, and works have just commenced—both Michael McCormack, the federal minister, and I announced the commencement of that; the Western Irrigation Network; and money that the commonwealth has put into Lindenow Valley, again to support on-farm storages. So there is significant investment not just in Melbourne and what we are doing here—and that is particularly desal but also all the stormwater recycling projects—but also in our regional communities to give greater access to water security, modernise our system and connect people to water systems that they did not have before. We know that there are people in our regional communities who never thought that they would need to connect into a secure piped system because they always had enough water supply that are now desperate for that. Mitiamo is one of those areas where we have had to do that, and that is going to again provide not just security for existing users but also the ability for some of those communities to grow. So I know when we have connected Lance Creek, in those communities, into the desal plant—

The CHAIR: Thank you, Minister. Mr Sam Hibbins, MP.

Mr HIBBINS: Thanks, Chair. Thank you, Minister and your team, for appearing this morning. Budget paper three 3, page 49, 'Improving the health of Victoria's waterways and catchments in the face of escalating

impacts of climate change'. Within that funding is the *Regional Riparian Action Plan* continuing? Is that part of that funding, or has that program concluded?

Ms NEVILLE: It is. It is continuing, yes. So a large chunk of the EC goes to that whole water quality, water catchments, our priority rivers and waterways and riparian land. Riparian works continue.

Mr HIBBINS: So that particular program, which was due to expire—

Ms NEVILLE: Yes.

Mr HIBBINS: So is that funded—it was a five-year program to begin with; is there a timeline on that?

Ms NEVILLE: It is four years.

Mr HIBBINS: Four years. Okay, great. Thank you. And can you provide the committee with just a bit more detail in terms of what the overall \$50 million will actually be funding—how it will be allocated and what activities it will fund?

Ms NEVILLE: So that whole water catchment—

Mr HIBBINS: Yes.

Ms NEVILLE: Yes. So it basically continues the Gippsland Lakes Coordinating Committee and works there. We have funded a number of projects that come out of that coordinating committee to try and improve the quality of the Gippsland Lakes—on-ground environmental works, priority waterways and catchments. So I think—I am trying to remember—in *Water for Victoria* it is 36 priority waterways and catchments that are targeted through that, so on-ground environmental works, Ramsar sites are all included in that. It also funds VEWH, the environmental water holder, and the work that they do in terms of distribution of environmental water. It is funding 10 new regional catchment strategies, so they are being developed locally around the catchments, involving traditional owners in that, and we fund the projects that are being identified about what needs to be done in those particular areas as well as the monitoring of environmental assets, so it funds all the monitoring programs that the CMAs undertake.

Mr HIBBINS: Yes. Is river fencing part of the funding? Has that been allocated funding?

Ms NEVILLE: Yes. It depends on what the riparian strategy is. So some of that may be fencing, it may be other things, but again it is determined with communities and the CMAs what the best outcomes are in particular areas.

Mr HIBBINS: Yes, okay, thanks. Look, I will conclude there, but can we just take on notice just a breakdown of the funding if you could provide that to the committee on notice?

Ms NEVILLE: Sure. I mean, a lot of it will go to CMAs, who will then implement that. But we will give you as much detail as we can.

Mr HIBBINS: Yes, terrific. Thanks. Thanks, Chair.

The CHAIR: Thanks, Mr Hibbins. Mr Danny O'Brien, MP.

Mr D O'BRIEN: Thanks, Chair. Another question to Ms Vaughan if I could. Budget paper 4, page 92, indicates the desalination project cost for 2020–21 is \$663 million. I am just wondering, does that include the cost of the 125-gigalitre purchase for 2020–21?

Ms NEVILLE: It does.

Mr D O'BRIEN: It does? Thank you. And can you confirm, is the cost of that order \$76 million, as was indicated earlier in the year?

Ms NEVILLE: Yes.

Mr D O'BRIEN: Okay. Thank you. I am wondering, Ms Vaughan, if you could summarise for the committee the options provided by Melbourne Water and the department to the minister in terms of a desal order for this year.

Ms VAUGHAN: So in terms of the modelling?

Mr D O'BRIEN: No, in terms of the options—just: what were the options provided?

Ms VAUGHAN: So we run through the different modelling scenarios from 0, 15, 30, 50, 100, 125, and then that is analysed against the five principles that we have been through before at this particular committee, which are about avoiding our storages going into the low zone, minimising our risk of going into the medium zone, maximising our storage recovery, minimising foregoing spill and then, importantly, minimising customer bills.

Mr D O'BRIEN: So from what you just said then, was 125 the top end of the recommendation?

Ms VAUGHAN: Oh, sorry, 150.

Mr D O'BRIEN: At 150, so it was the second of six or so options?

Ms VAUGHAN: Yes, so zero, 15, 50, 75, 100, 125, 150.

Mr D O'BRIEN: Given the La Niña forecast that the minister talked about and the rain we have had, why did we get a recommendation at the top end of the band when storages are actually quite good?

Ms VAUGHAN: In Victoria our approach to desal is to actually build our storages. Unlike some other states where they turn their desal plant on and they have no storage, our strategy is to actually fill our storages for Melbourne. Given, as the minister said before, there is a connection between different parts of the state for the grid, building that storage really gives us more water security for other regional parts of the state as well as Melbourne.

Ms NEVILLE: I think it is also important—I do not know if you have heard but if we had not done our desal orders, Melbourne would be at 60 per cent.

Mr D O'BRIEN: Sixty, yes.

Ms NEVILLE: So we are nowhere close to our storages being full, even with La Niña. And guess what—La Niña has not really yet happened in Victoria.

Mr D O'BRIEN: Well, La Niña is a summer phenomenon, Minister, so—

Ms NEVILLE: I am just saying, it has not yet happened.

Mr RIORDAN: Summer has not yet happened.

Ms NEVILLE: No, but even with La Niña, our storages are in decline at the moment. We are in decline at the moment. Again, without desal we would be at 60 per cent—

Mr D O'BRIEN: Not according to Melbourne Water. If you look at Melbourne Water, they are not in decline, Minister. I am just looking at it right here.

Ms NEVILLE: No, yesterday it went down about 500 gigs, I think it was.

Mr D O'BRIEN: Out of 1.8 million?

Ms NEVILLE: 500 megalitres, I should say, not gigs.

Mr D O'BRIEN: Okay. Can I move on. Minister, budget paper 3, page 60, details asset spending for the next year in the water portfolio of \$200 000. Given that the federal government, as you would be aware, has earmarked \$50 million for the on-farm emergency water rebate scheme to help farmers prepare for drought, why have you only allocated \$200 000?

Ms NEVILLE: Well, firstly, as I understand, we do not have a capital budget paper, so that is where you will see it, but I am happy to take you through—

Mr D O'BRIEN: Yes, we are well aware of that, Minister. We know that has been hidden. How many blowouts in your portfolio?

Ms NEVILLE: Let me take you through the water infrastructure. We have got approximately \$2.6 billion currently underway, so let us wait until the capital one comes out at the next budget. That will give you that sense.

Mr D O'BRIEN: Sorry, Minister, I am talking about this year's budget. This is what is presented to the committee, not what you would like to talk about in the state capital program that was not otherwise provided. There is \$200 000 and a total of \$1.6 million over the next four years.

Ms NEVILLE: Well, I cannot explain why you cannot read the budget papers.

Mr D O'BRIEN: I am reading the budget papers, Minister. Please, Minister, do not verbal me like that. These are your budget papers. It is your government's decision not to provide a state capital program. You cannot now say, 'Oh no, but we've got heaps in that budget paper'.

Ms NEVILLE: Well, I am happy to take you through all the projects.

Mr Riordan interjected.

The CHAIR: Mr Riordan, you do not have the call. Mr O'Brien, could you let the minister take you through the answer.

Ms NEVILLE: Under 2020 building works, the capital stimulus program, which is happening this year—\$48.4 million in water infrastructure projects from the state, \$10 million towards the Macalister district irrigation system—

Mr D O'BRIEN: There should be 20, as you well know.

Ms NEVILLE: No, no, no—

Mr D O'BRIEN: Yes, if it was a third—

The CHAIR: Mr O'Brien, would you like to hear the answer?

Ms NEVILLE: In the business case it always had the state doing \$10 million, as you know, Mr O'Brien. In addition to that, we have got—

Mr D O'BRIEN: Hope the irrigators pay more for it, eh?

Ms NEVILLE: We have got \$300 million of rural water infrastructure projects.

The CHAIR: Thank you, Minister. The call is with Ms Pauline Richards, MP.

Ms RICHARDS: Thank you, Chair. Thank you, Minister, and officials. I would like to take you to the Connections Project, budget paper 3, page 49. I am interested in understanding more and how it achieves water savings and what it does for farmers as part of their everyday work.

Ms NEVILLE: I touched a little bit on this, but this is I think a project that has been a huge success. When I first became water minister in 2014 I think there were lots of people who thought this was never going to be finished. It was a complete mess. It had a number of resets, a number of challenges, and not only had we a lot of farmers waiting on a return of 75 gigalitres of water, which was what their commitment was, but we had to provide back to the commonwealth a similar amount for the water savings for the Murray-Darling Basin. Without that we would have potentially seen significant buybacks from the commonwealth from our irrigators, which was just not going to be something that we could allow to happen. I then reset the project. I went to many irrigators' meetings back in 2015. They were pretty unhappy about where the project was up to and we were far from being anywhere near completing it on budget, on time or achieving the water savings.

So through some pretty significant hard work by Mike Walsh, Frank Fisseler and also the project control group—I was lucky to get Patrick McNamara, a former leader of the National Party, on that project control group—we have been able to finish and complete this project, a really significant achievement. What does that actually mean in terms of this project and for that community particularly? It has modernised 7600 irrigators, so they have got an improved service level at their farm gate, so we are not talking small numbers here. It has rationalised leaking old channels—lining of channels to stop leaking. It has installed state-of-the-art water meters and piping systems. It has reduced operating costs for farmers through their reconfigured farms. It has saved costs for people; now they basically have their iPad and can irrigate when they want to, need to, set it up. They can actually go away because they can set all of that up in an automated way, which is pretty good for some of our dairy farmers who often never get a break at all. We have got nationally compliant meters so we know people are using the water they are entitled to, and you would have seen the *Four Corners* program where particularly in New South Wales we had people stealing water basically. All of those have been really significant.

It created 800 local jobs annually during the project, GDP to the area of approximately \$170 million and, as I said, 7600 landowners modernised, 9500 new meters that have been installed, 5650 metres of system rationalised, over 1700 kilometres of channels decommissioned, over 300 kilometres of channels remediated, 4800 legal agreements signed and over 73 000 customer contacts made since the reset. We had these legacy issues: people who had been really at the start of the project, way back under John Brumby when the stage 1 started, that had still not been sorted—they have been sorted. Again, I cannot thank the people who were involved enough. They really delivered this project. This is a game changer for the region. This will contribute significantly to the Victorian economy, and it really is a game changer for the area.

Ms RICHARDS: Thank you, Minister. In just under a minute, I am interested in understanding: Victoria still has obligations under the Murray-Darling Basin plan; are there any further infrastructure projects planned in the Goulburn-Murray irrigation district?

Ms NEVILLE: Yes. As part of our obligation, once we met our obligations under the sustainable diversion limits under the Murray-Darling Basin plan the southern basin states needed to find another 62 gigs, and in Victoria's case I think we have been able to find our component of that. One of that is a project in the GMID. It is a water efficiency project. It will deliver about 15.9 gigalitres of savings. The commonwealth have indicated that they are going to approve the funding for this, which is great, because it is not just going to meet our commitment under the Murray-Darling Basin plan again, making sure there are no buybacks—

Ms RICHARDS: Thank you.

The CHAIR: Thank you, Minister. Mr David Limbrick, MLC.

Mr LIMBRICK: Thank you, Chair, and thank you, Minister and team, again. Budget paper 3, page 20, talks about the sustainable irrigation program to support Victoria meeting its salinity management obligations. My colleague, Mr Quilty, has been out to inspect some of these salinity issues. The question is around almond irrigation. Is almond irrigation being treated similarly to some of the older irrigation practices, like rice farming, with regard to salinity management?

Ms NEVILLE: Well, firstly, we have a salinity management program that applies to everyone wherever you are, and then we have got salinity zones which happen to fall where there are almond farmers. Those areas have traditionally had, not just because of almonds but farming in those areas, significant salinity issues so they are treated the same as everyone else in the Murray irrigation district in those salinity zones. So there are restrictions on use cap and use trade limits. There are financial contributions that then go to Mallee CMA. We have debits and credits in Victoria. I am not discounting the problems of salinity, but we have made significant progress around rehabilitation and around salinity in the Mallee region, so Victoria remains in credit. We are always in credit because of the work that we are doing. There are still some areas I know that the Mallee CMA are particularly working on. I think particularly where your colleague has raised some of those issues in those zones, there is work going on there specifically in relation to that, and that has been as a consequence of the almond farms.

Mr LIMBRICK: Thank you, Minister. Another question is around the environmental flows on the Murray, ironically, causing some environmental damage around the Barmah Choke. It has been put to me that the river

forest around that area—the native grasses and trees other than red gums—is all being killed by these environmental flows. What is being done about that with regard to the budget? Is there any management of that?

Ms NEVILLE: Look, just to understand, the system that operates along the Murray and the Goulburn—anything that is part of the Murray-Darling Basin has the overall oversight of the Murray-Darling Basin Authority, so we have particular obligations under that. This is an issue that I am trying to manage. We have got issues in the Goulburn, for example, where the flows over summer have been running at such a high level that it is pretty much undoing the environmental flows and the grass growing—it is pretty much undoing it. The combination of the flows to meet deliverability issues in Mildura, in the Sunraysia area, is causing issues—and the same along the Murray. We have raised with the commonwealth environmental water holder, who is the one who does the flows, issues about timing. We have raised with the Murray-Darling Basin Authority how they could better manage the system and when do we move water for irrigators. We have got a major issue anyway in being able to meet deliverability pressures in the Sunraysia area going forward because of the irrigation growth, so I have put in place extraction limits on the Murray. They all have to come to me for sign-off, and I am not approving any that take further water out of the Murray. Again, trying to limit the flow—the combination of environmental water and irrigation water when it goes down the river.

But regardless, the Barmah Choke is a natural constraint; we can only deliver so much water. We are investing so much in the environment; we are harming both irrigators and the environment in terms of how the Murray-Darling Basin Authority is operating the river at the moment. I am doing what I can—extraction limits; I have put some intervalley trade limits on the Goulburn; I have requested from the Murray-Darling Basin Authority some changes in their practice, some of which they have done; and I have asked the other states to look at extraction limits as well so that as growth happens we do not end up with entitlement holders who cannot water their plantations.

Mr LIMBRICK: Thank you, Minister. In the short time I have got left—one of the things in your slide was ‘Improving recognition and management of water by traditional owners and Aboriginal Victorians’. What does this program actually entail and what is it trying to achieve?

Ms NEVILLE: Firstly, we have changed legislation so that all of our water authorities and CMAs have to engage with traditional owners around environmental watering et cetera. But we have also funded, in a range of the Aboriginal communities, water officers and policy officers so that they build their capacity. There are economic programs. I am happy to provide any more information you want on that.

Mr LIMBRICK: Thank you.

The CHAIR: Mr Tim Richardson, MP.

Mr RICHARDSON: Thank you, Chair. Minister, can I take you further into the Murray-Darling Basin plan and refer you to budget paper 3, page 206. Are you able to explain for the committee’s benefit how the government is delivering on its basin plan obligations to recover water for the environment while still protecting farmers and their communities who have experienced significant economic hardship during these times and the impacts from water recovery?

Ms NEVILLE: Thank you for that question. This remains a topical question. We recently had a Murray-Darling Basin minister’s meeting—and you know, this is an area that we have to remain vigilant on so that we protect Victorian irrigators through this process. Having said that, Victoria has also done a lot of the heavy lifting and has got close to meeting our commitments in terms of water recovery for the environment. At the moment we have recovered 826 gegalitres of water out of our 1075, so we are close to that, and our projects that we have in train will deliver that.

So in terms of what I think is our legal obligation in relation to that, we will absolutely well and truly meet that and ensure that there are no further buybacks. But there are some challenges with that. We have got pressure around the delivery of the 450 gegalitres of water, which was added to the plan at the end and which in my view is impossible to deliver both in terms of actual water down system but also without destroying our irrigation communities, so Victoria has been very strong in putting in place, with New South Wales, socio-economic criteria against which all of our projects need to be assessed so that no further water can be taken out of the system, out of productive use, unless it has a neutral or positive benefit to those communities.

To give you a sense about some of the projects that are being invested in at the moment and will actually deliver quite a lot of jobs over the next period of time, this is our Victorian Murray Floodplain Restoration Project. So this is the part of the plan that enables us to deliver environmental outcomes without taking further water out of the system, and this is allowed for under the plan. We have a number of projects. There are nine sites that we have listed with the commonwealth that have been approved that are going through planning processes at the moment, and these projects basically enable us to do a range of things. Hattah Lakes up in Mildura—if you have not been there, you should go and have a look. So this is, again, part of these projects where you make changes in how you do environmental flows, providing opportunities for water to flow into areas that had not previously been there, achieving significant environmental outcomes as a result of those investments—so, again, really positive for the environment but without a cost to irrigators losing further water. It is about achieving the balance that was always seen under the Murray-Darling Basin—a balance between the social, economic and environmental outcomes.

Just in terms of giving you a sense, though: improving the environment along the Murray is a really important part of what we want to achieve out of all of these projects, but just through some of the water that we have already given back through some of the projects we have already invested in we are starting to see improvements around native fish, birds, vegetation. We are seeing Murray cod populations—say, in the Campaspe—go up, which is great news for people who like Murray cod. I do not think I have ever tried it, but I think people do rave about it. In the Barmah forest we are seeing strong growth around moira grass, we have seen nationally vulnerable swamp wallaby grass come back and we have seen chicks raised out of colonies of waterbirds. So we are seeing some really significant changes.

So the water we are sending back into the system is making a really big difference, and it is important that we achieve these projects that we have got, the nine sites: Gunbower forest, Guttrum and Benwell sites—we have got nine sites, as I said—Lindsay Island, some more work in the Hattah Lakes. All of these are projects that are going to improve the environmental outcomes and ensure we deliver under the Murray-Darling Basin plan but without taking any more water from irrigators. I know I keep saying that, but with all the work we have done in those regions, we cannot afford to take any more water off our irrigators or we will not have a viable irrigation district in the north of the state.

Mr RICHARDSON: Thank you.

The CHAIR: Thank you. Mr Danny O'Brien, MP.

Mr D O'BRIEN: Thank you, Chair, and hear, hear, Minister, on that one. Can I just clarify, and I do not want to fight, but the number of customers on payment plans by water authorities—you had a document there before. Are you happy to table that?

Ms NEVILLE: Yes, I am happy to provide that to you.

Mr D O'BRIEN: Thank you. Can you provide that to the secretariat?

Ms NEVILLE: Yes, I will.

Mr D O'BRIEN: Thank you. I mentioned the \$50 million the federal government has put up for the on-farm emergency water rebate scheme. Will the state be matching the contribution?

Ms NEVILLE: Sorry, I did not quite hear that.

Mr D O'BRIEN: The on-farm emergency water rebate scheme from the federal government—will the state be matching that?

Ms NEVILLE: Look, I am actually not across that, sorry, Mr O'Brien. We will come back to you on that.

Mr D O'BRIEN: Okay. Thank you. The federal government has invested an extra \$2 billion this year in water infrastructure, and the commonwealth I believe has put forward requests for you to prepare a list of future water infrastructure projects. Will you be responding to the commonwealth?

Ms NEVILLE: If I am right, I think at the moment that program is particularly designed for dams, and we will not be applying for further dams, no.

Mr D O'BRIEN: Full stop?

Ms NEVILLE: Let us have a discussion about dams; I am really happy to have a discussion about dams. So, firstly, on the Murray-Darling Basin, we cannot build a dam; right? Because under the diversion limits that are set by the Murray-Darling Basin plan, you can take no more water; right? You cannot take any more water and divert it out of the river system; right?

Mr D O'BRIEN: It is not necessarily about taking more water, Minister—

Ms NEVILLE: It is taking more water.

Mr D O'BRIEN: It is about storing it and how you use it.

Ms NEVILLE: Sorry, diversion—you divert it into a dam. That is taking it from the river system; okay?

Mr D O'BRIEN: There are actually a lot more ways you can do that.

Ms NEVILLE: And let us be clear: I did not sign the Murray-Darling Basin plan, you people did; right? Okay. You have signed up to this. I am now obliged to deliver it.

Mr D O'BRIEN: It has actually been a rule for—anyway.

Ms NEVILLE: No, you cannot divert water under the Murray-Darling Basin plan. So we cannot do it in the north, even if we wanted to. Secondly, dams do not create—

Mr D O'BRIEN: Just on that, because this is an important issue: on Big Buffalo dam, the federal minister wrote to you 12 months ago asking you to put forward a request for funding. Are you saying you will never respond to that request?

Ms NEVILLE: Not on dams, no. However, I have suggested and spoken to them about, 'Let's have a look at some non-rainfall-dependent capacity to build water security'. I am very happy to put in projects for that. But if you have a look at Big Buffalo, not only does it not stack up, it actually will—

Mr D O'BRIEN: How do you know it does not stack up?

Ms NEVILLE: Would you like me to take you through how it does not stack up?

Mr D O'BRIEN: Well, have you got something you can table? You have not done a business case.

Ms NEVILLE: So, firstly, you know Peter Walsh said no to this because it did not stack up at the same time. So enlarging it was rejected; right? It was rejected under the sustainable water strategy. It is not allowed under the Murray-Darling Basin plan. But even if you did do it, if you store water there you will not reduce evaporation losses by any more than 30 gigs, but the transfer of the water will end up losing more than the 30 gegalitres out of the evaporation loss. So it is worse; right? It is worse than where we are now, firstly.

Mr D O'BRIEN: Hang on. That is downstream of Lake Victoria?

Ms NEVILLE: So that is a zero net gain at best; right? Okay? Zero net gain.

Mr D O'BRIEN: Okay. We can argue about this, Minister. The bottom line is you are not going to respond on Big Buffalo. Are you going to put forward any projects to the commonwealth?

Ms NEVILLE: Yes. I have indicated to the commonwealth I am very happy to put forward other projects that would give water security to people in the north and across Victoria that are non-rainfall dependent.

Mr D O'BRIEN: Such as?

Ms NEVILLE: I think one of the ones that I initially discussed, in fact, when David Littleproud was the minister was, 'Let's connect the north into the desal, through the north-south pipeline, sending it the other way'. It is an expensive project.

Mr D O'BRIEN: Okay. How much water would you be looking to deliver through that?

Ms NEVILLE: I think a business case was released about the cost. It is not insignificant. But it would actually deliver some security to farmers in the north.

Mr D O'BRIEN: Okay. In the very short time I have got left, have you identified an alternative water source that could be used to fill pit lakes in the Latrobe Valley mines other than the Latrobe River, which obviously has impacts on downstream irrigators and environment?

Ms NEVILLE: No, we have not created new water.

Mr D O'BRIEN: No, no, have you identified an alternative water source?

Ms NEVILLE: Look, we are working on it. Firstly, I think we have said—and which I think you do support, Mr O'Brien—no-one is taking any current entitlements from any current water users.

Mr D O'BRIEN: Absolutely.

Ms NEVILLE: Okay? So there is no easy solution. I know that—

Mr D O'BRIEN: I acknowledge that.

Ms NEVILLE: they have some entitlements themselves. But, yes, we are working on it, but there is nothing easy or cheap about what those alternatives are.

Mr D O'BRIEN: Thank you.

The CHAIR: Ms Nina Taylor, MLC.

Ms TAYLOR: Yes. You have already spoken a bit about it, but it would be nice to explore a little bit further about water security for Melbourne and surrounding regions. I refer to budget paper 4, page 92, table 3.2.6. How have you secured the water supplies for Melbourne and surrounding regions?

Ms NEVILLE: Well, thank you for that question. We have talked little bit about water security today, and it is good to talk a little bit more about some of the things that we are doing. Obviously one of the big ones is the desal plant, and the desal plant has been a critical part of securing not only Melbourne but also other regions, as I mentioned earlier. Without it, we would be at 60 per cent now. So despite the rainfall we have seen over this spring, which has been good to see, we would be at 60 per cent. Back in the millennium drought we went down 20 per cent in a year, so you can get from 60 to 40 pretty quickly. We do not want to ever be in that position, because that threatens not just economic growth in Melbourne now, particularly given we are connected into other regions, but the ability of businesses to have confidence in investing in Melbourne if they do not have water security. The desal plant goes a long way to doing that, so we have now got the order of 125 gigs for this year. Obviously I will wait till next year to see what we would do going forward. As a minimum we are sort of committed really to 15 gigs just to keep the plant operating and to keep our water security at a certain level, so unless we got anywhere close to filling the Thomson Dam, which has not happened for 20-odd years—it has not been anywhere close to that—I think we would look at least at minimum orders. But we will see what the recommendation is. I think they did recommend 150 next year, but again we will see where the storages are up to.

Just to give you a bit more sense of the regions and how they are also benefiting from that, I have mentioned a little bit about how South Gippsland Water has access to desal water now and Westernport Water. Just to give you an idea, since July 2008 South Gippsland has been provided with more than 2300 megalitres of water out of the desal plant, and if you put that in context, South Gippsland Water took a total of 2867 megalitres from their supply. So it is a really important source for South Gippsland now. That was part of the original planning, to be able to provide that to South Gippsland, and it is paying dividends now for that community. The Lance Creek pipeline, which we completed back in 2018—so this is places like Korumburra, Poowong, Loch, all of those towns that often were constantly in restrictions. And anyone who has been down there at Burra Foods, a big employer down there, a big economic driver in that community, they often faced restrictions, faced uncertainty about their business. The connection down there now has meant they have not only got a long-term

future—they employ 160 people—but the opportunity to grow their business as well and to have a sense of security that that is something that is very possible.

Although Geelong itself is not directly linked to the desal plant, it is connected to Melbourne, and therefore basically because of desal we are able to guarantee them access to water out of Melbourne. Geelong often can be a little bit behind everyone else in terms of recovery of our storages or often will be first heading into drought. We got down to the 30s, and with the addition of the Melbourne water—the west is still pretty dry, and we have not had as much rain as other parts of the state—we are now back up in the 70s. Again, just being able to supplement rainfall, given we know the averages for rainfall will continue to decline, we know that our population continues to grow significantly, so demand on water continues to grow, so desal—they are all really critical parts of it, and then there is water efficiency as well. Melburnians now are at 157 litres per day. Our target is 155 but our average is 157, so we are pretty close. And when you think about 2001, we were at 245 litres, so that is significant savings. We will continue to promote and we have been really promoting the 155. It is really making a difference, and people are hearing that.

Ms TAYLOR: Thank you.

The CHAIR: Thank you very much, Minister.

Mr D O'BRIEN: Chair, a point of order, if I could.

The CHAIR: Yes.

Mr D O'BRIEN: Through the questions we were all asking the minister was responding in detail reading from a document about capital projects in her portfolio, and given we have not got a state budget paper 4 on capital, I was wondering whether she would be happy to table that information for the committee.

Ms NEVILLE: I will provide you with the information after the hearing.

Mr D O'BRIEN: Thank you.

Ms NEVILLE: Happy to spruik our capital projects.

The CHAIR: Thank you very much, Minister. We thank you and your officials for appearing before the committee today for the consideration of the budget estimates. This concludes the time we have set aside for such consideration. We will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request.

The committee will now adjourn before resuming consideration with you in relation to this committee's inquiry into the government's COVID response at 12.40.

I declare this hearing adjourned.

Witnesses withdrew.