

CHAPTER 11: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

11.1 Environment and Climate Change Transcript

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 8 May 2009

Members

Mr R. Dalla-Riva
Ms J. Huppert
Ms J. Munt
Mr W. Noonan
Ms S. Pennicuik

Mr G. Rich-Phillips
Mr R. Scott
Mr B. Stensholt
Dr W. Sykes
Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr G. Jennings, Minister for Environment and Climate Change;
Mr P. Harris, Secretary,
Mr D. Hill, Chief Finance Officer,
Ms A. Stone, General Manager, Office of Land and Fire, and
Ms C. Jackson, Senior Budget Analyst, Department of Sustainability and Environment.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2009–10 budget estimates for the portfolios of environment and climate change, and innovation.

On behalf of the committee I welcome Mr Gavin Jennings, MLC, Minister for Environment and Climate Change; Mr Peter Harris, Secretary of the Department of Sustainability and Environment; Mr Des Hill, chief finance officer, Department of Sustainability and Environment, and Ms Alison Stone, general manager, Office of Land and Fire. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his secretary, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website. Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally, the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of environment and climate change.

Before we start, Minister, I might add that the committee is disappointed that it only received information from the department at a very late date. I say that on behalf of the committee. Thank you.

Mr JENNINGS — Chair, I can share your concern about the speed by which we have been required to appear before you which has been driven by my diary commitments. I thank on one hand the committee for scheduling me at this time. I am very sorry that it has led to the consequence of my department giving the impression that it is tardy in relation to responding to some matters. I apologise for that, but the coincidence of the two things are directly related.

In terms of the presentation that I am outlining today, which only comes a couple of days after the delivery of the state budget 2009–10 and which, as we all appreciate, is a budget that has actually come at a time of global financial crisis. It has come at a time following the very drastic and acute fires that occurred in Victoria in February this year — in fact they started before February this year in Victoria but were most prominent during the month of February. The biggest impact upon my particular budget will be the impact of those fires, both in terms of the outgoings for last year and the structuring of commitments going forward. They will be a very significant feature of this budget, and indeed the framing of the Victorian budget this year has been to try to ensure that we drive employment growth across not only government activity but the Victorian community. That is certainly something that is consistent with the framing of our particular budget, and so within those parameters I am happy to report on what is contained within our budget.

Overheads shown.

Mr JENNINGS — In terms of the output summary for DSE, the major elements of the portfolio are described in the pie graph that is in the presentation before you. For those of you who might be optically challenged or a bit far removed from the presentation, let me say that the building blocks of that story are programs listed as: Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems — and that allocation for this year is \$676 million. There is the Less Waste, Less Pollution; and Clean Air, Liveable Climate program which is \$195.9 million; the Land Administration and Property Information program which is \$125.5 million; and the residual element of a significant program within the department is the Healthy and Productive Water Systems program at \$389 million, which falls within the ministerial responsibility of my colleague the Minister for Water.

In terms of the major framing of our budget in the historical context of this year's budget, for the public record I will just remind the Public Accounts and Estimates Committee of the nature of the fires that prevailed in Victoria earlier this year. They were very dramatic fires, as I described previously, and a great tragedy in terms of the number of citizens who lost their lives in those fires. The fires burnt somewhere in the order of 450 000 hectares across the Victorian landscape, threatened 78 communities, destroyed over 2000 homes, 61 businesses, 5 schools and kindergartens, 3 sporting clubs and numerous other buildings.

The fires were responded to with an extraordinary effort by our full-time firefighting capability, of which DSE is a major core component. In conjunction with other government departments and community effort, mobilised through the organisation of the CFA and other emergency services, an extraordinary effort was put in to contain those fires and to reduce the risk to the community. As part of the specific activities we were engaged in, more than 5000 firefighters were mobilised and coordinated through our efforts. We put in more than 2600 kilometres of control lines within the firefighting effort. Significant resources were allocated, which included 44 aircraft, 800 tankers and 200 pieces of heavy equipment.

The consequences of that in terms of the budget profile is that from the forward estimates and last year's budget to the outcome of 2008–09 there was an additional \$344 million supplementation to the DSE budget to cover the cost of the suppression and to cover our requirements in the response effort and the recovery mode. That \$344 million is broken down into \$338 million for suppression activities, \$5.6 million for emergency stabilisation work and additional funding for research, including the impact on parks and water catchments.

In the budget going forward the element that has been factored into the forward estimates is an enhanced capability for fire suppression activity, colloquially known as fuel reduction burning. This is a program that is a required fire mitigation strategy across Victoria, and significant investments have been made in previous budgets. In fact since coming to office the annual firefighting effort through the DSE budget has increased by 300 per cent during the life of this government, and it has dedicated more than \$100 million on a recurrent basis, now that we have added a \$10 million boost for mosaic burning to assist our fire mitigation effort. The other additional funding that we have obtained immediately is in the communications effort, with \$167 million allocated across government to enhance our communications effort for emergency response. How that relates to DSE is that \$30.5 million in total end costs has been added to our budget in the forward estimates period to cover more than 5350 radios and 2000 pagers. Additional funding has been identified to support the DSE's prime role in terms of the Victorian bushfire information line.

Other highlights in this year's budget for the portfolio include additional investments in parks and wildlife, with significant new investment to establish river red gum parks in northern Victoria along the Murray and Goulburn rivers. Those parks will be created through legislation, and we are looking forward to the support of the Parliament on that in September. Similarly in relation to Point Nepean National Park there is investment allocated in the budget to support the wholly integrated Point Nepean National Park when we have transferred land from the commonwealth to the state of Victoria and incorporated it into the park later this year.

An investment has been made to continue to upgrade piers and jetties in Port Phillip and Western Port bays, which fall within the responsibility of Parks Victoria in terms of providing not only a planning framework but coastal management activities across those bays. Indeed additional parks that Parks Victoria is assuming responsibility for during the course of this year are the Frankston Reservoir park and Yarra Bend Park.

The final matter that I shall refer to relates to an initiative that came into our budget following last year's budget and indeed going forward — that is, the Victorian Advanced Resource Recovery Initiative, which I will mention briefly twice today. This time I mention it because the funding allocation and the project management is within DSE. I will also mention it later when I talk about the innovation strategy, because as part of the innovation strategy we allocated this money to DSE to drive a program to give better resource recovery outcomes and establish a business case and a planning process to establish a higher degree of investment in resource recovery initiatives in Victoria. We hope this will allow a greater step change in our ability to be more efficient with our resources, to recycle more and to have lower volumes going into landfill, which will not only have a benefit for environmental standards within local communities but also make a contribution to reducing greenhouse gases.

The last item I refer to is the \$4 million investment program for beach renourishment and coastal risk mitigation which we will roll out across the bays

The CHAIR — I note that Dr Sykes has given an apology for today. I will start by asking you a question, Minister, that I will ask of virtually everyone this year because we are interested in federal grants. What federal grants will your portfolio or department agencies receive in the budget? It would be useful to receive a list and descriptions of these grants on notice.

Mr JENNINGS — They are relatively modest and relatively contained across the agencies that I am responsible for. As I think you would appreciate, it is important for the state and the commonwealth to harmonise our policy objectives and our investments as much as we can and support one another. That is a feature in this portfolio as well. Within my responsibility the commonwealth provides funding for a program Caring for our Country, which is a replacement of a previous natural heritage program. It sees investments in natural resource management and is underpinned by a national partnership agreement. That \$45 million appears within our budget, and by and large it is allocated pretty much exclusively and directly to CMAs for their activities. There will be further competitive funding rounds from that program, which will add to additional funding coming to Victoria. They are not subject to decision making or control by Victoria, even though we would like to harmonise the policy outcomes and priorities of our investments.

There is an additional program that is funded from the commonwealth to promote renewable remote power generation. That is a \$3.8 million program that comes through Sustainability Victoria, and it is designed to try to assist local communities in developing local renewable energy initiatives. It is obviously a program to which the state and the commonwealth have a high commitment, and obviously we leverage off one another's commitments.

The EPA has a relatively modest program on the basis of funding from the commonwealth; it is not a modest program in the other sense. The EPA receives funding through the Murray-Darling Basin program to support biological assessments along the Victorian river system, and in the current year the funding for that program amounts to \$400 000.

The CHAIR — Thank you, Minister. I would appreciate your taking on notice our request for you to advise us of the accountability mechanisms that the department and agency have in respect of these grants, because that is obviously an important part of acquitting these particular grants.

Mr JENNINGS — As you would appreciate, the commonwealth does have its own requirements. It has a program run as a monitoring, evaluation, reporting and improvement strategy, which requires our accountability back to that program. That is released by the commonwealth, but if the committee requires anything further on that, obviously we would be happy to help.

Mr WELLS — My question is an obvious one. I want to ask you about your incompetence and that of your department heads. We changed the date of the hearing to suit you, and we could not even receive the answers to the questionnaire on time. You have a room full of dedicated advisers and public servants. What reason can you give this committee on why the responses did not arrive on time?

The CHAIR — I have partly dealt with that already, Minister.

Mr WELLS — No, we did not get a reason, Chair. I know you are very keen to shut this part of it down —

—

The CHAIR — I am not. It is not a matter of shutting anything down.

Mr WELLS — But this is about accountability of the minister and the department. So we would like a reason for why the responses were not received on time, Minister.

Mr JENNINGS — Can you just remind me what the timing was in which they were required?

The CHAIR — We required them as soon as possible after the budget was brought down, and in indeed we were happy to receive them on an embargo basis beforehand, or any information which could be provided beforehand which was not embargoed.

Mr WELLS — Taking into special consideration that we changed this hearing to suit your timetable, I would have thought there would have been a special effort by you and the department to have those responses here on time.

Mr JENNINGS — I have already acknowledged, firstly, that the committee did actually assist me, so I appreciate that. The committee could also have determined, if it wanted to, to see me later. It was a choice that we made by agreement, and we were happy to comply with that.

From the way the chair of the committee has described the date or the time imperative, Mr Wells, I do not think technically your question is correct, even though with goodwill we would have liked to have provided you with this information on an embargo basis, as the chair has described, even prior to the budget sitting.

However, in terms of some of the answers within this department, I have already indicated there were a couple of ministers who were involved in the programs within this department, and I do not think it would have been appropriate for me to disclose matters prior to the publication of the budget, firstly, or without ensuring that the material that was provided on a departmental basis to the committee did not fall foul of the expectations of my colleague. I am not blaming him in any way, but we actually had to square away not only my part of the department but that of the Minister for Water as well.

Mr WELLS — Is there a disconnect between your department and another minister's department that is the reason why we were not able to get the information on time?

Mr JENNINGS — No.

Mr WELLS — Maybe you can explain that part of it?

Mr JENNINGS — By definition, I reject the premise in the question, because as the chair has indicated, I was to use best endeavours to get the responses to you at the earliest opportunity. At the moment, unfortunately, we have a difference of view about whether my endeavours were good enough to satisfy your expectations of best endeavours to get it here, not that we fell short of providing it on time.

The CHAIR — I have given my view on that, that the committee is disappointed that they could not have come earlier. But the minister will take that on board.

Ms MUNT — Minister, I would like to refer you to page 30 of budget paper 3, where it refers to the Dingley chain of parks and funding that has been provided for them. I was wondering if you could expand on that. I am very interested in it. There have been proposals for a chain of parks in the green wedge in that area since Dick Hamer was the Premier, so I am anxious to hear what that might involve.

Mr JENNINGS — Thank you for recognising that it is actually something we are pretty pleased about, to make sure we do have some degree of continuity and something which augments the shape of Melbourne in terms of the green wedge configuration. It augments this by having a north-south alignment running parallel to the eastern edge of the bay. Obviously I can quite understand why this is a significant issue in your electorate, Ms Munt, and not only that, but those who actually live on the peri-urban fringe of Melbourne and their expectations for having access to open space, which is actually in fact protected and enhanced over time.

Through the budget commitments that I have indicated today we recognise the value of that resource along that fringe. So whether it goes from the Frankston reservoir in the south through to protection in the Dingley area of public land, it is pretty important to us to ensure there is additional support for our fire effort to make sure that communities are safe and that we actually do establish an integrated network of parks, and I am glad that this is something that resonates with you as well.

Ms MUNT — Yes, it does.

Mr RICH-PHILLIPS — I would like to ask you about the funding that was provided for Point Nepean — you outlined it in your slide. Can you provide details of the number of ongoing jobs that will be created in the park once it is operational, when it will be opened to the public, and what the expectations are in terms of visitation to the park?

Mr JENNINGS — In terms of the process from here, it is the intention of the commonwealth to transfer the land to Victoria in June. Then we will establish a new governance arrangement for the parcel of land — which is about 90 hectares — that is going to come into the park and wind down the trust. The trust that has been charged by the commonwealth with the responsibility to administer that parcel of land will be wound up in June. We will assume responsibility for it. The next stage will be the preparation of legislation to enable that

parcel of land being incorporated within the national park to be enshrined in Victorian statute. It is my intention for that to occur before the end of the current sitting year — for it to receive passage before the end of the sitting year.

In terms of the integrated model of management in terms of being open to our citizens, while there might be some requirements for access to be stage-managed, it is our intention to open up the park and open up access, and at the earliest opportunity. That is not an issue in terms of Victorian citizens being denied opportunities to visit the park.

In terms of the number of people who we might expect to visit the park, there are already constraints on access to the park, as you probably appreciate, because of the history of the ordnance within the landscape. Access to the park will always be controlled in a certain fashion to make sure that people are safe and that they do not tread on any parts of the landscape where they may be vulnerable. We have spent a lot of time and effort ourselves and with the commonwealth doing the ordnance work. That continues to be the prime reason visitors have to be monitored.

The allocation of \$4 million to the park, I do not have a number in front of me in relation to the number of staff that we would be anticipating there. On advice, and my guess is this is as good as what Parks advice is at this point in time, somewhere in the order of four to six rangers will be employed on the site, or an accumulation — —

Mr HARRIS — Plus hundreds of jobs in that spending of \$25 million.

Mr JENNINGS — Yes, but Mr Rich-Phillips's direct question was in relation to ongoing jobs.

Mr RICH-PHILLIPS — Yes.

Mr JENNINGS — My secretary is keen for me to add in in terms of the acquitting of the capital works, and in the first instance we would actually think it would be a significant investment. It may be somewhere in the order of four or five times that direct number of jobs would be created immediately in terms of acquitting the asset program, but maybe somewhere in the order of four to six jobs ongoing.

Mr RICH-PHILLIPS — Is that typical of a park of that size? I understand that parks like Port Arthur, which is smaller, have substantially larger staffing. Would you expect that four to six would be sufficient ongoing for a park of 90 hectares?

Mr JENNINGS — The park will be significantly larger than 90 hectares. As to its relativity to Port Arthur, I would only be guessing. I think it is a reasonable size workforce. I am not sure what sort of product it will offer. In a sense I thank you for the question and providing me with the opportunity to talk about it. Port Arthur may have a model that has a number of rangers and then a number of tourism activities that piggyback off it, some of which may be run by the parks service and some which may be private operators, I am not sure. But the model in terms of trying to piggyback ecotourism opportunities and to have additional staff within the park's operation is something I would be really keen to look at so that we do maximise jobs and maximise the visitations in terms of people who can travel there safely. I would think with a combination of what Parks would bring and what we might be able to facilitate the number of full-time jobs relating to the park might be enhanced.

Mr RICH-PHILLIPS — And the budget for that?

Mr JENNINGS — In some of the instances there may be but not necessarily. As you would be aware, there are a lot of tourism operators who are licensed to operate within national parks. That is a great multiplier of jobs right across regional Victoria. There may be private sector activity that is licensed.

Mr NOONAN — I am looking at budget paper 3, page 30, which goes to an item that you raised in your introduction, which is the \$4 million to upgrade and plan for key infrastructure around Port Phillip and Western Port bays. You will appreciate that as a bayside member this is an item that caught my eye, as well as that of a number of my colleagues sitting around the table. Clearly in the Williamstown area there are many people who have a passion for and are users of this type of infrastructure. I just wonder whether the minister could inform the committee how this funding will be used to enhance not only the enjoyment but the safety of our bays, and perhaps how it might build on funding from previous years.

Mr JENNINGS — In fact when you were asking that question, Mr Noonan, I did look around the table at the number of people who have an acute interest in the bay. My Labor colleagues do, but Ms Pennicuik has a particular interest in the bay as well. Maybe this is a package that has been designed for PAEC's interests.

Mr NOONAN — I did mention other members.

Ms MUNT — There should be more of it.

Mr JENNINGS — Exactly, and obviously I will do my best to encourage Mr Dalla-Riva and Mr Rich-Phillips to get down to the bay as well. Last year I confused Hansard greatly by referring to the 40 million Victorians who travel to the bay. What I meant was of the Victorians who travel to the bay, the annual number of visits is 40 million. That is a bit better way of describing it. What it means is that Victorians love to go down to our bays and immerse themselves in the water — usually in summer, but not necessarily exclusively — in their thousands and launch boats and small vessels on our bays.

So this package has been designed to enable them to do that safely in a way that protects their boating investment and protects the safety of other bay users. We are trying to make sure that people get on and off the water in a safe fashion. We have had significant investments in slipways and in pier operations. This package is designed to do a range of work in continuing that trend. It includes work at Patterson River yet again — and we have always got more work to do at Patterson River because it is a very popular location; at Fisherman's Wharf in Queenscliff, at the seafood jetty; at Rosebud pier; and at Williamstown, where there will be work at the former PMA site.

There will continue to be some work undertaken in an area where Ms Pennicuik may be a bit worried, but a very modest part of this program will be a dredging program to assist small boat users get access to certain locations including St Kilda, Werribee River and Patterson River. Hopefully in the scheme of things that will not be something that causes her too much concern, even though she is mindful of the interests of the little penguins. We will be mindful of that, because we understand that it is a marine environment worthy of protection and that is the reason why our citizens want to go there.

The CHAIR — That is why Mr Rich-Phillips has an interest in this matter as well.

Ms PENNICUIK — Minister, before I start I just wanted to say that we acknowledge that you have travel plans and you had to be here today, but we did get the papers late. I have a few questions, and I have had a bit of trouble in prioritising them, getting through them and finding whether there were some other really important questions that needed to jump to no. 2 instead of no. 3 or no. 1 instead of no. 2.

Mr JENNINGS — I will answer two at once then!

The CHAIR — One at a time is the rule.

Ms PENNICUIK — The upshot is, Minister, that I would reserve my right to put a question on notice after the meeting, if possible. One of the questions I wanted to ask you about was beach renourishment, but I have put it to no. 2 and I am going to ask you this one first. In the 2007 budget estimates a previous environment minister announced that the native vegetation tracking system, which was part of Growing Victoria Together, would begin tracking the clearing of native vegetation. In April last year DSE released the net gain accounting approximation report with enough time for it to be considered in budget estimates, and that reports a net loss of 4000 habitat hectares in Victoria.

There has been no report released this year, so I am asking you: is there going to be a second report, and if not, does that indicate that there is a lack of departmental enthusiasm to monitor the continuing habitat lost in this most cleared state in Australia?

The CHAIR — Insofar as it relates to the estimates, Minister.

Mr JENNINGS — I am not surprised that I was asked this question. In fact it is a fair enough question because there is a concern, and hopefully all of us who are concerned about the wellbeing of biodiversity in Victoria would want to have some confidence that we have an approach which acquits for the protection of that biodiversity. I have no difficulty with the question or indeed with being kept accountable on this program.

I note that you have obviously seen the data that has been published on the website as recently as April, because otherwise you would not be able to cite a figure, so I know that you have had a look at that material. It is our intention to try and update this material in a way that is sensible and, as much as possible, in real time rather than subject to cumulative neglect or blind spotting. But there is a need for us to integrate what this tracking system provides us with, with other things that are happening simultaneously to give a total picture. For instance, how it relates to the BushBroker and Bush Tender program, and what habitat is protected through those programs that otherwise might be at risk.

It warrants further examination in light of planning approval processes and planning controls, and the way in which we integrate those decisions on the peri-urban fringe. It needs to be aligned with the review of the Flora and Fauna Guarantee Act and the way in which those mechanisms may best be used in the future. In fact I have always been, since its very inception, a supporter of that bill, but increasingly I recognise the difficulty of its structure in terms of the way it is currently structured, keeping up with the pressures in terms of this area and how it integrates with the commonwealth's Environment Protection and Biodiversity Conservation Act.

I think all of those things warrant some alignment. The reason I volunteered all that to you is that I know those things need to come into alignment and, as much possible, we need some real-time monitoring of what is happening. But that, as you can imagine, is a substantive piece of work, and I would rather start that piece of work while we are continuing to monitor through the web-based mechanism, until we bring all those elements together.

Ms PENNICUIK — Can I just follow that up, given your answer? Is that work about to commence, or is there some planning for that work about to commence, and is there some resourcing for that?

Mr JENNINGS — In fact there are resources being allocated to every single element of what I have described — every single element. What we need to actually do is then try to build a framework so that comes together. Now that, I do not think, will require additional resources to pull all those elements together, because in fact they already exist and they are already currently being resourced. Our challenge is to be fleet of foot enough administratively to create a shape for that to occur.

Ms HUPPERT — I refer to budget paper 3, pages 285 and 305, and the additional funding that has been provided for DSE pagers, radios and other bushfire preparedness, and I ask: could you please provide some information about how this will enable greater preparedness and response capability and greater integration between fire agencies?

Mr JENNINGS — Thank you. In fact I did actually briefly touch on this matter in my presentation — that one of the key requirements that we envisage going forward is additional communications capability in times of emergency. We have thousands of DSE staff and our partners through the network of emergency operations, which is the NEO acronym, that actually ropes in officers from DPI, Parks Victoria, Melbourne Water and a number of other agencies across Victoria who will be called together at a time of emergency for our firefighting effort.

What the investments you referred to will provide for is 5350 radios to be provided to those staff and more than 2000 pagers that will be made available. As people in our community appreciate, the need for real-time monitoring of fire behaviour and fire activity was demonstrated this year perhaps more acutely than ever before — the need to have efficient communications systems to be able to respond to the threat in terms of protecting communities and assets but very, very importantly to protect those firefighters themselves. They need to know with confidence what emergency situations they are confronting.

With this communications package we will see similar investments in other emergency services through the CFA and through the police. We will build a more effective communications system beyond our current capability, whereas we have demonstrated — I think, and in fact I would hope that the scrutiny that is applied to what happened during the course of February would demonstrate — that there is a high degree of agency collaboration centrally coordinated through the integrated emergency coordination centre. So the organisations work very cooperatively, and we have developed systems and protocols to make sure that information is shared and used appropriately in real time and that that occurs within the central coordination framework.

What we need is to be able to ensure the timely relaying of messages and feedback to the coordinated effort and the emergency response on the ground, and we have to have the technology to meet those demands. We actually think that these investments will significantly enhance our capability.

Mr DALLA-RIVA — I refer to budget paper 3, page 213, and in particular to the performance measure ‘Rivers with improved environmental flow regimes being delivered’. In that line of the forward estimates the intention is that the government will not improve environmental flow regimes for any river in Victoria into the next year. I note that under clause 48(c) of the Water Act you do have the power to request an environmental water entitlement for any waterway in Victoria. So given the performance measure as it is given and the condition of some of Victoria’s waterways, why do you not plan on requesting improved environmental entitlements for any river in the next year and are you planning on requesting improved environmental flows for any waterway beyond this year and the forward estimates?

Mr JENNINGS — As a starting point — and I know the Chair would not be happy if in fact you and I have an iterative approach to this — I read that table to actually say that the target in 2009–10 is 20 not 0 as you have just attributed.

The CHAIR — It is 20; is that the one you are referring to?

Mr DALLA-RIVA — The ears must be painted on, but I said there is no intention to increase or improve the environmental flows. You have maintained the status quo. We know that some Victorian waterways are under stress. What I am saying is that there is no increase. It is the status quo, so there is no improvement.

The CHAIR — Minister, there are obviously two elements to that particular question. One is what you have identified in terms of the number of rivers; and Mr Dalla-Riva is asking is there going to be any improvement in the quantity of what happens in these rivers.

Mr JENNINGS — Yes, but I still think there is a flaw in the suggestion that we are not working on 20 rivers and planning to work on 20 rivers.

Mr DALLA-RIVA — Yes, but that is it — that is the status quo. There is a drought that is going on, and you are not increasing it. That is what I am getting at. So it is the status quo, and it makes the assumption that there is no need for an increase. You do have that authority under 48(c) of the Water Act, and that is what I was putting forward to you.

Mr JENNINGS — I am happy to deal with that, because, regardless of how my ears are attached, I actually do understand the concept.

Mr DALLA-RIVA — Painted!

Mr JENNINGS — I understand the value of ensuring that we protect waterways. I start from the premise that we are going to be committing in this target to protecting and enhancing flows of 20 rivers. We are going to have ongoing works of various arrangements to try to improve the integrity of the catchments and the viability of those rivers themselves — we will continue to do that. You are quite right: there are additional mechanisms beyond here in this program through emergency situations — they usually apply in these circumstances in emergency situations, but not exclusively — to try to add to the values of the waterways and indeed to provide better environmental outcomes.

As we all know this is an area of vital environmental importance and it is also something that is subject to quite a high degree of scrutiny in the Victorian community about the value and the highest value use of any drop of water in Victoria. I appreciate that you are seeking my assurance that there will be work undertaken to improve environmental outcomes and encouraging me to use reserve powers that I might have in collaboration with my colleague the Minister for Water and the various water authorities to secure environmental water, so thank you for that. If Dr Sykes were here, he probably would not want me to go much further than answering that element of the question.

The CHAIR — It was probably hypothetical. Is it just a clarification?

Ms PENNICUIK — It is a clarification. In terms of the 20 and 20, is it the same 20 or is it a totally different 20, or is there some crossover?

Mr JENNINGS — I believe that it would be an estimate of the amount of work that is required, and those priorities may marginally shift. You would actually have a core value of river systems that would be maintained, so there might be 18 core and there may be 2 or 3 that vary up and down within that range, but I think most people in the Victorian community would actually understand that there is a high degree of consistency across the landscape at the moment about the stresses on our rivers.

The CHAIR — You might give us some more information on that one.

Mr SCOTT — I would like to draw your attention to page 352 of budget paper 3 where there is a line item about wildlife shelter capital grants with \$600 000 to be committed over two financial years, and I ask: how will this funding support the work done by accredited carers and shelters in caring for our injured wildlife?

Mr JENNINGS — Thank you for that question. There are a lot of people who do very good work on behalf of the Victorian community with wildlife each and every day. There are 340 licensed wildlife shelters and there are something in the order of 363 — a very precise number — registered animal foster carers across Victoria. They are identified in their local communities as providing a safe haven for animals that may be injured or requiring care. There is a process by which DSE facilitates local knowledge about the way to contact carers and shelters and facilitates access to these services. But by and large it is a voluntary effort, so we should as a community be pretty grateful that that occurs.

We have seen investments in the last few years that assist that. You have just referred to one way, but establishing the emergency wildlife centre at Healesville is a way of providing science and veterinary knowledge that is a repository of knowledge and support to those wildlife carers. That centre of gravity is almost the equivalent of the children's hospital in terms of being recognised as a centre of excellence in terms of wildlife caring and providing support and outreach support to those carers. This program that you have referred to particularly follows on from what we think is some extra demand that may have been driven unfortunately as a consequence of the fires into the care of those wildlife shelters. We have committed \$600 000 over two years to support them in the work they do. They can apply for grants that will enable them to be reimbursed for aids and equipment and maintenance of those shelters. It piggybacks on an emergency program that we had during the course of the fires where we provided almost the same level of assistance, and we also provided some additional support to vets throughout Victoria.

The CHAIR — Thank you very much. I refer you to the same page regarding the river red gums, which seem to be one of your major initiatives for the year — there is quite a large amount of money for those four parks I think. I wonder if you could inform the committee of some more detail on that expenditure going forward, including in regard to jobs but particularly how it is going to protect the shared natural assets that we have up there.

Mr JENNINGS — Thank you. In the presentation I shared with the committee I said that we have \$32 million in forward estimates for the operation of the parks that we are establishing along the Goulburn and the Murray to support river red gums, and \$6 million TEI for capital infrastructure investment. The establishment of those parks is, as you quite rightly say, something that we think is extremely important to protect the environmental values in their own right and the biodiversity along the river system, but when you consider how popular these parks are and how many people in the Victorian community want to go there to camp along the Murray, to maintain what is a relatively cheap form of holiday experience — and they do so in thousands — it is very important for us to try to create these parks so that we do have a proper allocation of staffing and a structure to support that high use within these parks.

Part of the package will enable the employment of 30 rangers to work along the river system. We intend at least half of those rangers to be from the indigenous community to support not only indigenous employment throughout the river communities but also to make sure that we have appropriate alignment of land management and cultural heritage management within the parks. We think that is very important. In the establishment of the parks we are also — beyond the scope of those 30 employees — going to be employing a number of other people in the establishment phases of the parks to do stream-side vegetation work and to do some fencing and construction work to protect the integrity of those stream-sides.

We are also going to be providing opportunities for a process by which we are enhancing the ecological values of the forest through a program that is designed, in conjunction with the environment movement, local Aboriginal communities and the timber industry — and through the guidance of DSE and Parks Victoria — to

try to look at what ecological thinning programs should be undertaken throughout the park reserve. That is to try to ensure that these forests are not overlaid with timber that would be either difficult to manage in terms of fire management in years to come — which is one issue in its own right — or that may, because of its heavy load, be unviable in terms of the amount of water we can get on to these sites. There is value ecologically in reducing the load. We are embarking on the program. All of those elements will add to jobs in the region. If you consider that there are still some ongoing timber licences available in various parts of state forests along the river, we think that there might be a net increase in the number of jobs that actually flow from this decision rather than a reduction.

The CHAIR — Thank you for that, Minister.

Mr WELLS — My question is in regard to fuel reduction burning targets set out in budget paper 3, page 218. I would like to know why the target for 2009–10 is just 130 000 hectares of prescribed burning, in direct contradiction of the recommendations of the all-party Environment and Natural Resources Committee. That is the first part of the question. Will there be an assessment by your department about who accepts responsibility for the fires that have taken place just recently, in 2003 and in 2006–07?

Mr JENNINGS — Going back in sequence, I am sure as a senior member of your party and as somebody who is well established within the Parliament of Victoria, you understand that there is a royal commission that is charged with the responsibility of determining the second answer. That is a process.

Mr WELLS — The question was not that. It was actually will there be an assessment by your department of whether it will be looking at the responsibility of the fires? From within your own department, will there be an assessment made?

The CHAIR — Insofar as it relates to the estimates, presumably, going forward, in terms of the economic future.

Mr WELLS — Yes, so we can learn by this, moving forward over the forward estimates period.

Mr JENNINGS — We are as committed — the government is committed, the department is committed — as anybody in this community to dig as deep as we need to dig in relation to working through the substantive issues that you have referred to. We will do it through the prism of the royal commission formally and in cooperation with the other agencies that we work with, the other emergency services agencies. We are always looking for continual improvement in relation to our fire mitigation effort, the degree of community engagement and community support that is provided, and our ability to deal with the emergency response. All of those things — continually.

In relation to the first question — —

Mr WELLS — The question is in relation to why is it — —

Mr JENNINGS — I know exactly what it is. Obviously you are worried about how quickly I answer or do anything.

Mr WELLS — We just want an answer; that is all.

Mr JENNINGS — On the first set of issues that relate to fuel reduction burning, you will note that there is a lot of commentary at the present point in time about fuel reduction issues. In the context of the royal commission this is something that will actually be well and truly established and monitored and assessed.

In terms of the cumulative effect of fire across the landscape, which includes fuel reduction burning, from my knowledge there has not been a decade in the history of Victoria where there has been a higher degree of cumulative burning across the landscape than there has been in this decade. The combination of the fuel reduction burning effort — which is what you are concentrating on — the combination of the fires that occurred in 2002–03, the ones that occurred in 2006–07 and the ones that occurred this year means that there has never been a higher area that has actually occurred in the landscape, cumulatively.

The extraordinary situation is that despite that fact and despite the fact that last year there was the highest area of fuel reduction burning that has been undertaken through the program of government activities for more

than, from memory, 15 years, despite all of that, because of the extreme circumstances that we as a community and the Victorian environment confronted earlier this year, there was still a high degree of acuity of danger that was experienced through bushfires. The simplistic assumption by anybody that in fact these circumstances are totally determined by fuel load, totally determined by the amount of burning that has actually occurred across the landscape, is shown to be not understanding the full dimensions of what actually happened this year.

In terms of the targets for this year, we continue to this day to be out doing as much fuel reduction burning as we possibly can — 130 000 hectares is a target figure for presentational purposes in the budget. To demonstrate the degree of resource allocation and commitment to the program, we will engage in this program as long as we can and the seasonal conditions will allow us.

The people who understand how fuel reduction burning occurs, when it occurs through the course of the year, communities' acceptance of it, the environmental conditions that enable it to occur, understand, because of how long these current fires went — they went into March — that the time available to us to do autumn burns has been diminished this year. But we continue to this day with the program, and we will be trying to deliver the greatest degree of community and asset protection by the end of this financial year and then start the program again in spring when the weather conditions enable us to.

Mr WELLS — To follow up the question, I am a little concerned about your answer because in the government's response to the Environment and Natural Resources Committee when it suggested the burning target should increase from 130 000 to 385 000 hectares the government supported it in principle, but that is not what you are saying now.

Mr JENNINGS — I do not think you listened to one word of what I said.

Mr WELLS — Absolutely — word for word.

Mr JENNINGS — I do not think you did.

The CHAIR — Perhaps if you could very briefly answer this one.

Mr WELLS — No, the government's response was to support in principle — that is, to increase the burning up to 385 000 hectares per year.

Mr DALLA-RIVA — And yet the budget paper does not have it; it is still a status quo of 130.

Mr JENNINGS — I actually gave you a fairly long answer.

Mr WELLS — I know, but it was not the answer to the question.

Mr JENNINGS — It was not the answer it you wanted; it was the answer to the question. It is certainly the commitment of the government to continue to grow its ability to deliver the program in a way that environmentally makes sense, in a way that has a high degree of community acceptance, and in a way in which the climate will allow. If you do not understand the convergence of those issues, that is not my problem.

Mr WELLS — No, the committee has said 385 000 hectares per year. You have said, 'We accept it in principle', then you have given us a whole heap of excuses as to why it will not happen.

The CHAIR — I think the minister has given an answer. We have had it through twice so we will move on on this one.

Mr WELLS — So you are going to allow that to go?

The CHAIR — I think it is fully recorded in the Hansard transcript.

Mr DALLA-RIVA — So the performance measure is useless.

Mr WELLS — Why have a performance measure? There is no point in having a performance measure at all in that.

Ms MUNT — I was interested in your response to my first question about the Dingley Chain of Parks. I also noted your comments about the importance of open space and recreation for the south-eastern and southern areas, so I was also wondering if you could perhaps expand on the funding that has been allocated for Frankston Reservoir Park.

Mr JENNINGS — Frankston Reservoir Park, as you would appreciate, is a property that has been previously in the hands of Melbourne Water, having very limited public access because of the nature of the reserve system. I think from memory in the lead-up to the 2006 election the government as a party going to the election made a commitment that it would be returned to community access and to provide infrastructure and the ability for people to use it as a recreational area.

Certainly from the time of the re-election of the government until now we have been trying to do the administrative arrangements to enable that transfer to take place to enable the community engagement of local stakeholders to try to provide them with an opportunity to get access to the park. It is pretty clear that there is some infrastructure that is required in relation to walking tracks and some amenity that is required to enhance the visitor experience and to make sure that people can get access to the reserve, and it is our intention to move very quickly on that matter.

Some work has been required, and there continues to be some work required in relation to the ongoing committee of management role — who will play that role. The land is likely to be managed through Parks Victoria, but we are trying to provide for a degree of local engagement in terms of the committee of management role, so that is a bit of a work in progress. We have got some assistance from the local member, and hopefully we will get some assistance from local government in the area to try to assist that in occurring, but that is something we are working on this year.

Mr RICH-PHILLIPS — I would like to ask you about the funding of the land and fire management output group on page 219, and you touched on it in your presentation. In 2007–08 the actual output cost was \$223 million. In last year's budget for the current year the target fell to \$186.5 million, and you have indicated in your slides why there was a substantial increase in the expected outcome — it was a consequence of the fire event earlier this year — and the target for 2009–10 drops back to \$198.1 million, so from last year's budget to this year's budget there is only a little under \$12 million increase, putting aside the actual outcome because of the fire event. My question is: did the department, in going through the expenditure review process, seek additional funding for this output above and beyond the \$11 million that you have gained in the budget?

The CHAIR — I do not think that is an appropriate question, but if you wish to ask about the estimates in the budget, please do so.

Mr WELLS — Why not?

Mr RICH-PHILLIPS — I think it is entirely appropriate.

The CHAIR — It is not appropriate for the committee to seek to ask the minister about the processes — —

Mr WELLS — I want to know about the process between the department and the minister.

The CHAIR — Excuse me, one at a time — to seek to ask about the processes of cabinet. If you wish to rephrase the question, you may.

Mr WELLS — We just want to know if the department was overruled by the minister.

Mr RICH-PHILLIPS — It is relevant to the budget, it is very relevant to the — —

The CHAIR — If it is regarding the estimates in the budget. If you wish to reframe the question — —

Mr RICH-PHILLIPS — It is of great interest to the Victorian people, and I am sure the minister is capable of answering.

Ms MUNT — The target for 2009–10 is greater than the target for 2008–09.

Mr JENNINGS — Chair, I can understand your — —

The CHAIR — Minister, insofar as it relates to the estimates?

Mr JENNINGS — No problem. I appreciate your difficulty, and in fact there has probably been a precedent set in the Parliament this week where probably the ruling from the Chair should have been taken notice of, but in my case I will not take advice on it either.

Mr RICH-PHILLIPS — Just remember where that ended up.

Mr JENNINGS — If your question was: is this the limit of the expenditure on our firefighting effort in a normal year — —

The CHAIR — It is a difficult question, but I understand what you are saying.

Mr JENNINGS — There needs to be an understanding that this is not the outcome. The outcome in a normal year is that the TA is provided annually to support the firefighting effort, and the outcome in the last two or three years at the very least has been that an additional \$31 million has been provided for the firefighting effort beyond that line item.

Mr RICH-PHILLIPS — A TA.

Mr JENNINGS — Through a TA. In this case we had an expectation that the TA would be at least \$31 million and it ended up tragically being \$344 million.

The CHAIR — For Hansard, TA is a Treasurer's advance.

Mr JENNINGS — Yes. We understand the dimensions of the acuity of fire and the circumstances by which it needs to be responded to. Clearly, the mechanisms that have been available through this budget line item, through the TA and through other augmentations that have been required show that our firefighting effort is actually significantly larger than what that line item would suggest. We understand that and we advocate that position accordingly, and the department and the minister are totally as one.

The CHAIR — Thank you for that.

Mr RICH-PHILLIPS — Thank you, Minister. That was not the essence of the question, but I appreciate your answer.

The CHAIR — I know it was not, but the minister has answered insofar as he could.

Mr RICH-PHILLIPS — Perhaps if I rephrase it, Chair?

The CHAIR — Only in terms of clarification.

Mr RICH-PHILLIPS — Given there is \$198.1 million allocated for this output group in 2009–10, is that the full amount that the department sought in preparing the budget process?

The CHAIR — That question is totally inappropriate. We will move on to the next question.

Mr WELLS — Maybe the minister can answer it without you trying to shut down the process.

The CHAIR — I am not shutting down any process. I am actually — —

Mr RICH-PHILLIPS — Surely, it is fundamental to this issue. It is a legitimate question. I am sure it is of great interest to the Victorian people — —

Mr WELLS — Maybe he might want to answer it.

The CHAIR — No. We are conducting the estimates hearings in regard to the estimates in the budget, and we will deal with them insofar as they are in the budget papers. Thank you very much for your fishing.

Mr NOONAN — As far as it relates to the estimates I am interested in the second dot point that is on the slide that you have still got up on the screen. I would appreciate some details regarding the \$4 million for beach

renourishment and coastal risk mitigation, and specifically where this funding might be initially targeted and where, perhaps, funds have already been targeted.

Ms PENNICUIK — At Sandringham.

Mr JENNINGS — There is a lot of work happening. The interjection, Chair, was, ‘At Sandringham’. There is a lot of work happening at Sandringham. I have never known any community that has been so interested to see the ebb and flow of sand as they are currently at Sandringham.

Ms MUNT — At Mentone they are interested.

Mr JENNINGS — Are they?

The CHAIR — Thank you, Minister.

Mr DALLA-RIVA — Insofar as it relates to the budget papers, thanks!

The CHAIR — Can we get back to the question and the answer?

Mr DALLA-RIVA — I will just defend the minister.

The CHAIR — Thank you.

Mr JENNINGS — In fact I am just trying to locate the specific answer to Mr Noonan’s question, and I am coming up short.

The CHAIR — Mr Hill might be able to help.

Mr DALLA-RIVA — You need to better coordinate your set questions with your set answers.

Mr RICH-PHILLIPS — You did not ask the wrong question did you, Wade?

Mr JENNINGS — No.

Mr DALLA-RIVA — You didn’t ask an unauthorised one?

Mr NOONAN — Take it on notice if you like.

The CHAIR — We are happy for you to take it on notice, Minister, and we will move onto the next one.

Mr JENNINGS — You want to ask the same question, don’t you?

Ms PENNICUIK — Thanks to you, Chair, and to Mr Scott for asking questions on topics such as VEAC —

The CHAIR — It was actually Mr Noonan.

Ms PENNICUIK — No. We have had river gums and the wildlife shelters — —

The CHAIR — Good.

Ms PENNICUIK — And Mr Noonan on beach renourishment. It saved me asking those questions even though we do not have the answer to the beach one. I will move on to water.

Mr WELLS — It is the value of a committee.

Ms PENNICUIK — On page 212, sustainable water management and supply, I have to say that I am not a whiz on figures but I am looking at the figures there for cumulative water savings realised through water recovery projects and expected water savings through water recovery projects currently being implemented. I notice that the target for the first one — cumulative water savings — for the last budget year was 429 000 and the expected was 369 000 megalitres. It is \$60 000 short of the target — —

The CHAIR — Megalitres.

Ms PENNICUIK — Megalitres short of the target, and for expected again it is 50 000 megalitres short of the target. The new target for the expected water savings through water recovery projects is sort of in line with the expected outcome, but the cumulative water savings have blown out. Can the department or yourself just comment on what is happening there?

The CHAIR — There is also a footnote there which may provide an explanation. Minister?

Mr JENNINGS — In fact, we have done badly because this question is not my responsibility. After all that, that program is the Minister for Water's responsibility.

Ms PENNICUIK — But it is here in your — —

The CHAIR — I think you might find comfort in the footnote.

Ms PENNICUIK — Not really. That is why I asked the question, so I will probably follow you up on that one, Minister.

Ms HUPPERT — Minister, obviously from the information provided in the estimates a lot of work has been done on parks, and I have a question about the money that has been allocated for the outer urban parks. I wonder if you can tell us how that money is being invested, and what the benefits of that investment will be for the people of Melbourne?

Mr JENNINGS — Thanks. I am on a bit of a theme. Funnily enough, I do actually have some information on this one, and I am pleased to be able to go straight to it.

Very consistently with what I described to Ms Munt earlier on in relation to what she described as the 'Dingley parks', we understand that people right round the metropolitan ring are looking forward to recreational opportunities in aspects of the natural landscape close to where they live. Interestingly enough, if you have a look at the cluster of the reserve system across the fringe of metropolitan Melbourne, there is quite a diversity from the grasslands of the west that probably require a little bit of esoteric environmental knowledge to get full appreciation of them but nonetheless we will work on that to those that more traditionally relate to ferny gullies in the Dandenongs or water-based recreational opportunities in the south-east.

We are trying to make sure that we have a ring of those reserves. Whether it be at Tarneit, at Melton, at Yan Yean or Narre Warren, we are establishing an integrated series of park-based opportunities, including the Frankston reserve that we answered about earlier.

Then of course within that Dingley-Carrum cluster we have got Braeside and Karkarook parks. So we have got \$4 million to spend across those parks to add to some very serious infrastructure or interpretation facilities for barbecues and other sorts of activities, and hopefully people will flock to these locations which are pretty proximate to where they live.

Mr DALLA-RIVA — I go back to what Mr Rich-Phillips was on, in relation to budget paper 3, page 219, in terms of total output costs for land and fire management. I understand that as part of the process for the Teague royal commission there will be a process for your department to make a submission. I am also aware that there are certain guidelines for submissions and responses to inquiries established by the Department of Premier and Cabinet in October 2002. The process is there, and you would be aware of it or the department would be aware of it.

Given that you will be using some of the money — and the first part of the question is: will you be using part of that money for your submission, or where will the money for the development of your submission come from? Will it come out of this output cost here? Is it going to come from some other source? The second part is: will DSE make an open and honest submission to the inquiry, or will its submission be subject to the vetos, approvals and gags in these guidelines? Given that — —

The CHAIR — I think the second part of the question is — —

Mr DALLA-RIVA — It needs to be — —

Mr WELLS — It is the most relevant part of the question.

The CHAIR — It is not pertaining to the estimates, but thank you, Mr Dalla-Riva.

Mr DALLA-RIVA — You might have a conflict between DSE and CFA.

The CHAIR — That is not the purpose of this; it is for other places to deal with these issues. But certainly the first thing — where the costs of these things are going to be taken from — is entirely relevant.

Mr JENNINGS — The first part in relation to the cost structures, the cost of submitting, bringing evidence to the commission is part of the establishment costs and running costs of the commission. So it is separate, to answer your question. We will not be eating into our allocation for fire mitigation work or fire preparedness work or emergency response at the cost of appearing before the commission — that is no. 1.

Despite what or which might be sort of implied, I will not say anything more than that, that in fact there are elements of the appraisal of the fire circumstance or the decision-making that actually led up to resource allocation or the emergency response or the way in which we in fact carried out that emergency response — there is a huge schism between either the department or the government or the various agencies, from my vantage point; and I have actually spent a lot of time in the pressure cooker environment in dealing with this situation.

I actually have not seen organisational rifts occurring. In fact, quite the opposite. I was pretty impressed, pretty amazed, at the level of integration, coordination and cooperation that we actually saw during that period of time. That is at all levels — from those who were actually fighting the fire, right through in terms of the ones who were calling the shots in relation to the fire management plan, and the way in which that always integrated with government processes in terms of dealing with the emergency response and going forward.

So whilst I can understand a degree of healthy scepticism about whether that is the case and whether in fact there is an underbelly of the story — I can understand that — I do not think that that assumption is correct. And I would have the confidence that the royal commission will have the integrity and rigour, in the way that it is being undertaken, to pursue these matters in a way that the Victorian community will have confidence in, and the government is open to that.

Mr DALLA-RIVA — If you remember the 1939 royal commission — and you have obviously read that; I think it was one of the questions we asked — there was a component there about some of the concerns in terms of the evidence that was submitted.

The CHAIR — Thank you for that, but I think it is not appropriate for us to go into that. That can be dealt with in other places.

Mr WELLS — Under the carpet.

The CHAIR — No, that is a completely wrong statement. It is a matter of us being in the appropriate spot — —

Mr DALLA-RIVA — Are we in the process? It has to be approved by the Premier and then by cabinet.

Mr JENNINGS — You can have your own — —

The CHAIR — This is not the place for us to deal with that.

Mr JENNINGS — Clearly it is not; I agree with you, Chair. But I just repeat the point — that this is a royal commission that I think should be allowed to run its distance. You can have a look at the scrutiny that applies to witnesses, and you can make your assessment then. Do not actually pre-empt it.

The CHAIR — Thank you, Minister.

Mr SCOTT — Minister, I would also like to touch upon the theme of parks. I note that in both your presentation and on page 353 of budget paper 3 reference has been made to Yarra Bend Park, which is, as someone who has grown up in the northern suburbs of Melbourne, something dear to my heart. It discusses how the initiative will maintain and improve Yarra Bend Park's infrastructure and conservation areas, ensuring its long-term sustainability. I am interested in how the work that will be done under this budget, this particular program, will ensure the sustainability of the park, which is vital to the people of the northern suburbs?

Mr JENNINGS — Thanks for that. Indeed it is a terrific park, but it has probably been doing it a little bit hard of recent times — a combination of its popularity, the climate change pressures, the drought circumstances, overlaid by a governance arrangement that relies heavily on the direct contribution and involvement of local government in terms of the maintenance budget and how the land is being managed.

What we have seen of recent times is that the local governments in the region are saying, ‘It is a bit hard for us to do it’. So in the lead-up to this budget we have been having discussions with those councils, to say, ‘What is your comfort level on changing the government’s arrangements so that Parks Victoria would become the governing body, with some reference point to local community engagement so that you can have confidence that your local community aspirations will be maintained but you will not be dragged from pillar to post in relation to the resourcing and the responsibility?’.

That conversation has gone remarkably well, which was quite an achievement in itself really. If you actually have to work with three or four local governments at any particular point in time for any process to run smoothly, that is a good thing. It has run well and in fact we are about to move to a new governance model where Parks Victoria will have the responsibility.

In line with that we recognise that there is an additional need to have some operating expenses to enable the park to be managed because we often actually quite rightly hear that we need the resources to manage the land and waterways appropriately. We actually have confidence that now with this degree of support and the governance arrangements that the park will be protected and enhanced in the years to come.

The CHAIR — Following on that sort of theme in terms of Parks Victoria, which obviously under forests and parks and they have rather a large role, can you expand a little bit more in terms of the funding they are going to have? They have got an extra \$14 million next year. What does that mean in terms of ground and the way that Parks Victoria is structured going forward? Are there any sort of plans for any changes within Parks Victoria, given the additional responsibilities you have mentioned?

Mr JENNINGS — In fact, what applies to Parks, what applies to DSE and other agencies that I am mindful of is in fact how challenging it is to meet with the resource allocation in either fire mitigation or emergency response. Your question is totally valid in relation to Parks’ responsibility because Parks, you are aware, are adding to the reserve system, we are having higher expectation for them to have a quality maintenance program, to deal with pests and weeds, to increase accessibility. We are driving them as an organisation very hard in terms of all of those outcomes with the revenue that is available to them.

Added to that is the increasing effort that we see in either fire mitigation or emergency response. In fact I had a meeting with the Parks Victoria board yesterday and the CEO, and we had a conversation about this very fact, and how this skews the resources of Parks significantly in terms of the fire effort.

The same logic applies to DSE too. Beyond the statutory obligations, beyond the programmatic obligations, the fire effort is a huge thing for our department, for Parks and for a couple of other agencies similarly across government. This is something that we need to keep a close eye on in the years to come, about the way in which our budget is structured. Mr Rich-Phillips may gain some comfort from the fact that we have a keen eye on this, and we have a united approach to it.

The CHAIR — Does that mean in terms of training for Parks Victoria staff, they are all fully trained obviously in terms of multiple tasks including fire management and there needs to be a change in this regard and change going forward?

Mr JENNINGS — Yes.

Mr WELLS — Minister, how many people are employed in environmental policy and climate change division and what is the budget of this division, both last financial year and the forthcoming estimates period? Would you provide the committee with a list of consultancies ordered or undertaken by this division? These include the cost expended or expected to be expended on each consultancy, and the purpose and description of each consultancy task.

Ms MUNT — Does that relate to a page in budget paper 3, Kim?

The CHAIR — I presume it relates to page 221.

Mr WELLS — My question related to forward estimates. Are we going to start ruling out questions on forward estimates?

The CHAIR — Page 221 in budget paper 3, I assume you are relating to?

Mr WELLS — Yes, that is the same assumption we had.

The CHAIR — If we are looking at the past it can be covered in the annual report.

Mr WELLS — In looking at the forward estimates we need the year as a bit of a benchmark.

Mr JENNINGS — Even though it might have sounded like a very onerous question, part of the answer is there in the document itself. The answer to how many staff — it is somewhere in the order of 100 staff. We are happy to firm up the exact answer.

In relation to consultancies, the program is not predicated on the need for consultancies but from time to time they may be engaged; and if there is a program, we can have a look at that and get the answer back to you.

The CHAIR — That would be good. We have a list of general staff but we do not have a list of specific area staff.

Mr WELLS — So there is a special budget unit costing in the budget papers for that particular division?

The CHAIR — Not in the budget paper, it is done overall in terms of the department.

Mr WELLS — We are wondering about the cost of running that department.

Mr JENNINGS — And the programs?

Mr WELLS — That particular department, the environmental policy and climate change division.

Mr JENNINGS — When it boils down to it, what you want to know is the cost for the staff who are employed in that area?

Mr WELLS — Yes.

The CHAIR — Because otherwise \$77 million is the target for that particular program.

Mr WELLS — Yes.

The CHAIR — So you want to know that component in terms of staffing. Okay, that is fine.

Mr JENNINGS — It is still that: how many people and how much is the cost of employing them.

The CHAIR — That is clear. We will have two more quick questions.

Ms MUNT — Can I return to the subject of the Point Nepean National Park? I recall a battle that has gone on over many years for the Point Nepean National Park, since the Howard government tried to sell it and how it has been saved, and I am interested in open space in the south-eastern and southern area of Melbourne.

In budget paper 3 on page 30, \$10 million has been allocated to Point Nepean National Park to buy additional land. What is that additional land? How will it fit into the park? How does that fit into the overall structure of Point Nepean National Park?

Mr JENNINGS — The \$10 million is a contribution that we will make to the infrastructure and asset requirement as distinct from the purchase. The parcel that we are assuming responsibility for is the old quarantine station, 90 hectares. It actually has a lot of historic buildings. It has a run-down jetty. It has a number of quarantine buildings and they are at various stages of disrepair; they are old buildings and have been very run down.

We are now committing to try to ensure that it is made safe, no. 1, a very important issue. No. 2, that we actually have interpretation information centres; we actually have a tourism product that is built there. We will

do that in combination with our investment of \$10 million, plus there is a figure of somewhere in the order of \$15 million residual of what the trust that the commonwealth established to maintain interim control of that site, so we cumulatively have somewhere in the order of \$25 million that we will be able to allocate to an asset program.

It goes back to Mr Rich-Phillips's question before about how we want to make sure that we make the place safe, we actually enhance the visitor experience and in fact we grow the number of people who go there. We actually think there is a lot of work to be done, but we actually think it could be made into something quite special and integrated with the management of the park.

Mr RICH-PHILLIPS — Minister, I would like to ask about the funding you have allocated for river red gums. There is \$38 million?

Mr JENNINGS — Yes — \$32 million output and \$6.5 million TEI.

Mr RICH-PHILLIPS — Could you give, possibly on notice, a detailed breakdown of how those funds will be used in relation to the river red gum proposal — exactly what the output funding and asset funding will be used for?

Mr JENNINGS — In fact there are 30 jobs to be created in terms of park rangers. It will be working along with the park system. There will be restoration work — stream-side restoration in terms of fencing. There would be an allocation for the ecological thinning program. There is a \$4.5 million structural adjustment, a transitional assistance package that is available to licensees, to workers and to contractors to ease any difficulties that may be involved in the reduction in timber licences that are available.

Mr RICH-PHILLIPS — Are you able to outline the phasing of those particular aspects of the package across the four years?

Mr JENNINGS — I can see you actually have got a fine eye for detail beyond what I have just described to you, but if you need a finer eye to detail than what I have just described, we will give it to you.

Mr RICH-PHILLIPS — Thank you.

The CHAIR — Over and above that provided on pages 352 and 353 already.

Mr RICH-PHILLIPS — That does not say anything.

The CHAIR — That says how much money — —

Mr RICH-PHILLIPS — That says, 'Give us some money and we will use it for red gums'. That is useless.

The CHAIR — It is not useless.

Mr RICH-PHILLIPS — We want some real information.

Mr JENNINGS — We will give you the press release.

The CHAIR — I thank witnesses for their attendance. There are obviously a number of questions which have been put on notice and maybe a small number of additional questions, which I will allow members to provide given the short notice which they had in order to look at the documents.

11.2 Water Transcript

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 15 May 2009

Members

Mr R. Dalla-Riva
Ms J. Huppert
Ms J. Munt
Mr W. Noonan
Ms S. Pennicuik

Mr G. Rich-Phillips
Mr R. Scott
Mr B. Stensholt
Dr W. Sykes
Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr T. Holding, Minister for Water,
Mr P. Harris, Secretary,
Mr D. Downie, General Manager, Office of Water, and
Mr D. Hill, Chief Finance Officer, Department of Sustainability and Environment.

The CHAIR — I now welcome the Minister for Water; Mr Peter Harris, Secretary of the Department of Sustainability and Environment, Mr David Downie, general manager, Office of Water, Department of Sustainability and Environment, Des Hill, chief finance officer, Department of Sustainability and Environment.

I call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information and budget estimates related to the water portfolio.

Mr HOLDING — Thank you very much, Chair. Again I acknowledge Peter, David and Des have joined us to provide supporting information, if that is required.

Overheads shown.

Mr HOLDING — The first slide gives a summary of the different output elements of the Department of Sustainability and Environment. Obviously healthy and productive water systems are the particular part of the department's activities that relate to my responsibilities, but there is crossover obviously across other output areas as well. You can see there the year-on-year changes. They obviously fluctuate considerably, depending on the delivery of different programs.

Going to the next slide, how would I summarise the outlook going forward? It is very challenging. We have had one of the driest starts of the year for Melbourne ever, dry both in terms of the existing state of our storages but also dry in terms of the rainfall, the stream flows into our river systems and also the succession of extremely hot days that we had in the January–February period.

We saw that obviously manifesting itself most tragically on 7 February, on Black Saturday. The context of that was that there had been a number of days over 30 degrees and then 35 degrees in a row, and that puts particular pressure on our storages. You would have seen government ministers and water officials out making the point that whilst we wanted people to meet the target 155 for Melbourne, which I will say more about later, we also wanted people to be sensible. On those particularly hot days people should use the water that they needed to protect their health and wellbeing. The same story that exists for Melbourne is true across other parts of Victoria. We have seen below-average rainfalls and below-average stream flows, and that is reflected in turn in the state of our storages in different parts of Victoria.

The Our Water Our Future policy framework, which has been in place, and the announcements that we have made since the delivery of that policy framework to augment Victoria's water supplies with some substantial infrastructure projects, are as a consequence of that more urgent than ever.

I am pleased to be able to report to the committee that those projects are by and large on track and ready to deliver water when we said they would.

Just to draw particular infrastructure projects to the attention of the committee — not that I need to draw them to your attention, but just to remind you what some of those projects are — the Wonthaggi desalination project construction is due to start late this year.

Obviously I am limited in some of the comments I can make about the desal plant, subject as it is to a competitive tender process at the moment. All I can say is that the volume of water will be 150 gegalitres; the government has announced that. We expect water to start to become available at the end of calendar year 2011; the government has also stated that previously. We now have two consortia that are bidding for that project that have lodged proposals with the government, and the government is currently considering those proposals. I am not really sure what else I can say about that without undermining that probity process or that competitive process.

I could say a lot about the food bowl modernisation, but I will not because I am sure there will be questions about it. But the committee can see on the slide the planned expenditure for 2009–10 — that is, this coming budget year — on the expansion of Victoria's water grid. Most famously that includes obviously the north–south pipeline, but it also includes projects like the goldfields super-pipe, which is completed; the Hamilton–Grampians pipeline on which construction commenced recently — that is well under budget and ahead of schedule; the Geelong pipeline, which is on schedule; and other projects across the state, including the Wimmera–Mallee pipeline project, which, on my latest advice, I think, is now six years ahead of schedule and which is a vitally important project for north-west Victoria. The next slide shows the different projects.

The Tarago reconnection is in a sense the next of the augmentations that will come online. That is three months ahead of schedule. I would just say in relation to that project that that is an existing storage which has been reconnected to Melbourne storages. The Melbourne Water staff and the project delivery staff did a magnificent job on 7 February in protecting that asset from fire. I inspected it a couple of days after the fires, and the fire literally burnt to the wall of the treatment plant, which is the key part of facilitating that reconnection. They did an absolutely magnificent job, and I know I can extend to them the thanks and best wishes of this committee and indeed all members of Parliament in doing that.

The CHAIR — Absolutely.

Mr HOLDING — I will not say anything about the other projects; I commented on them just before.

Recycling continues to be a focus for the government. It is one of the five elements of our water plan. Not only are we seeing substantial volumes of water being recycled but we are doing far more recycling than some of our interstate friends in Sydney and Adelaide. That is something we are pleased about. Although we do not propose to drink recycled water, there are still a lot of productive uses we can put that water to, and it is pleasing to see that that is occurring.

I do want to say something about the Target 155 campaign. I know some have described that target as too onerous. I would simply say that Melburnians are now meeting the target. That is very encouraging. In fact we have had now nine weeks in a row — it might be more than that; I am sure there will be some questions in relation to that — where the target has been met and in some cases well and truly exceeded.

Already we have been able to save, when compared to water use over the same time last year, 8 billion litres of water. It is a very important figure because when we think this campaign was introduced in December last year, being able to achieve savings like that during a period of time when it has been hotter than it was at the same time last year is actually an incredible effort. It shows the value of that campaign, although there was a great deal of scepticism about it when it was launched. You can see there that the rebates are continuing with great strength — that is, rebates on water-efficient products, rainwater tanks et cetera.

The next slide shows some of the budget initiatives. You can see there that we have provided funding for the concessions. I will not say much about that — if people want to ask questions, they can. We have also provided a new program this year to provide low-income households with some support for accessing water-efficient fittings. Finally, there is a very small amount of money that is part of the new Murray-Darling Basin Authority arrangements.

In regard to sustainable water strategies, I will not say much about those other than to say they are progressing well. Having concluded the central regions sustainable water strategy, we are now well under way with the northern SWS and the western and Gippsland ones. The processes for each of those have now commenced. Our ongoing arrangements with the commonwealth and other states to implement the national water initiative continue. Smart meters are being introduced across the state, including with some of our largest water users, and that builds on the water savings the industry has already made.

The CHAIR — Thank you, Minister, for that quick introduction.

Ms HUPPERT — Minister, I refer you to the comprehensive operating statement, which appears at page 163 of budget paper 4, which I understand includes expenditure on the northern Victoria irrigation modernisation project in 2009–10. Can you outline how the irrigation modernisation will deliver broader rural and regional economic benefit in line with expectations in the water plan?

Mr HOLDING — I can. Thank you for the question. This is what we popularly call the food bowl modernisation, but in a technical sense it is more accurately called the northern Victorian irrigation renewal project is the single biggest water-saving project in Australian history, and as a consequence it is also therefore a project of great regional development importance. I am pleased to be able to inform the committee that it is generating jobs and economic activity in regional.

We see \$249 million allocated for 2009–10 for NVIRP. You saw there on the slides \$154 million of that coming from the Consolidated Fund, but also an additional \$85 million from Melbourne Water. So while the project is still at an early stage, I can report to the committee that significant downstream benefits for the local manufacturing sector are already being realised.

We have seen the project's regulated gate supplier, Rubicon Systems Australia, already manufacturing 1000 automated flume gates, which were installed during winter 2008. In manufacturing that number of flume gates, we saw an increased capacity at engineering firms, not only in-house at Rubicon but also at engineering firms in Euroa, Tatura and Shepparton.

We saw modernisation works during the winter of 2008 directly employing 125 people plus more than 300 contracted employees. We have seen 70 excavators and 50 trucks operating across approximately 300 worksites, and more than 80 per cent of the contractors are locally based — and locally based in the context of this project obviously extending across a pretty substantial area. We have seen materials sourced and contractors based in Shepparton, Echuca, Cohuna, Kerang, Rochester, Yarrawonga, Kyabram and Stanhope; and in 2009, 85 full-time-equivalent positions have been filled between NVIRP, the managing contractor for the project, and Goulburn-Murray Water and the catchment management authorities.

We expect during peak periods of work to see the continuation of something like 300-plus contractor staff employed on a daily basis. We have seen major contracts awarded to Ward Brothers/Underground Constructions and a number of other companies for regulated gates that are worth over \$10 million; Sinclair Knight Merz and others for the lead design work; \$1.5 million worth of work for Goulburn-Murray Water; and meter contract work, utilising the Goulburn-Murray Water meter supplier — over \$4 million worth of work there.

There has been a huge amount of work and economic activity generated in the local area, and because of the nature of the project occurring across many different sites, not just in one location, and across a substantial area of northern Victoria which has been subjected to the pressures of extraordinarily dry conditions over a long period of time, this economic activity is welcomed.

Ms HUPPERT — Can I just follow up on that and ask you about the benefits for farmers in the area?

Mr HOLDING — I am happy to comment on some of the service delivery improvements. Not only is there the regional development impact of all that work and all that employment but we also see the benefit for irrigators with more uniform water flows to properties through modern, accurate meters, which drive, in turn, on-farm efficiencies through improved control on-farm of water flows and water volumes.

We see shorter response times between ordering and receiving water so that deliveries can better match crop requirements, which is really important for farmers, allowing on-farm watering systems to be integrated with supply systems. This in turn saves time for farmers and also reduces their labour costs. In the long-term will we see not only increased water allocations and increased water availability for farmers because of the water savings that the project will generate, but we will also see service delivery improvements by being able to better regulate the delivery of water, the flow on to farm, the watering times and, in turn, save time and labour for farmers, for irrigators.

Ms PENNICUIK — Minister, page 65 of budget paper 2 informs us that the PPPs for the desalination plant, or any other PPPs, will only proceed if it can be proven that it provides better value than an exclusively government-financed program. Can you inform the committee of any results, preliminary or otherwise, from any cost-benefit analysis that shows which option would save the most money over the long term, not only in terms of the impact on the state's finances but also on consumers who will be forced to reimburse the cost of the desalination plant construction and operation?

Mr HOLDING — The basis for government being able to acquit that statement that you have referred to is the preparation of public sector comparator. In relation to the desal plant, I can say that the public sector comparator has been prepared, as is required. Because it is the subject of a competitive process at the moment it would be inappropriate for me to say any more about that.

Ms PENNICUIK — How is the community meant to judge — —

Mr DALLA-RIVA — You never will; just ask about EasLink.

Ms PENNICUIK — I'm just asking.

Mr HOLDING — I have answered the question; we are required to prepare a public sector comparator, and we have done exactly that. That is consistent with all of the Partnership Victoria projects that are undertaken.

Mr WELLS — Have you released that out for tender?

Ms PENNICUIK — Minister, what is the expected price of water from the desalination plant?

Mr HOLDING — I am not going to get drawn on speculation about things which are embedded in the competitive process that is currently under way.

Ms PENNICUIK — So the community is not even allowed to know what the expected price of water they will be paying for will be?

Mr HOLDING — Sue, you have asked the question — can I answer it? You know that I cannot answer questions that go to the competitive nature of the bids that I have received. If members want to go through the theatre of asking questions and then saying, ‘Look, he won’t answer’ — —

The CHAIR — They won’t actually, not while I am chairing this.

Ms PENNICUIK — It is not theatre, Minister.

Mr HOLDING — You know that I cannot those. Let us spare those who have come along to be entertained and informed today by the proceedings. Let us spare them the indignity of this.

Mr WELLS — What are you on about?

Ms PENNICUIK — This is a matter of great public importance, public interest.

The CHAIR — I think the minister has answered the question. Mr Scott?

Ms PENNICUIK — It was a non-answer.

Mr SCOTT — I refer the minister to the output measures in budget paper 3 starting on page 212, and I ask: how is the government assisting business and industry in Victoria to conserve water?

Mr HOLDING — The first thing I would say is that industry, despite some of the popular misconceptions, has actually been doing a fantastic job in reducing its water use. In fact in Melbourne we have seen industry water consumption reduced by about 35 per cent on a per capita basis when compared to the average for the 1990s. That is very encouraging. It is slightly more than the increase we have seen over the same period of time in households, which shows that industry is doing its fair share in terms of reducing its water use.

How has this been able to be achieved? It has been able to be achieved firstly because of the proactive efforts of industry itself but also because government has been providing support to businesses to enable this to occur. We have seen the implementation of water management action plans (water MAPs), which have become mandatory for all non-residential customers across Victoria consuming more than 10 million litres of water per annum.

Water MAPs apply to 1845 customers across the state, and we have supported the rollout of that program with \$2.25 million worth of government funding over four years. I am pleased to be able to report to the committee that Victoria has the lowest threshold for mandatory industry water efficiency planning compared to other jurisdictions in New South Wales, South Australia and Western Australia, which means that over time we will end up targeting a greater range and a greater number of customers through that program.

We have seen a laundry program which targets commercial laundries and seeks to reduce their water use — \$1 million has been put towards that best practice program, and it has targeted about 500 megalitres in savings. We have seen the shower head replacement program, not just available for households but available for industry where there are large numbers of shower heads on the site, such as at caravan parks, in hotels, sports clubs et cetera. They are able to access the program in the same way that households are for free on an exchange basis.

We have seen the recycling program, including initiatives in the 2007–08 budget; over \$6 million worth of fit-for-purpose cycling activity. We have seen incentive funding provided not only through my department through the stormwater and urban recycling fund — \$10 million for innovative water savings projects — but we have also seen funding for Regional Development Victoria’s \$10 million Water for Industry Fund. The

installation of smart meters, which I mentioned in my presentation, for Melbourne's top 200 customers has provided real-time monitoring for those businesses that are high water users, so they can track their water use and identify opportunities for further savings.

There is the waterless woks program. This is of great interest not only to businesses in my electorate but in other areas where there are large concentrations of Asian eateries and for which water use is an issue. Commercial kitchens in Asian restaurants use a lot more water than non-Asian restaurants, and the introduction of waterless woks means that they can maintain their food quality and hygiene standards and the taste of the food whilst at the same time substantially reducing their water use.

I have a large number of projects here which I will not go through, but suffice to say there are some terrific examples here of projects that particular businesses have undertaken. Kraft Foods has had a 39 per cent reduction in their water use through the introduction of some savings there. There is also RMIT, Cadbury Schweppes, Amcor at Moorabbin, Esso Australia — all of these companies are looking at how they do business and what they can do to reduce their water use.

The CHAIR — Minister, if you are happy to table them for the use of the committee, we would appreciate that.

Mr HOLDING — I am happy to.

The CHAIR — I notice there is some change in the performance measures on page 214, which Mr Scott mentioned, in regard to a water conservation and alternative supply program, including industry recycling et cetera. Obviously we have an interest in any change in performance outputs.

Mr HOLDING — There is an explanation in relation to that changed performance measure so that we were more able to accurately measure the sorts of activities that we were seeking to capture. I am happy to provide that information.

The CHAIR — That would be very useful for us, thank you.

Mr WELLS — Minister, with respect to page 65 of budget paper 2 in regard to the desalination plant and the 2300 jobs that are going to be secured through water investment, I am wondering whether you could give us a list of the water projects that are going to be attached to that project that make up the 2300 jobs. I note the 1500 jobs for the desalination plant.

When will the contracts be finalised for the desalination plant — you mentioned in your introduction that you had \$2 billion for it — and how long after the bidding process is finalised will you release the public sector comparator?

Mr HOLDING — When will the contracts be finalised?

Mr WELLS — When will the contracts be finalised — when will you make a decision — and how soon after the announcement of the winning bidder will you release the public sector comparator?

Mr HOLDING — We expect to finalise the contract in relation to the desalination project in this calendar year, and we would expect to release — —

Mr WELLS — You said you were going to commence construction at the end of this year.

Mr HOLDING — We expect to finalise the contract in relation to the desalination project in this calendar year, and we would expect to release the public sector comparator — the information that we make available through that, the normal release of the information — within the ordinary policy time frames that are contemplated in the Partnerships Victoria framework.

Mr WELLS — Which is what?

Mr HOLDING — I have said we will release it within the framework that exists.

The CHAIR — If you do not have that with you, you can take it on notice.

Mr WELLS — No, hang on. The first part of it, the main part of it, was the 2300 jobs.

Ms HUPPERT — That is a separate question.

Mr WELLS — No, that was the first part of my question; I was only clarifying the other parts — the jobs. You had the water projects and the publicity surrounding the 2300 jobs: 1500 jobs for the desalination plant, the other 800 jobs are made up of what projects?

Mr HOLDING — Obviously we have a large number of staff working as part of the project alliance on the delivery of the north–south pipeline. We have a large number of staff working on the Northern Victoria Irrigation Renewal Project, as I just outlined in the answer to Jennifer’s question, and we have other projects around the state connected with the pipeline projects that we outlined in the presentation. The Tarago Reservoir project, which is almost finished; there have been a large number of people working on that project, so water projects around the state have already generated a huge amount of employment.

They will continue to generate huge amounts of employment, not just direct employment by the water authorities themselves but by the alliance teams and others, contractors et cetera, who are part of delivering those projects.

The CHAIR — If you have any more specific data on that, we would be pleased to receive it.

Mr WELLS — Could we get a breakdown of those?

The CHAIR — I was just asking for that. There has to be more specific data; could it be provided to us.

Mr WELLS — This is in relation to your press release on budget day about the 2300 jobs that have been secured.

Mr HOLDING — We are happy to provide some additional information.

Ms MUNT — Minister, could I please refer you to page 212 of budget paper 3 under the heading ‘Sustainable water management and supply’. Can you please detail to the committee what measures are being undertaken to secure the Geelong region’s long-term water supply?

Mr HOLDING — Yes, I can. The challenge in Geelong, which has been on stage 4 water restrictions with modifications and subject to some change, has been strong population growth.

Geelong and the surrounding region have experienced extraordinary population growth in recent times. The population in 2008 was 212 000, and by 2036 it is anticipated to increase to about 300 000. What that means is that more water is going to need to be made available to provide for that increasing population. Water use is forecast to increase from about 27 gegalitres — or 27 billion litres — to about 46 billion litres a year. That is according to Barwon Water’s water supply demand management strategy.

So it is necessary to undertake some major projects to provide water security for the community of Geelong, and there are a number of projects that make up that. The first is the Anglesea borefield project. This is a project that will supply up to an additional 7 billion litres of water each year, commencing from the end of 2009. This is a project that has been funded entirely by Barwon Water. We expect the volume of water that it will supply to be enough to meet the needs of about 35 000 households. The second project is the northern water plant. This is expected to save about 2 billion litres of potable water each year through substitution. It will be completed in 2012. The cost of the project includes a \$9.2 million contribution from the state government and a \$20 million contribution from the federal government, again with large amounts of water — 2 gegalitres of potable water — savings through water substitution.

The third major project, the third major augmentation for Geelong, is the Melbourne–Geelong pipeline, which we expect to deliver up to 16 billion litres of water each year from Melbourne. In a sense, that enables Geelong to benefit from the substantial augmentations that are taking place in Melbourne. So Geelong, in a sense, gets the benefit from the construction of the north–south pipeline, the desalination plant and the other augmentations — the Tarago reconnection and the other projects that are important for Melbourne.

There is an additional project which I will mention in passing — the Black Rock water reclamation plant. That is a plant that currently services Greater Geelong. It treats about 16 000 megalitres — 16 billion litres — of

water, 16 gigs of sewage, and treats it to class C at the moment. The upgrade to that plant will enable it to produce class A recycled water, which can obviously then be applied to a greater variety of uses.

Geelong, a very important part of Victoria, with a growing population, needs access to water security in the future. The major augmentations, many of which are supported with financial contributions by the state government, are an important part of providing that water security into the future.

Dr SYKES — Minister, my question relates to the north–south pipeline and the commitment made by the government to deliver water to Melbourne. Can you clarify what the commitment is? Are you making a commitment of 75 gigalitres per year each year?

Mr HOLDING — The commitment to deliver water to Melbourne from the north–south pipeline is this: we said that in the first year of the pipe’s operation, calendar year 2010, we would deliver 75 billion litres of water.

Dr SYKES — You can talk gigalitres if you like.

Mr HOLDING — Seventy-five gigalitres. It is the same thing, the same volume of water.

Dr SYKES — Let us talk the way country people talk.

The CHAIR — The minister, to answer in his own way please.

Mr HOLDING — We then said that we would deliver one-third of all the savings generated from stage 1 of the northern Victoria irrigation renewal project up to the volume of 75 billion litres — or 75 gigalitres. Obviously those savings will come on stream as the savings become available from the food bowl modernisation project. In saying that, we gave several undertakings, as a government, on behalf of Melbourne Water and the people of Melbourne.

The first thing that we said is that we would not take more than 75 gigalitres in any one year. And the construction of the pipeline, the physical constraints around the pipeline, as well as the upgrade to the Winneke treatment plant at Sugarloaf itself, are actually physical limitations on Melbourne being able to access more than 75 gigalitres in any given year.

We also gave an undertaking that Melbourne would not enter the water market to purchase water in addition to that water which Melbourne would already be receiving from the northern Victoria irrigation renewal project. So the formula is this: in the first year, calendar year 2010, Melbourne gets 75 gigalitres of water. Each year after that it gets one-third of the water savings generated from the project — up to but not more than 75 gigalitres of water.

Dr SYKES — This is a very important issue, and I have not quite got the answer I am looking for.

The CHAIR — A clarification please.

Dr SYKES — It is a clarification, because on 19 June 2007 Premier Bracks — —

The CHAIR — Not a speech, a clarification please.

Dr SYKES — It sets the background, with respect, Chair.

The CHAIR — No, with respect, Dr Sykes, you done this several times before, asking a question and then proceeding to give a speech. If you have a simple clarification that you wish to ask, rather than give a speech, ask it now please, or else I will go to the next speaker.

Dr SYKES — Thank you, Chair. My understanding of what you have said, Minister, is that there will be 75 gigalitres in the first year and then one-third of the savings in subsequent years, but no more than a maximum of 75 gigalitres to go in any one year to Melbourne. Is that correct?

Mr HOLDING — That is right.

Dr SYKES — In budget paper 2 page 64 the statement is:

... to deliver water savings of an average of 225 gigalitres per year to be shared equally by irrigators, environment and Melbourne.

Given that that is an average — 225 — and one-third of that is 75, that statement says: on average it will be 75 gigalitres a year. Given that you have made a presentation highlighting how dry it has been this year and, as you know, for a decade or more, what volume of — —

The CHAIR — That is — —

Dr SYKES — Sorry, Chair, I am getting there. It is a complex — —

The CHAIR — No, I think you are getting into another question.

Dr SYKES — No, Chair, with due respect — —

Ms MUNT — Is this a second question, Chair?

The CHAIR — It is a second question, Dr Sykes. If you are asking the minister to clarify in terms of the volumes of water and the various things, that is fine by me.

Dr SYKES — He said ‘maximum’.

The CHAIR — You have got plenty of opportunity to ask some more questions.

Dr SYKES — I’m sorry, Chair, I am seeking clarification of his answer. He has said ‘maximum of 75 gigs a year’, budget paper 2 says ‘average’. I am now going to ask the minister how he achieves that average — the statement he has made there with a maximum 75 gigalitres a year — —

The CHAIR — That is fine. I have no problem with that part.

Dr SYKES — And related to that question is — —

The CHAIR — No, I will not allow the second part. The minister to clarify for Dr Sykes. You can ask that later.

Mr HOLDING — The statement stands, and I think the misunderstanding that Bill has, insofar as it relates to the volumes of water that Melbourne can take, is that the water can be stored in Eildon. There is the capacity to store water in Eildon, so that in particular years if Melbourne wants to regulate the volumes of water that it takes, it can do so; but it cannot exceed 75 000 billion litres of water because that is the amendment to the bulk entitlement, or the licence arrangement that will be entered into. It will restrict Melbourne to 75 000 billion litres any given year as a maximum.

Mr WELLS — So the budget paper is wrong then?

Mr HOLDING — There can be no greater clarity around the commitment that we have given than that. Kim jumps in, ‘So the budget paper is wrong’. The budget paper is not in any way inconsistent with the answer that I have just given.

Members interjecting.

The CHAIR — Mr Noonan has the call. If you wish to ask further questions, do it in your turn.

Mr NOONAN — Minister, you referred to water conservation in your presentation and I noted in budget paper 3 page 212 that under ‘Sustainable water management and supply’ there are a range of outputs in this area. My question is: what action is the government taking to educate Victorians regarding water-saving measures?

Mr HOLDING — That is a good question. We have been using rebates in particular as a mechanism for encouraging Victorians to reduce their water use and to encourage Victorians to take up water-saving devices in lots of different ways. The WaterSmart gardens and homes rebate scheme has been a highly successful scheme; \$20 million has already been spent on providing rebates to Victorians since 2003. We have committed funding

to the rebate scheme until 30 June 2011, and as the slideshow mentioned earlier, in total over 224 000 rebates have been provided.

Those rebates and the installation of the water-efficient devices and the other products that have been supported have saved something like 2.2 billion litres of water each year. We have seen 31 000 rainwater tank rebates; 9000 shower head rebates; and 2500 rebates for grey-water systems. We have also seen something like just over 300 000 showerheads swapped for more efficient units over the past three years. The strength of all of those water-efficiency devices is that the savings they generate are embedded in our water management practice now forever. As long as those devices are installed in households or in businesses across the state, they will be generating savings and reducing the call on potable water supplies forever, regardless of the level of water restrictions, regardless of permanent water-saving rules or whatever.

It is the installation of those devices which in turn has seen Melbourne's per capita water use decline and per capita water use in many regional locations declining also. We have seen that action, supported by water restrictions and water-efficiency improvements in homes, schools, industries and businesses — and I mentioned some of the activities industries and businesses have been undertaking.

I am also very pleased to be able to say that yesterday, with South East Water, I launched a program which is a Victorian first. This is a program which seeks to provide a complete water tank solution for households, not just access to a water tank rebate. What South East Water is going to do is to provide not just the services of a licensed plumber to come and provide families with advice as to what sort of water tank solution may be best for them in their household, but to also provide them with access to an interest-free loan so they can either purchase the water tank up-front, obtain the rebate and obtain a discount at the same time, or they can access the interest-free loan, a 12-month or 24-month loan, and make the repayments through direct debit arrangement with South East Water in the usual way.

They access the services of a licensed plumber. The licensed plumber returns to install the tank and to ensure that the Plumbing Industry Commission certification, which guarantees the workmanship for the installation of that rainwater tank, occurs. They will provide other advice to the family about whatever other water issues may exist in that household. It is a complete water tank solution for the family, not just a water tank rebate. We think it is fantastic that South East Water are trialling this, and I know other water retailers will look closely at the experience to see whether that is appropriate to replicate in their areas.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the eastern treatment plant upgrade, which was first announced in the beginning of year 2002 by Sherryl Garbutt and re-announced by Steve Bracks in 2006. Given it is now more than seven years since the approval process started on that, why has that project not been fast-tracked? What is the current cost estimate? And is it still on track for completion in 2012?

Mr HOLDING — Thanks, Mr Rich-Phillips, for the question. Firstly, I can report to the committee that this is a very important project. Although I said in the presentation that we do not propose to drink the recycled water that will come from the eastern treatment plant when it is upgraded to produce class A recycled water, there are still productive uses that that water can be put to. So it is a very important project, and it is a very important project also in terms of being able to resolve some of the challenges around the outfall at Gunnamatta and the quality of the water and the nature of the outfall that exists at the moment.

We said, as part of the plan that we released in 2007, the next steps in the government's plan to provide water security for Victorians — we said in the next step planned that the upgrade of the eastern treatment plant would be completed in 2012, and it is still proposed. I can report to the committee that that project remains on track to be completed in 2012.

We have already commenced some substantial works and evaluation as part of that project. The most challenging issue in terms of the eastern treatment plant upgrade is resolving issues around the technology that is to be used for the treatment process. There are a number of different options which Melbourne Water has to consider, and they have undertaken some substantial scientific testing of the different sorts of water treatment processes that can be used and which ones work most effectively. That process was undertaken substantially in calendar year 2008. I can report to the committee that the Premier and I actually launched the commencement of those technology trials with Cheryl Batagol and the team from Melbourne Water, and substantial work has now been completed on it.

That project is on track to be completed in 2012, which is when we said it would be completed when we launched the next stage of the government's water plan in 2007. At that time we estimated the project would cost, I think, about \$300 million, and of course whilst you would expect those numbers to be adjusted — they were 2007 dollars when the figure was released in 2007 as part of the water plan. Beyond that we anticipate that that project will be delivered within that budget.

Mr RICH-PHILLIPS — What are the — —

The CHAIR — Quickly, in clarification.

Mr RICH-PHILLIPS — What are the adjusted 2009 dollars? Can you give us on notice the figure in 2009 dollars?

Mr HOLDING — I think the figure has actually been released in recent times because I saw one person, a member of Parliament, trying to pretend that the adjustment in dollar terms somehow reflected a cost blow-out before the construction project commenced, and I can reassure — —

Mr RICH-PHILLIPS — A shift from \$170 million to \$322?

The CHAIR — Thank you for that.

Ms HUPPERT — One of the key things running through this year's budget, as mentioned in the Treasurer's speech in budget paper 1, is obviously the tragic bushfires. Could you please outline how you will be maintaining a reliable and safe drinking water supply for fire-affected Victorians?

Mr HOLDING — This is a very important question. It goes without saying that the bushfires were tragic events, and they impacted on a large number of Victorians both directly in the communities where the fires occurred and also indirectly where communities had services that have been affected in different ways because of the impact of the fires.

I can report to the committee that the majority of water services to Victorian towns were unaffected, and reticulated services that were extensively damaged in the towns of Buxton and Marysville have since been restored. Water corporations have been providing immediate relief to communities that have had their bore or tank water impacted by fire. Communities such as Kinglake and Kinglake West that do not have reticulated water supplies are receiving drinking water. Bottled water was delivered initially, and then a number of community water tanks were installed at key locations, and I inspected those with the managing director of Yarra Valley Water, Tony Kelly, a couple of days after the fires occurred to check how they were operating.

There is a service being coordinated through the Victorian Bushfire Reconstruction and Recovery Authority for residents who have tank and bore water services so that they can contact their local council or the authority and arrange to have their tank cleaned and a delivery of up to 5000 litres of water. This arrangement for those affected communities is going to remain in place until the end of May. The affected communities are aware of that service and have been using it extensively. In fact I am advised that DSE has coordinated the cleaning of water tanks on over 950 properties and around 1100 one-off deliveries of 5000 litres of water in the Kinglake and Flowerdale areas.

Many other towns have also received the water or cleaning services including Flowerdale, which I mentioned, Glenburn, Chum Creek, Christmas Hills, Castella, Hazeldene, Humevale, Junction Hill, Kinglake, Kinglake Central, Kinglake West, Marysville, Murrindindi, Narbethong, Pheasant Creek, St Andrews, Strath Creek, Strathewen, Taggerty, Toolangi, Whittlesea and many, many towns where these services have been called upon.

On 10 February the water authorities activated the water industry mutual aid arrangement. Again this is very important. It enables small water authorities to access equipment that other water authorities might have. It may be generators, it may be small-scale treatment facilities or whatever, so that they can supplement their existing infrastructure during the period of peak demand that some communities experienced straight after the bushfires. So we have a system in place to share assets across water corporations when major events like this occur — when major catastrophes occur.

I also just want to comment on the state of Melbourne storages. There has been a lot of comment and understandable community anxiety about the status of Melbourne's catchments. I can say that we had substantial damage in the O'Shaughnessy and Maroondah catchments, as well as in the catchment in the Bunyip State Forest, which is the catchment for the Tarago storage which will shortly be reconnected to Melbourne's system. Overall 30 per cent of Melbourne's catchments were damaged by fire. Melbourne Water activated a very rapid response to decant water from fire-affected storages to storages that were not impacted by fire so that we had sufficient water to meet Melbourne's needs while those storages recover. That very active disaster planning by Melbourne Water enabled us to make sure that there was no threat to Melbourne's water supplies.

In the short term we expect to see a slight increase in yield because of the damage done by the fires. But with the corresponding threat of contamination in the medium to longer term, the impact on yields from the catchments is more problematic, and we would expect yields to reduce as bushfire-affected areas recover and regrowth occurs.

The CHAIR — Thank you very much for that extensive response.

Dr SYKES — Minister, I wish to explore further the previous discussion in relation to the commitment to have a maximum of 75 gigalitres of water going down the pipeline in any one year, and marry it up with budget paper 2 which infers an average of 75 gigalitres per year. I understand the logic of, if you have some wet years and if there are savings in excess of 225 gigalitres, they can be stored in the lake for piping down the pipe later on. There is an issue about whether those savings are there, but I am not going to go down that track.

In the current situation that we have, Minister, where we have had a number of dry years in a row, and the last three years with Goulburn-Murray Water, in 2006–07 the water losses, which obviously impact on the amount of water savings you can make, were 461 gigalitres; in 2007–08 there was 380 gigalitres of loss; and in 2008–09 the projected loss is to be 320 gigalitres. Unless there is a significant rainfall event, how is it going to be possible to deliver the 75 gigalitres of water to Melbourne in the year after 2010, and what is, on best projections, assuming continuation of the current dry weather, the projected amount of water that will flow down the pipeline in 2011 and subsequent years?

Mr HOLDING — Firstly, I just need to correct something that was in your question, Bill. You said that if the savings were greater than 225, Melbourne could store a greater share of savings, more than 75 gigalitres. The water-sharing arrangement is this: up to 225 gigalitres of water, they are shared one-third, one-third, one-third. Above 225 gigalitres worth of savings, Melbourne does not take more than 75 gigalitres.

Dr SYKES — So you could never have more than 75 gigalitres of savings from any one year?

Mr HOLDING — It is not possible. It is not permitted under the arrangements that have been put in place for Melbourne to take more than 75 gigalitres in a year.

Dr SYKES — Okay.

Mr HOLDING — I just want to make that clear, because that is consistent with what we have always said.

The next element of your question was about what the savings might be in the year after 2010. What we have always said is that Melbourne will be entitled to access one-third of the savings that the food bowl modernisation stage 1 project has achieved by that period of time. I am not going to sit here today and speculate about what that volume of water may be. I can say it will be one-third of what has been achieved, but I am not going to speculate.

The reason why is, as you have identified in your question, it depends on a lot of different elements in the scenario, including how dry the year is and what the long-term average savings are versus what the savings in any particular year are going to be. Given that it is not possible for us to know what the rainfall outlook will be in 2011, I am not going to make predictions about it here on the back of the nature of the question that you have asked.

But I will make this more broad point because I think this is very important: the proposition which has been advanced by some is that in dry years the volume of savings, and even the volume of losses, could potentially be less than the volume of average savings that the government anticipates achieving against the long-term

average. I would simply make this point: in dry years the volume of allocated water to farmers will decline. We have seen that in recent times.

As a consequence, the volume of losses in the system also will potentially decline in some years, but it needs to be said that the percentage of losses as a proportion of the total water supplied in the system actually increases. The percentage of losses as a proportion of the total water supplied in the system actually increases in drier years. In fact our systems have seen substantial losses as a percentage of the total volume of water supplied in drier years, and that is why the urgency of the food bowl modernisation is even greater. It is even more important in drier years that we modernise irrigation infrastructure and generate savings because the percentage of total losses as a proportion of the total system actually increases.

Dr SYKES — Okay. Finishing off on my point, you have got a commitment of no more than 75 gigalitres in any one year and you have got a commitment of an average of 225 gigalitres — that means 75 gigalitres a year going to Melbourne — but you have acknowledged that you cannot store water over and above 75 gigalitres per year: I would put it to you that if you have a year of less than 225 gigalitres of savings, you cannot in any way honour the commitment that you have made in the budget paper to maintain an average of 225 gigalitres a year. It is not possible according to the constraints that you have just outlined.

The CHAIR — That may well be a statement. Have you got anything to add, Minister?

Dr SYKES — Can you assure — —

Mr HOLDING — I have provided extensive information to the committee on this. What we have said all the time is that 225 gigalitres is the projected long-term average savings from stage 1 of the food bowl modernisation. From stage 2, we access another 200 gigalitres of savings. That takes the total projected long-term average savings from the food bowl modernisation project to 425 gigalitres of water. From that we have always said that Melbourne will share one-third of the savings from the stage 1 component up to the point where Melbourne reaches 75 gigalitres of water. That is what we have said publicly.

Mr SCOTT — My question is regarding recycling and stormwater projects. I again refer the minister to budget paper 3 and the output measures starting on page 212, and I ask: what action is the government taking to encourage recycling and stormwater harvesting?

Mr HOLDING — Robin, thanks very much for that question. I made the point in the presentation that Melbourne currently recycles more of its wastewater than any other major city in Australia. I think this is a very important point for us to make. In fact a recent report by the Australian government's National Water Commission and the Water Services Association of Australia highlighted that Melbourne's supplies of recycled water were over 65 billion litres in 2007–08, and this level of recycling is more than double that of Sydney or Adelaide. Each of those cities supplied around 25 billion litres of water in the same year. That is why recycling water is such an important part of the water plan that the government released in June 2007.

We have discussed already the eastern treatment plant and the project to produce class A recycled water at that plant from 2012. We also have the Werribee irrigation district water recycling scheme, which provided about 12.5 billion litres of recycled water to irrigators in 2007–08.

We have also, as a subset of the eastern treatment plant's activities, the eastern irrigation scheme in Melbourne's south-east, which provided about 6.5 billion litres of recycled water for agriculture in 2007–08, and other projects by South East Water, which have supplied over 1 billion litres of recycled water to agricultural customers on the Mornington Peninsula in 2007–08. So we are seeing an increase in the use of recycled water. The use in Melbourne is up from 2 per cent in 1999 to 23.2 per cent in 2007–08; that exceeds the targets that we set ourselves of recycling more than 20 per cent of Melbourne's wastewater by 2010. We have exceeded the target ahead of schedule.

Regional Victoria is doing its bit. The Ballarat North reclamation plant is producing recycled water, which is very important for the restoration of Lake Wendouree. The Epsom to Spring Gully recycling water project in Bendigo means that that town is now capable of recycling all of its wastewater for the first time in Bendigo's history. I have seen projects in Hamilton where they have teamed up with a mineral sands project there to supply treated wastewater from Hamilton to that community.

We are also seeing other projects and stormwater harvesting projects as well, including the Wades Creek project at Traralgon, which collects 30 million litres per year in its wetlands for watering ovals and open space at schools. The Mansfield nursery is using 47 million litres every year of alternative water; it is captured stormwater, which is collected and reused on site, as well as wastewater. The Queen Victoria Market is also collecting stormwater for reuse and saving 10 million litres of drinking water per annum. So we are seeing many, many good localised stormwater projects which support construction of wetlands and small off-stream collection processes for putting stormwater to more productive use and, of course, rainwater tanks themselves, which collect water that would otherwise have run into the stormwater system and take pressure off that system. There are many, many projects, and it is encouraging to see them using water more efficiently in this way.

Ms PENNICUIK — On all that, on page 212 of budget paper 3 it states that the cumulative water savings realised through water recovery projects target was 429 000 megalitres and the expected outcome was 369 000 megalitres. The expected water savings through water recovery projects currently being implemented is 210 000 and the expected outcome is a lot less — 160 000 — and the target has been reduced to 153 000. I note that there is a note that says they were due to minor revisions to the timing of works. Can you outline what those are and what is going on there?

Mr HOLDING — Sure. Thank you very much for the question. What I can assure the committee is that the major water recovery projects that Victoria is implementing are on time and on budget, and that the difference between the 2008–09 published budget and the 2008–09 revised budget is essentially due to the timing of expected contributions to Victorian water saving projects and additional one-off funding for water rate rebates to irrigators announced as part of the 2008 drought package. The water savings projects, including NVIRP and the Shepparton irrigation modernisation projects, got under way in earnest in 2008–09, so they are the projects that the water savings there are attributable to. Again I would draw your attention to the timing issue, which is reflected in DSE's financial statements, budget paper 4 at page 161. You can go to that particular part of the document, or I can just quote it directly to you if you like.

Ms PENNICUIK — Please do.

Mr HOLDING — It says:

The Department of Sustainability and Environment ... forecasts a negative \$14.9 million net result from transactions for the 2009–10 financial year, with a \$13.0 million surplus forecast for 2008–09.

The expected negative result forecast for 2009–10 is attributable to the planned use of prior year accumulated surpluses for several projects, including the Shepparton Irrigation Area Modernisation project.

So it is really a question of when you report the revenues from some of those different projects and over which years you split the expenditure in 2008–09 and 2009–10, and that is why that appears as a deficit in the way that it does.

The variations from one year to the next also reflect that the timing for receiving funding contributions and other entities needs to reflect the actual time when those contributions will be received. I can give you some examples from some of the different funding contributions that make up NVIRP, Lake Mokoan and Shepparton irrigation, where there is Melbourne Water funding streams as well as funding streams from the general government sector and Water For Rivers funding streams also as part of those projects, as well as funding streams that are generated from the Living Murray initiative. I can provide further information, but I think that goes to the essential element of the question that you were asking.

The CHAIR — Minister, I just want to once again put you on notice and ask for the portfolio federal government grants.

Dr SYKES — Chair, we started 15 minutes late on water, and it is a very important topic. Have we got a chance for two more questions?

The CHAIR — They will have to be very, very quick questions. I am happy to take another two, but they will have to be extraordinarily quick. Ms Munt, if you could ask a very quick question, and then Dr Sykes can ask one. But they will have to be 30 seconds each.

Ms MUNT — Thank you, Chair. Can I refer you, Minister, to page 213 of budget paper 3, and in particular under major outputs-deliverables to ‘Rebates approved to households for improved water efficiency in the house and garden’. I note that the expected outcome for this year will be 32 800 rebates and the target for 2009–10 is 34 000 rebates. My question is: do you think that these water-saving devices have been effective in reducing our water usage, and have they delivered value for money?

The CHAIR — Quickly, Minister.

Mr HOLDING — Thank you very much for the question. In a sense I have provided extensive information to the committee already on rebates, so I will not repeat all of that. The essence of Janice’s question is are they delivering value for money and are they saving water.

Ms MUNT — Yes.

Mr HOLDING — I think the best demonstration of that is if we point to the figures that I provided in the slide presentation at the start. Some 8 billion litres of water has been saved by the implementation of Target 155.

This water has been saved during one of the hottest starts to a year that we have had in Melbourne’s history, and I think there is no better way of saying, ‘How is it possible that we are saving this volume of water when we had such a hot start to the year?’. We have not done it through the blunt instrument of just going to stage 4 water restrictions. We have done it by giving Melburnians discretion or giving them the capacity to choose whether they prioritise their indoor water use or their external water use — the watering of their gardens.

What we have seen is that people have responded fantastically. The only reason people have been able to reduce their indoor water use is that they have been more cautious and conservative about how they have managed water around the house and they have installed water-efficient devices. The rebates program has been very important to that because it has provided a financial incentive for families to be able to access these devices. That 8 billion litre figure is an extremely important development because what it shows is that we are saving water at the rate that we would have been saving water if Melbourne had gone to stage 4 water restrictions. It is a very important point. I know there are people out there who say we should go to stage 4 water restrictions. I point them to the success of the Target 155 campaign, which Melburnians are now achieving, and because of that and the huge volumes of water that have been saved we have been able to save water as if we had gone to stage 4 water restrictions. We have been to do that at the same time as we have retained the discretion around outdoor water use for Melbourne households.

The CHAIR — Dr Sykes, another quick question.

Dr SYKES — A very quick question. Minister, can you please advise the committee of the cost of piping water down the north–south pipeline, and the cost components I am referring to take into account the capital cost of the pipe and the operating costs but exclude the costs of the food bowl modernisation project. How many dollars per megalitre to pipe the water down the pipeline?

The CHAIR — Minister, you might have to take that one on notice if you cannot do these calculations.

Dr SYKES — Get the envelope out again.

Mr HOLDING — I can provide some generic information, and then we will provide some more specific information to the committee. Long-distance pipelines range in cost — and I am quoting from a study, *Securing Australia’s Urban Water Supplies*, undertaken by Marsden Jacob Associates for the commonwealth government in 2006. This was a study that looked at the costs of different sorts of projects and augmentations for comparative purposes. That study found that long-distance pipelines range in cost from about \$1.30 per kilolitre to \$9.30 per kilolitre, depending on the nature of the project. We expect the project itself to cost about \$750 million. That is the figure that we announced at the time that we released the next stage of the government’s water plan, and Melbourne Water and the alliance have been working within that footprint. We expect the annual operating costs for the Sugarloaf interconnector to make up around 1 per cent of Melbourne Water’s costs.

Dr SYKES — My question was cost — —

The CHAIR — If you wish to add anything to it, just give it to me and I will put it on notice.

Dr SYKES — I am sorry, Chair, but I asked this question 12 months ago, and I did not get an answer. It is reasonable to ask the question: what is the cost per megalitre of water delivered?

The CHAIR — You have asked the question. The minister has said he will provide some additional things on notice. It has been recorded by Hansard. Obviously if he has further information this year or if he has anything to offer, he will do so, and he will also take on notice my question regarding federal grants. I thank Mr Harris, Mr Downie and Mr Hill for their attendance.