

# TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Budget Estimates 2018–19

Melbourne — 13 June 2018

#### Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Mr Steve Dimopoulos

Mr Tim Smith

Mr Danny O'Brien

Ms Vicki Ward

Ms Fiona Patten

#### Witnesses

Ms Lisa Neville, Minister for Water,

Mr John Bradley, Secretary,

Ms Helen Vaughan, Deputy Secretary, Water, and

Mr Xavier Hinckson, Chief Financial Officer, Department of Environment, Land, Water and Planning.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2018–19 budget estimates.

All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Water, the Honourable Lisa Neville, MP; Mr John Bradley, Secretary of the Department of Environment, Land, Water and Planning; Ms Helen Vaughan, Deputy Secretary, Water; and Mr Xavier Hinckson, Chief Financial Officer.

Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege.

The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

### **Visual presentation.**

**Ms NEVILLE** — Thank you, Chair. It is great to be with you this afternoon after police to do the water portfolio. This budget continues our track record of significant investment both in water security as well as in the environmental health of our waterways and rivers. We have invested all up over the last four years \$690 million; 151 million of that has gone into water and irrigation infrastructure, 220 million into waterway and catchment health, 60 million to strengthen our water entitlement and planning processes and \$20 million to respond to the challenges of climate change. It is all being guided by our strategic vision which was set out in *Water for Victoria*. That is seen in this particular budget to continue those strategic directions of \$65 million into various initiatives. For example, there is \$32 million into the East Grampians water supply project; \$10 million into the Mitiamo district; \$4 million to support smarter use of water in cities and towns across Victoria; 2 million to continue water efficiency measures in schools and local communities; 8 million towards our contribution of the Murray-Darling Basin Authority; \$3 million to boost recreational water in our rivers and waterways; 3 million to improve the safety of small dams and flood retarding basins; 1.25 million to fund the next stage of the Greening the Pipeline project, converting the Truganina's main outfall sewer into parkland; and \$400 000 to assist with upgrading and replacing the Pakenham sewage treatment plant. Of course at the same time our water corporations are investing this year about \$1.5 billion in various capital infrastructure upgrades.

This gives you a little bit of a picture of water resources over the last 12 months. What you can see is that we remain in large parts of the state below or very below average in terms of rainfall. Just in the last period between January and 31 May this year what we have seen is Melbourne's rainfall at about 110 millimetres but our inflows are much lower than the rainfall that we are seeing. We have got total Thomson rainfall at 227 millimetres, but again that is at 68 per cent of the 30-year averages and inflows at 70 per cent of 30-year averages. So we are seeing bits of rain but not enough to really shift our storage levels. In fact our storage levels continue to decline.

As you can see from January to May, rainfall across the four main catchments was 21 per cent below the 30-year average and inflows were 30 per cent below the 30-year average. So when we have got rainfall meeting or exceeding our averages we are not seeing it convert to storage inflows. The winter outlook issue for the bureau on 31 May indicates that the south-east mainland of Australia is likely to be drier than average. Chances of a drier June are greater than 80 per cent for northern Victoria, and when we look at the longer term we can see we cannot simply wait for our water storages to fill on their own. Interestingly Thomson Dam, which represents 59 per cent of our storage capacity in Melbourne, has actually not ever been close to being full since 1996. It took a major beating in the drought in 2006 and has never really recovered, and it is currently sitting at 57.1 per cent. So we continue with dry patterns across the state.

We have got our EC contribution. The other important thing is that this budget continues to spend on, as we committed to, our environment contribution. When we came to government we had environment contribution 3 that remained unspent by the first tranche that was not fully expended. So we set about both fully expending environment contribution tranche 3 and establishing tranche 4 and have committed and expended all but about \$7.5 million, but they are in the forward estimates to be spent within the time of 2020. That EC4, as I said, has gone into some of the major projects which I have just mentioned now but also some of the other projects over the last three budgets.

If we just quickly move on to what we are seeing in terms of the outcomes of our investments. Firstly, we are seeing some of the most affordable water services in the nation. We are \$82 below Sydney, for example, and \$162 below Adelaide, one of the lowest levels. In terms of when you look at Melbourne as a whole, you are starting to see us being even more affordable. Queensland is sitting at somewhere around \$462. So they are really significant differences in our pricing here in Victoria. We are also seeing major modernisation upgrades to our water grid, from south-west Loddon, from the Lance Creek project in South Gippsland, Macalister and a continuation of the Connections project, and we have used the desalination plant to supplement and buffer our existing supplies — all of this while we are still investing in our waterways and catchment.

As I said, it is the biggest ever investment in waterway health in the last budget. There is \$222 million for the riparian action plan. We are actually starting to see environmental improvements as a result of these investments through the number of fish habitats that are in improving. So not only are we achieving more water security right across regional and metropolitan Melbourne, but we are also seeing significant improvements in our waterway and catchment health.

Perhaps one of the biggest improvements and investments we made with water is in relation to our engagement with our traditional owners. Funding is set aside for two things. One is to build capacity, so around \$4.7 million that goes into capacity building for traditional owner groups and particular projects, but also \$5 million to assist in developing business cases for real economic value and outcomes for traditional owner groups. So that money is sitting with those traditional owner groups to actually develop those business cases around economic benefit.

Of course we have invested significantly elsewhere, and part of this is sometimes just making things happen — for example, the Dartmouth Pondage. We have managed to get reopened and people are fishing there again. We have got money going into things like Greens Lake, which was losing water through seepage. We are going to fix that issue and have Greens Lake up and running again — again very welcomed by that community. We are getting on with delivering recreational outcomes out of water as well. So shared benefits, affordable water services and ensuring that we have got water security in Victoria, and that is what this budget continues to do. Sorry, I hurried up because I went a bit slowly earlier. I was trying to be helpful.

**The CHAIR** — Okay.

**Mr D. O'BRIEN** — We are all shocked, Minister, we are all in shock.

**Ms NEVILLE** — I am happy to go back if you want me to keep going.

**Ms SHING** — No.

**Ms NEVILLE** — I had my trusty dep. sec. going, 'Hurry up. You're over time, you're over time'.

**The CHAIR** — I was very happy for the 12-inch remix, but the 7-inch will do on this occasion, Minister.

**Ms SHING** — Thank you, Minister, and thanks, witnesses. I would like to go back to the issue of water security for the regions. You have indicated we are at historic lows in the context of average rainfall, as well as having very, very low storages. Just on that point, what are our storage levels at at the moment?

**Ms NEVILLE** — Our storage levels in Melbourne are currently sitting at 57.9 per cent. Last year it was at 62.6 at this point in the year, and we are below where we were in 2016 as well. In other parts of Victoria, Geelong is heading down quite quickly really — it is down at 47 per cent — and in places like your community in fact, at Korumburra we are on stage 3 water restrictions.

**Ms SHING** — That is right. Korumburra was on 3A recently as a consequence of the quick fill, quick drain nature of the system in that part of the world. Again, noting the presentation that you have provided, the map of Victoria shows all of the state, apart from a bit that I might not be able to see, and I cannot see any blue on that map around above average or very much above-average rainfall. It shows that there is good reason for primary producers and for regional communities and townships in rural areas to be really concerned. We know that many farmers have had to sell off calves earlier than scheduled, they have been feeding for a really long time, and this is despite the efforts that are going into providing better grid-based security. How is the allocation of the \$600 million on infrastructure and programs actually going to shore up those communities as we head into a winter that, based on the information you have just indicated to us, will have less rainfall and may in fact result in rainfall only arriving relatively late in the season?

**Ms NEVILLE** — One point I did miss when I did speed up there is that Lakes Entrance has actually had the lowest rainfall on record ever. So despite the fact that you often feel like you have had a bit of rain, there is really not that much rain and it is not getting into our storages. So we have been looking at a number of options in relation to water infrastructure to help us into the future. Obviously it is not the only strategy but it is a critical strategy: how do we extend water security to regions that are doing it tough? So in your community, for example, the Lance Creek connection, which will connect Korumburra —

**Ms SHING** — Loch, Poowong, Nyora.

**Ms NEVILLE** — That is right.

**Ms SHING** — Into Lance Creek.

**Ms NEVILLE** — And that will enable them to connect into —

**Mr D. O'BRIEN** — Are you answering or are you just asking the question?

**Ms SHING** — I am just really proud of it, Mr O'Brien, because you guys never delivered it when you were in government.

**Mr D. O'BRIEN** — I did not know whether you were asking the question or answering.

**Ms SHING** — It was all that hoarding you did for the Office of Living Victoria just to try to shore it up, which is why you did not spend on the ECL.

**The CHAIR** — Order!

**Mr T. SMITH** — On a point of order, Chair, could you ask Ms Shing to ask her question, please.

**Ms SHING** — That is not a point of order.

**Ms NEVILLE** — So this is a \$30 million investment, and what it will do is provide a connection into Melbourne and into the desalination plant as well. This is absolutely critical if you want to see Burra Foods survive in that community, and Burra Foods is a huge economic driver of jobs in that community. That is well on track, as you know. You will see the works going on; you will see Southern Rural Water constantly letting us know what stages they are at. That is one critical extension of our grid.

There is the South West Loddon pipeline as well. There were two projects when I became water minister that I had the council come and see me about straight away and they were Wedderburn and South West Loddon, and Mitiamo, both of which we have funded, and for South West Loddon I have opened stage 1 of that, and stage 2

is underway. The day I opened that there were tears, because what farmers know is that this is about all of a sudden stopping carting water, changing their lives, changing outcomes, securing their future, knowing they can invest in the region. And that is the same for Burra Foods — understanding that as well.

This budget commits to a couple of other really critical projects. East Grampians is one of those, so again it was something I visited with the Premier. We actually visited that community and met with the farmers of that community, where we then committed to a business case to look at this. This is a really significant investment: 1500 rural enterprises will benefit from that. The business case was overwhelmingly in favour of this investment, so we are investing \$32 million into that project. We are going to commence that work, the planning. We are hoping that the commonwealth comes up with a new round of funding in this area in order to support this really incredible project that stacks up enormously and will make such a big difference to that community and to Victoria's economic wealth.

**Ms SHING** — Just on that point, I think there has been ongoing discussions with the commonwealth of around \$72 million in funding. I have not seen anywhere that indicates that we have received any money for those projects. Can you just talk us through what the discussion is with the commonwealth, particularly given that water security is something which it is needing to tackle across a number of different constituencies.

**Mr D. O'BRIEN** — Like the one you sent to the commonwealth the day before their budget and then said they did not fund it?

**Ms NEVILLE** — We put in for the second round of their water infrastructure programs which closed on 21 September. The business case for East Grampians was not completed by then. We have sent that in, but there is no funding round for that.

**Mr D. O'BRIEN** — You still blamed the commonwealth for not funding it.

**The CHAIR** — Order!

**Ms NEVILLE** — But we have submitted to the commonwealth in that round of grants for Mitiamo, for Werribee and Bacchus Marsh, which we have done for the second time.

**Ms SHING** — Those irrigation areas.

**Ms NEVILLE** — Yes, again, the biggest vegetable growing areas for Victoria. And in the last budget unfortunately all the water infrastructure money from the commonwealth went to one water project in WA.

**Ms SHING** — Queensland has had 190 mils. We have seen Western Australia get 140 mils. How do we get the commonwealth to be interested in an issue which is necessarily cross-jurisdictional and interjurisdictional when we are responsible for so much primary production and we have population growth that is eclipsing the other states as far as the forward modelling is concerned?

**Ms NEVILLE** — I certainly know the East Grampians community have been up there, have lobbied both local and federal members and have been up to Canberra. The Grampians Wimmera Mallee Water authority has also done that. The business case absolutely speaks for itself, but the communities have also been speaking loudly to the commonwealth about this. I hope that the local members and the federal members can take the case up there. I have certainly spoken to Dan Tehan as well about this. I am hoping that sense prevails on those projects. The Werribee-Bacchus Marsh ones are small, but this will be a really significant change to those communities that currently have very high saline water from the recycle plant. Also, Werribee area is in an incredibly dry patch — you might get a bit of rain in Melbourne that does not hit there — and they are a significant vegetable grower for Coles and for Woolies, so they are a big economic generator there. So they are really important projects. And of course with Mitiamo, another project that is not as big as some of the others, we have put in 10 million. We need a similar contribution from the commonwealth as well.

**Ms SHING** — So we need to make sure that everyone's heads are in the water portfolio and that they are fully across the detail.

**Ms NEVILLE** — Just on Mitiamo, 80 per cent of water is lost before it is used.

**Ms SHING** — Through open-channel irrigation.

**Ms NEVILLE** — Yes. Eighty per cent before it is used.

**Ms SHING** — And that is something, with open channel, that has really been the subject of ongoing technology and technological developments. With that in mind, and given the very limited amount of time that we have for this hearing today, I would like to turn to the grid and the technology involved in being able to meet the needs of the population as it grows into those very, very specific growth corridors throughout the state and how the resource will be not only secure, sustainable and deliverable now but into the future as that population spreads out.

**Ms NEVILLE** — You look at the water storage levels now, you look at rainfall predictions and you look at population growth. What you know is that you need to expand our capabilities and capacity in water through a number of sources. The grid is one important compartment. And when I talk about the grid, I talk about pipes, I talk about modernisation and I talk about the way the markets and trade work. That is our grid; they are our tools that we have. In addition to that, what are the, I suppose, in a sense, non-rainfall-dependent sources of water? In that you have got desal capacity now but also the investment we are making in things like stormwater and recycled, particularly looking at how you do that on site — so how do you do it in greenfield development —

**The CHAIR** — Order! We will come back to that.

**Mr D. O'BRIEN** — Minister, you referred in your presentation to affordability of water bills, and you issued a media release on 29 May claiming that Victoria's water bills — Melbourne's water bills in particular — are lower than those in other states. Are Melbourne household water bills lower than those in other states because they are charged less or because they actually use less on a per-capita basis or a per-household basis?

**Ms NEVILLE** — Because we charge less.

**Mr D. O'BRIEN** — What is the usage —

**Ms NEVILLE** — And — sorry — I am not saying that; the Productivity Commission is saying that.

**Ms SHING** — It's a shame you ditched Target 155, isn't it.

**Mr D. O'BRIEN** — Minister, the *National Performance Report 2016–17: Urban Water Utilities* highlights that Melbourne's water use per household is significantly lower than every other city.

**Ms NEVILLE** — Which is a great thing as well, but I can tell you now, the productivity commissioner said we have a much more productive, efficient and affordable water sector than anywhere else in the country. So I am not saying that; they are saying that.

**Mr D. O'BRIEN** — The question is, though, are prices lower for Melburnians because the actual rate per kilolitre is lower, or is it because they are actually using less water than every other —

**Ms NEVILLE** — It is probably a mix of both, because we have levers in both. We have levers to encourage people to use less, and there is an encouragement to do that, and that brings their water bills down, but also the actual cost of water is less as well.

**Mr D. O'BRIEN** — Can you provide us an average rate per kilolitre per household across the Melbourne area?

**Ms NEVILLE** — I cannot now, no. I will see if the ESC has that.

**Mr D. O'BRIEN** — So you are happy to take that on notice.

**Ms NEVILLE** — If there is any more information I can provide, yes.

**Mr D. O'BRIEN** — Could we get that? There is a period that the ESC approves water bills for. If we could get that on notice for the current period and for any future determinations —

**Ms NEVILLE** — The ESC is doing it right now, so I cannot do it for the future, because they are setting water prices for the next four or five years right now. In fact they have just done — what is it — the five of them right now, and the next lot are due in the next couple of weeks, so I cannot go beyond that. They set the water prices based on consultation and community input and the work of the water authorities.

**Mr D. O'BRIEN** — That is what I am referring to, Minister. Your press release talks specifically about Yarra Valley, South East, East Gippsland and Westernport.

**Ms NEVILLE** — Yes, that is right.

**Mr D. O'BRIEN** — Could we get a per-kilolitre —

**Ms NEVILLE** — If there is any more than what is available from the ESC, we will provide it.

**Mr D. O'BRIEN** — Okay. Do you have any data on what it costs each of the retailers individually to deliver water to households?

**Ms NEVILLE** — Per household, no; again, the ESC does all those assessments.

**Mr D. O'BRIEN** — Surely the authorities themselves know what their costs are.

**Ms NEVILLE** — Yes, and they provide all that to set their prices.

**Mr D. O'BRIEN** — But the authorities report to you. Can you not get that information?

**Ms NEVILLE** — Let us wait for their annual reports to be tabled in Parliament.

**Mr D. O'BRIEN** — But that does not necessarily mean they will provide that information. I am asking you whether you are prepared to provide that information to the committee or not.

**Ms NEVILLE** — As I said, I can provide every detail around water pricing set by the ESC: South East Water falling by \$73, Yarra Valley Water falling by \$20, East Gippsland Water falling by \$5, City West Water falling by \$29, Central Highlands Water falling \$17.

**Mr D. O'BRIEN** — Seventeen dollars what?

**Ms SHING** — Australian currency.

**Ms NEVILLE** — Off what they are currently paying.

**Mr D. O'BRIEN** — Ms Shing, can you let the minister answer, please? I am trying to get an answer.

**Ms NEVILLE** — This is information assessed by the Essential Services Commission, not by me.

**Mr D. O'BRIEN** — Yes. Sorry; when you say it is falling by \$17 —

**Ms NEVILLE** — Based on current bills — current bills households are currently paying —

**Mr D. O'BRIEN** — That is bills on average.

**Ms NEVILLE** — will fall by that much.

**Mr D. O'BRIEN** — What I am trying to work out is what the average cost to deliver water to each household is.

**Ms NEVILLE** — I do not know.

**Mr D. O'BRIEN** — Can I ask for that information on —

**Ms NEVILLE** — I will see if that is available and it is not too difficult for each water authority to provide per average, per household, because of course there are different sorts of households. There are tenants, there is commercial, there are large families and small families.

**Mr D. O'BRIEN** — There would be an average across those customers, I am sure.

**Ms NEVILLE** — Except tenants are not paying the same as —

**Mr D. O'BRIEN** — Well, you can give me an average on how much it is coming down, Minister.

**Ms NEVILLE** — I will investigate this with the water authorities.

**Mr D. O'BRIEN** — It is not that hard.

**Ms NEVILLE** — Otherwise it may be available in their annual reports, tabled in Parliament.

**Mr D. O'BRIEN** — I will move on. On budget paper 3, page 214, is the output for effective water management and supply. It is a question to the secretary. Secretary, Ventia staff were told two weeks ago that they had lost the contract with DELWP for environmental water monitoring in Victoria to a company called ALS. This puts at risk 83 jobs in Shepparton, Wangaratta, Mildura, Maffra, Geelong, Gisborne, Hamilton and Horsham. Secretary, are you able to provide the committee the value of the contract awarded to ALS and also the value of the bid placed by Ventia?

**Mr BRADLEY** — With your agreement I would refer to the deputy secretary, who may have a greater update for you on that than I am able to provide myself. Helen.

**Ms VAUGHAN** — Thanks for the question. The process is being run at the moment, so can I take that question on notice and get back to the committee, please?

**Mr D. O'BRIEN** — The question was that the staff were told two weeks ago they had lost the contract to ALS. Are you telling me that it is actually still a live option?

**Ms VAUGHAN** — It is live at the moment, yes.

**Mr D. O'BRIEN** — So no announcement has been made on that?

**Ms VAUGHAN** — We are working through that process. It is really important that we adhere to proper tendering processes. We will get back to the committee on that.

**Ms NEVILLE** — When it is finalised.

**Mr D. O'BRIEN** — Sorry. I just need to clarify, though: has the contract been awarded to ALS or not?

**Ms VAUGHAN** — There are two contracts. There is a surface water and a groundwater. We will need to actually take that on notice.

**Mr D. O'BRIEN** — That does not answer my question, though. It is a fairly simple question. It has either been awarded or not.

**Ms VAUGHAN** — Is it around surface water or is it around groundwater?

**Mr D. O'BRIEN** — I am interested in both.

**Ms VAUGHAN** — Yes. It is a live process at the moment. I cannot attest as to what staff were actually told, but I will endeavour to get back to the committee on that.

**Mr D. O'BRIEN** — So for surface water, is that the same situation?

**Ms VAUGHAN** — Yes.

**Mr D. O'BRIEN** — Okay. It is probably back to the secretary. With respect to this process, Secretary, can you confirm whether the same person who was employed by DELWP to create the tender document was also employed by the company ALS to write their tender?

**Mr BRADLEY** — Again, apologies that we do not have the information to be able to answer that question with you today. I am happy to take that on notice and respond to the committee on that matter. I am not aware

that that is the case, but I cannot confirm or deny one way or the other until we look into it and advise the committee.

**Mr D. O'BRIEN** — Okay. Perhaps I will give you some further information. There is a person whose LinkedIn profile currently lists them as the project manager, hydrographics, at ALS Environmental Australia. One of their roles is to assist with requests for tender responses. This same person from January 2017 to March 2017 was the acting partnerships manager for the Victorian Regional Water Monitoring Partnership. The accountabilities for this person included leading a team responsible for the development, evaluation and implementation of projects, contracts and agreements that deliver statewide groundwater and surface water monitoring programs and also lead the procurement and ongoing management of monitoring services contracts to the statewide program. Is it a concern to you that there is a person who has had those two roles, Secretary?

**The CHAIR** — Order! You are asking the witness for an opinion. Would you like to rephrase, Mr O'Brien?

**Mr D. O'BRIEN** — Chair, this goes to a probity issue. Secretary, are you satisfied that the probity arrangements around the awarding of this tender are robust?

**Mr BRADLEY** — I am certainly satisfied that we have strong guidance in relation to the administration of our contracts and tendering processes to provide appropriate guidance in relation to probity but also in relation to the management of conflicts of interest where they appear. In relation to the administration of that particular matter I am not aware that there is any conflict of interest, including the participation of that person in the administration of the tender process and also as a respondent to that matter. Given you have raised it and we do not have the details to be able to address it today for the committee, I am happy to take that on notice and to provide you a clear response in response to the question. But certainly we have significant guidance throughout the agency to address issues of conflict of interest and probity. I am satisfied that that is regularly updated to staff.

**Mr D. O'BRIEN** — Secretary, I will point out perhaps a little bit further that, as I mentioned, this person was the acting partnerships manager early last year. This tender for surface water monitoring services says all inquiries relating to this tender must be directed to a different person — manager, partnerships — so it is the same position that relates directly to this tender. I think it is a very serious concern, and I am seeking whether you have any further information.

**Mr BRADLEY** — I understand the nature of your question. It is not apparent from the question or the information you have provided that that person has themselves participated in both aspects of the transaction, both in the tender administration and in the response from the proponent in response to that tender process. What we will do is provide you with a response in writing in response to the query that you have raised. Certainly we have strong governance procedures around all of our tender processes within the department that ensure that there is a positive obligation on people to declare conflicts of interest where they arise and there is appropriate oversight and governance in our tender processes. That would be our standard practice. In relation to this specific matter, we will provide a response that addresses the question clearly.

**Mr D. O'BRIEN** — For the record, I just want to clarify: so ALS has not been awarded the contract for surface water monitoring?

**Mr BRADLEY** — The response provided by the deputy secretary around that matter is that we will take that question on notice and give you a response.

**Mr D. O'BRIEN** — Well, Secretary, it is a fairly simply question. They either have or they have not. If it is still live, then just say, 'No, they haven't'.

**Mr BRADLEY** — With apologies, I am not aware of the detail of the circumstances of that tender at the moment.

**Ms PENNICUIK** — Good afternoon, Minister, Secretary, deputy secretaries and other staff. Thank you for coming. Looking through your presentation, Minister — you know the map that Ms Shing was referring to — no areas are recording above average rainfall. You mentioned the Melbourne water storage at 7.1 per cent, I think. Last year it was 62, so it has fallen —

**Ms SHING** — Fifty-seven point nine.

**Ms PENNICUIK** — Thank you, Ms Shing.

**Ms SHING** — No worries. My pleasure.

**Ms PENNICUIK** — You did not get to the slide on the desalination contribution, but looking at those figures there, it is about 3.5 per cent, so it is not massive. You were saying we cannot rely on water storage et cetera, so I just wanted to talk a little bit about water efficiency programs, which we do not hear a lot about since we stopped water saving in Melbourne in particular. I know it happens in regional areas.

**Mr D. O'BRIEN** — Since it rained.

**Ms PENNICUIK** — In the budget paper, 59 and 62, I think it is, it has got \$1 million for this financial year and 1 million for the next financial year for water efficiency programs, which seems rather light on in terms of money, even though it is a good program. Are you thinking of expanding water efficiency programs and bringing back more water efficiency programs into the system?

**Ms NEVILLE** — I note the comment from the member for South Gippsland that it rained. I think we need water efficiency programs regardless. If you have a look at long-term trends, yes, we will get rain occasionally, but given we are at 30 per cent below average —

**Mr D. O'Brien interjected.**

**Ms NEVILLE** — But I think there are a number of things. That particular program is about extending our schools water efficiency program —

**Ms PENNICUIK** — Yes, I know what it is.

**Ms NEVILLE** — by additional schools, so we are going to continue that. In addition to that —

**Ms PENNICUIK** — It is a small amount of money, though, relatively.

**Ms NEVILLE** — Yes, but they are quite intensive programs, and in rolling them out to schools we have got to do it properly so they do meet that.

**Ms PENNICUIK** — My question is about expanding beyond that program.

**Ms NEVILLE** — In addition to that we are also funding the 155 campaign, which we have reintroduced. As we know, if you reduce your water use from I think it is about a 161 average down to 155, and that is what we are sort of averaging, you are saving around 20 gigs. So it is an easy, affordable way for people to participate in that.

**Ms PENNICUIK** — Twenty gigs is not a huge amount.

**Ms NEVILLE** — Of course the funding also goes to assisting community hardship programs, so how do we assist hardship with efficiency —

**Ms PENNICUIK** — I know what the program does.

**Ms NEVILLE** — in addition to that. I think water efficiency programs have their role, and that is what our water authorities do. They provide water efficiency equipment — showerheads, all those things — as part of the Target 155. The most critical part here is about how we get better at stormwater and recycled water.

**Ms PENNICUIK** — That is where I was just about to go. In new estates, for example, is stormwater capture mandatory and recycling —

**Ms NEVILLE** — We have actually — the planning minister and myself — sent that off to a planning panel to do exactly that, to look at how you enforce it in a greenfield new development infill site. It is a critical part of the solution in terms of stormwater management. We have got Aquarevo, which is a partnership with South East Water. That is perhaps the example of what we want to see. We are pretty much at 70 per cent reduction in potable water use. It is both stormwater management on site as well as recycled water, so no potable water for

washing or for showers. It is only for drinking. We have sent that off to a panel. We would hope to have that sometime this year in order to make any changes to regulations to have that as a requirement.

**Ms PENNICUIK** — Certainly. I think everyone would agree we needed that yesterday. There has been a lot of discussion about stormwater for years, and it is very slow to get going. Certainly —

**Ms NEVILLE** — It was identified in our *Water for Victoria* program, and this is the process we are going through.

**Ms PENNICUIK** — Just in terms of ocean outfalls, has there been any work done in the department about recycling some of that or not sending it out to ocean but bringing it back in?

**Ms NEVILLE** — No. I think most of the priority is about stopping it getting there or what goes there, making it cleaner. What we know is that the cost of some sort of stormwater capture is a pretty massive investment, whereas investing in wetlands along, say, the Yarra and cleaning up runoff into St Kilda beach — all of those areas — is a much more cost-effective way of doing it. You do it at the development end, you do it as part of your Yarra protection act, you are doing it that way, localised initiatives and solutions.

**Ms PENNICUIK** — Sorry, Minister, just because we do not have much time, you mentioned doing it that way to stop it getting into the catchments. Have you got any figures as to how successful that has been in terms of reducing the amount of water that is going into those ocean outfalls and also —

**Ms NEVILLE** — That is part of what the \$222 million is about —

**Ms PENNICUIK** — about the cost that it would be to actually divert that water?

**Ms NEVILLE** — We would have to pull that out again. I think there was a previous proposal about that many, many years ago, which was quite significant cost.

**Ms PENNICUIK** — There was. Sadly it never came to fruition, but it probably should.

**Ms NEVILLE** — We can look back on past policies.

**Ms SHING** — I would like to deal with two subject matters that are related, to pick up on the discussion we have been having about environmental water in the first instance and to delve a little deeper into measures to protect and preserve riparian health and to meet our obligations as they exist, including through the Ramsar convention and other international instruments, and then also to talk about the Murray-Darling Basin and the issues of water security and riparian health for the Victorian side of the border as those cross-jurisdictional discussions continue.

The issues around environmental water were canvassed at slide 4 and also in the context of your answers to earlier questions, but what are the outcomes to date that are driving, for example, better riparian health? How are we maintaining better urban waterway health — again particularly to come back to that question of population growth, which then includes greater volumes of waste going into our system and needing to be managed — and what is the sense of community engagement around how to not just identify those problems but to move on from them?

Then touching on riparian health within the regional areas, the interface between fresh, brackish and salty water is something which causes landowners and operators of primary industry enormous challenges, so turning to that and the work that has been done in that space would also be good. There is a fair bit to unpack in that, Minister.

**Ms NEVILLE** — There is a little bit there. Let us just touch a little bit on the high-level environmental outcomes that we are seeing from the Victorian Environmental Water Holder. They hold currently about 650 gigs of environmental water entitlements, and they use that in conjunction with the Commonwealth Environmental Water Holder and the Murray-Darling Basin Authority to deliver a range of environmental outcomes. What we have seen in the highlights and in the report that was released recently from the Murray-Darling Basin and from our own environmental water holder is improved wetland health, meaning larger numbers of waterbirds breeding; improving waterway health, with native fish coming back into our rivers; greater spawns; improving fish populations —

**Ms SHING** — Not just those infernal carp.

**Ms NEVILLE** — No.

**Ms SHING** — No. I have got an issue with carp, but we will talk about that another time.

**Ms NEVILLE** — Yes, we will not talk about carp because that is another major debate at the moment in the Murray-Darling Basin and what works and what does not work to get rid of carp.

**Ms SHING** — Exactly.

**Ms NEVILLE** — We can all agree that getting rid of carp is a good thing.

We are implementing a number of environmental water projects — for example, approval of an extra gig in the Barwon River. So this is all being driven by we identified 30 key priority waterways and catchments that needed immediate attention to start to turn around their health. That is how our CMAs are working to actually target those areas. The riparian action plan, which sits as part of that, is a \$40 million program for riparian land health, and again that is about working with environment groups, farmers, catchment management and traditional owners to actually improve our riparian land management. It has been extremely successful. I think that you might be interested in one of the projects in the South Gippsland area, the upper Tarwin. We have the Merri River, the Delatite River and the Jamieson River and we have got angling groups involved, so they are programs that are bringing a whole lot of parties together that have an interest in improving that waterway health.

**Ms SHING** — A shared social licence.

**Ms NEVILLE** — Yes, that is right. That is a very good way of saying it. It is a shared social licence.

**Ms SHING** — Why, thank you! I give that to you.

**Ms NEVILLE** — So it has been a very successful program and probably it has been exceeding expectations in terms of spend, which is why we have been able to fast-track some of that money out to CMAs to do this.

**Ms SHING** — Have we had any water theft in Victoria?

**Ms NEVILLE** — In terms of compliance —

**Ms SHING** — Yes, sorry, just to move back to Murray-Darling —

**Ms NEVILLE** — The compliance review that the Murray-Darling Basin Authority did said that our compliance is one of the best in the country. Where there has been any misuse of water there have been prosecutions undertaken. It has been very small-scale comparatively. Because we have a largely metered system, we know where it occurs. We have, I announced last week, some house amendments to our water bill which will see a broader range of penalties and increasing fines to be a deterrent for any significant water theft in Victoria. So we are, I think, well placed. We want to make sure we are keeping up with what is occurring in other states in terms of penalties.

**Ms SHING** — Are we faring better than New South Wales, then, on that water theft issue?

**Ms NEVILLE** — We are talking as if worlds apart. Queensland is in fact the worst in terms of the level of metering. I think they are at something like 13 per cent metered. I think New South Wales is more at 30 per cent and we are more at 80 per cent. Metering is one of the key tools, obviously, to understand who is using water, how much and are they misusing their entitlements. We initiated through the Murray-Darling Basin Authority at our last MINCO, not the one last Friday but the one before, that we should have a set of rules around compliance that all states need to meet. We also had an independent oversight of understanding where there remained any unidentified issues with misuse of water. That report has come back and said largely that all the reports that have been done have been able to identify the problems and come up with solutions. They have also developed a compliance compact which we all signed up to last Friday at the council. That really sets some basics around metering penalties, how you oversight and how you report compliance.

**Ms SHING** — In the context of oversight and of that federal interface, the commonwealth Senate has intervened in a number of contexts in relation to the Murray-Darling Basin Authority and the integrity structures and frameworks of that authority. I think the South Australian jurisdiction has also had a lot to say about that through its royal commission and other steps and has taken a pretty strong position in that regard. How again is Victoria working in the context of securing our compliance and supply and ensuring, to the best extent possible, a level playing field around management of the resource?

**Ms NEVILLE** — Have we got an hour for me to talk about —

**Ms SHING** — That is why asked the question quickly, Minister!

**The CHAIR** — Three minutes.

**Ms NEVILLE** — Friday was a really great achievement and outcome for Victoria. We have consistently argued, firstly, that the SDL projects needed to go through. So the SDL projects — these are the environmental offset projects; instead of water you have got these environmental projects that deliver equivalent environmental outcomes — were always part of the Murray-Darling Basin, always part of it. They were about to get derailed by the Senate. That is not happening, which is very good. What does that mean? Water will not deliver the outcomes that we want. You have got to be able to get water to certain flood plains, and that is what happened with Hattah Lakes, for example. They were works that achieved those outcomes. So we have a number of those projects, and we need to get them done.

But the other big part of it was that there was an efficiency measure to achieve 450 gigs if it was neutral in terms of socio-economic outcomes. Victoria has argued consistently, given that we have already overachieved in terms of high-reliability water being sold back and given the impact on our dairy industry and horticultural industry, that we cannot do any more on-farm efficiencies where water goes back. I am not against on-farm efficiency. That is where water is going back out of the system, out of production.

We were successful on Friday in getting the commonwealth and all the states to agree that there will be, in the initial stages, no more on-farm efficiencies and that we will also come up with an agreed neutrality test. Everybody kept saying that such a thing existed and it was a participation test — that is, if you wanted to sell your water it was a neutral test. We have argued consistently you cannot do that. So we are using the capacity under the plan, as New South Wales and Victoria, to come up with our projects, and we have got a commitment that there are no more on-farm efficiency projects. As you would have seen, irrigators have embraced that outcome.

**Ms SHING** — So in short we are on track then in the context of our recovery work and the deadlines —

**Ms NEVILLE** — We have always been on track. We have been delivering. The only thing that has set anybody back was the fact that the Senate played games with the projects and potentially derailed —

**Mr D. O'BRIEN** — The federal ALP.

**Ms NEVILLE** — Sorry, did I not speak up every step of the way?

**Mr D. O'BRIEN** — You did. That is what I am just saying — the Senate.

**Ms NEVILLE** — I am stepping up for Victoria regardless of who is trying to derail our position or our irrigators. I will do it, whoever it is and whenever I need to, and that is exactly what I did.

**Ms SHING** — Good interjection, Mr O'Brien. Good interjection.

**Mr D. O'BRIEN** — Yes, it was federal Labor. The minister did a good job, but it was federal Labor.

**Ms NEVILLE** — And Victoria again has got its position through.

**Ms SHING** — So our position has not changed in relation to the additional 450 gigalitres.

**Ms NEVILLE** — No, it has not. And I am very pleased that we were able to negotiate the outcome we did on Friday, despite up until that point it looked like no-one was going to agree to that — that there would be no more on-farm efficiencies.

**Ms SHING** — A good outcome for Victoria indeed.

**Mr D. O'BRIEN** — Can I just go back perhaps to Ms Vaughan and the tender that I was asking about with respect to surface water monitoring services. Can I ask: how long was that tender process open for? It closed on 1 March.

**Ms VAUGHAN** — So you asked me before about the surface water contract, and I can confirm that that contract actually stays in place until 30 September 2018.

**Mr D. O'BRIEN** — Sorry, can you just put your microphone down and just repeat that. If you could confirm that.

**Ms VAUGHAN** — Sorry about that. I confirm that the surface water contract is in place until 30 September 2018.

**Mr D. O'BRIEN** — The current contracts, you mean?

**Ms VAUGHAN** — Correct, yes. I will need to get back to you on how long it was actually open for. As I said before, this is a live process.

**Mr D. O'BRIEN** — So after 30 September who has the contract?

**Ms VAUGHAN** — It is a live process at the moment. I am happy to provide information on dates and so on associated with that process out of session.

**Mr D. O'BRIEN** — Okay. All right, thank you. Minister, the budget paper reference is again BP3, page 214, 'Effective Water Management and Supply'. Will there be any costs incurred in 2018–19 for the removal and/or storage of pumps from the north–south pipeline?

**Ms NEVILLE** — Well, just to be clear, the north–south pipeline is used each year, and it is used largely for firefighting purposes. Water that is available in there is available for any firefighting purposes. So of course there is always maintenance of that pipe. The big benefit for northern Victoria is that the water entitlement that sits in the north, the 75 gigs, is put on the market each year for irrigators to help with both access to water as well as pricing of that water.

**Mr D. O'BRIEN** — That does not answer the question. Are any of the pumps being stored or relocated?

**Ms NEVILLE** — No. Not that I am aware of.

**Mr D. O'BRIEN** — When you say, 'Not that I'm aware of', perhaps the secretary —

**Ms NEVILLE** — Well, the north–south pipeline is a Melbourne Water asset. No, there are none that I have been informed of.

**Mr D. O'BRIEN** — Okay.

**Ms SHING** — Why do you hate infrastructure?

**Mr D. O'BRIEN** — Why do you hate questions? It is actually a question —

**Ms SHING** — Why do you hate water infrastructure? Oh, that's right, because you do not deliver any when you are in government.

**Mr D. O'BRIEN** — Like the desal plant and the north–south pipeline — they went really well for you, didn't they?

**Ms SHING** — You mean the desal plant that is being used and the north–south pipeline that is being used?

**Mr D. O'BRIEN** — Minister, can I go on to some questions about the basin plan, which you were just talking about with Ms Shing. You took to the ministerial meeting last week a plan or a proposal for off-farm

works to recover some of the water savings. Can you tell us what those off-farm works actually comprised and how much water would have been involved in the savings?

**Ms NEVILLE** — We are working through a number of business cases with the commonwealth, but I will give you an idea of that. Firstly, this relates to the SDL projects. As part of the approval for that, all the states are required to meet the 5 per cent rule, which is 62 gigs. This is what we are focused on right now — our obligation to meet that 62 gigs, as are all the states. We have put up —

**Mr D. O'BRIEN** — Sorry, just for my benefit, when is that by, Minister?

**Ms NEVILLE** — By June next year. We have committed to do that, to have, I suppose, identified those water savings by that date. You will not have delivered them all by that date, because they will require infrastructure; they are the projects we have put up. We think we have gone relatively quickly, and we still need to continue to do some of the feasibility and business case work and the negotiations with the commonwealth. They all relate to where you have got system losses. So for example, in the Sunraysia area — it is not Sunraysia part 2 that I am talking about here, but there are some channels in Sunraysia that are earth channels where you have got significant losses at the moment. We are looking at that, for example, and we think there are a couple of gigs that are available in that, so we are looking at that. Mitiamo I mentioned before — we have got our money on the table. The commonwealth have come on board. There 80 per cent of water is lost before it is used, so again there are some of those savings. Some of that can go back to irrigators, some for growth — not so much for irrigators; they will get their own savings anyway — but some of that can go back to growth. So they are the projects we are looking at.

**Mr D. O'BRIEN** — Could the committee have a list provided to us on notice?

**Ms NEVILLE** — I do not want to jeopardise my negotiations with the commonwealth, in the interests of the community, but as we develop these we will consult with the communities first before we do that.

**Mr D. O'BRIEN** — I am laughing, Minister, because on the East Grampians pipeline, for example, you criticised the commonwealth for having given their business case for that one day before. Now we want to work with the commonwealth and we will not tell Victorians what we are actually doing!

**Ms NEVILLE** — Okay, let us clarify the facts on that. Firstly, the business case for East Grampians was completed —

**Mr D. O'BRIEN** — No, I am not asking for business cases —

**Ms NEVILLE** — Well, sorry, that is what —

**Mr D. O'BRIEN** — I am just asking for a list of the projects that you took to the committee meeting.

**Ms NEVILLE** — So we signed this agreement with the commonwealth on Friday. I would like to do some prefeasibility. Yes, I will then provide the list to you and to the community at the same time, on which we will then do consultation.

**Mr D. O'BRIEN** — Thank you. You said before that there will be no on-farm efficiency works as a result of the commitment you got on Friday. Is that full stop or is that only with respect to the 62 gigalitres?

**Ms NEVILLE** — No, for us it is full stop.

**Mr D. O'BRIEN** — So not including the 450 gigs for upwater?

**Ms NEVILLE** — We have always said that unless somehow miraculously you can show us that it meets a neutrality test, which we do not believe it will, given all the work we have done, then no, there will be no on-farm efficiencies for Victoria.

**Mr D. O'BRIEN** — So is that a written agreement with the ministerial council on Friday?

**Ms NEVILLE** — With what, sorry?

**Mr D. O'BRIEN** — From the meeting on Friday.

**Ms NEVILLE** — The written agreement is that they will not do expressions of interest for on-farm.

**Mr D. O'BRIEN** — The commonwealth will not?

**Ms NEVILLE** — The commonwealth will not.

**Mr D. O'BRIEN** — Okay, thank you.

**Ms NEVILLE** — Because it is within their powers, so they could come in — let us be really clear — under the agreement if they want to. It does not matter what we say; they could come in and do expressions of interest. Now, we would probably have the barricades up and we would not let the CMAs assist in that process, because they are the ones who do the on works, but in the end they could come in. That is why it is so important that we have got their agreement not to do an expression of interest.

**Mr D. O'BRIEN** — Sure. The 75 gigalitres from stage 1 of the connections project which is due to be returned to irrigators next year — can you rule out that that will be used to form part of the 450 gigalitres of upwater?

**Ms NEVILLE** — Absolutely. At the moment we have got I think it is 71.4 gigs that have been saved in that stage 1 of connections. By the end it will be 75. The commitment was that once the end of the project happened, we would then go back to irrigators to work out how we distribute it, whether we do it like we did with Macalister or we do it through some other mechanism, but it will not be going to our 450.

**Mr D. O'BRIEN** — So that was my next question: how will the government return that water?

**Ms NEVILLE** — So we will want to work with them — and I have said this to irrigators — it is really let's work with them, it is their entitlement. As I said, we could do it like we did with Macalister, which was shares. That may or may not be the right thing. Let's have that discussion. The other caveat I would —

**Mr D. O'BRIEN** — How is that discussion happening, what process?

**Ms NEVILLE** — We will have that over the next few years; 2020 is the first that we will have this on us because we will not get to the end of the connections project till then. The other caveat I would put on it is that one of the things I would be reluctant to do is something that enabled those water shares or entitlements to be able to be bought by South Australia or New South Wales.

**Mr D. O'BRIEN** — Sorry, you not going to allow that?

**Ms NEVILLE** — Well, I mean ultimately if the irrigator in Victoria has it and they sell it on the market, we cannot do much about that, but I do not want a system where it is commonly just on the open market where anyone can come in and buy it, because I think that is not the intention of that. So that is probably my caveat in terms of talking to communities about what they want to do.

**Mr D. O'BRIEN** — Okay. You promised a review some time back of delivery shares. Can you update us on where that is that?

**Ms NEVILLE** — Yes, so we have got that and I think the discussion paper will go out in about the next two weeks or three weeks.

**Mr D. O'BRIEN** — So can I ask how that is being done, who is leading it?

**Ms NEVILLE** — DELWP and the water authorities have been doing that, so they have been leading the work. DELWP with Lower Murray Water and GMW have been doing the work. We have obviously had conversations with the VFF and there will be a discussion paper that goes out to communities about that.

**Mr D. O'BRIEN** — Minister, you would be aware of the constraints on the Murray, in particular affecting Sunraysia. Is there any funding in the budget to assess the concerns about delivery of water in the peak of summer, particularly to Sunraysia, to address that issue?

**Ms NEVILLE** — Well, I do not know that there is any easy solution to do that. There is a natural barrier around that, there is a natural constraint, and it has its pros and cons. There are rules that we are looking at, but it

is more about the rules system that we would need to look at and negotiate with the commonwealth. But also overriding all of that is the rules set by the Murray-Darling Basin Authority, so we are not free to do any changes we would like without agreement.

**The CHAIR** — Order! Ms Shing to read some questions into *Hansard* for Ms Patten, I believe?

**Ms SHING** — No, I have read the questions in for Ms Patten.

**The CHAIR** — They have been provided? Okay, sorry. I would like to thank the witnesses for their attendance: the Minister for Water, the Honourable Lisa Neville, MP, Mr Bradley, Ms Vaughan and Mr Hinckson. The committee will follow up on any questions taken on notice in writing and a written response should be provided within 10 business days of that request.

**Ms SHING** — Sorry, I will just read very quickly two questions. I beg your pardon, that is my oversight, for which I apologise endlessly.

There are two questions from Ms Patten in her absence. If they could be taken on notice and responded to in writing. Question one: in budget paper 3, page 59, the budget commits \$4 million in 18–19 to smarter use of water in our cities and towns. In Melbourne Water’s sewerage strategy discussion paper it notes that Melbourne’s CBD has ageing assets that are difficult to replace because upgrades are impeded by major infrastructure projects and residential growth. Does the \$4 million outlay fund upgrades to the sewerage systems in the CBD in this budget?

The following supplementary: and if it does not plan to fund upgrades, does the government know how long the current systems in the CBD will hold before they must be upgraded?

The second question is as follows: in budget paper —

**Ms NEVILLE** — It is being done right now, just so you know. It is being rebuilt right now.

**Ms SHING** — Excellent, and I am sure Ms Patten will look forward to your written answer.

The second question: in budget paper 3, page 219, the budget plans to fund 15 conservation projects that are ‘at risk’; can the department provide a list of the 15 programs — this may be intended to say projects — that will be funded in the 18–19 period, please?

Thank you, Chair.

**The CHAIR** — Thank you, Ms Shing. Thank you, witnesses. All broadcasting and recording equipment must now be turned off.

**Committee adjourned.**