

# CORRECTED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into 2003–04 budget estimates

Melbourne – 27 May 2003

#### Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr L. A. Donnellan

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Mr J. Thwaites, Minister for Water;

Professor L. Neilson, Secretary; and

Mr P. Sutherland, General Manager, Intergovernmental and International Relations, Department of Sustainability and Environment.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I welcome Peter Sutherland, General Manager, Intergovernmental and International relations, Department of Sustainability and Environment. I Now call on the Minister to give a brief presentation on the water portfolio.

**Overheads shown.**

**Mr THWAITES** — Our commitment as a government is to a reliable water supply into the future. In Melbourne, for example, we also have an objective of reducing the average per capita amount of drinking water use by 15 per cent by 2010. It is a comprehensive policy agenda which includes independent regulation of the price and quality of water, a new regulator to monitor drinking water standards, establishing the Water Trust to deliver \$320 million in investment over the next decade, amending the constitution to prevent future governments privatising Victoria's water authorities, significant improvements to the health of our rivers by increasing environmental flows and undertaking riverbank and catchment management works, and a water and recycling 10-year plan. The budget contains a number of water and environment initiatives which include the water smart gardens and homes initiative, which amongst other things will provide rebates for water tanks and water-saving devices with people connected to reticulated water systems; the Smart Farms program, an initiative to support smart water use on farms; the Healthy Rivers to support healthy rivers around the state; and I have already referred to tackling weeds on private farmland.

In relation to water, the budget for next year contains capital funding of \$52.5 million for the Victorian Water Trust. That will fund a major river restoration works; upgrading of irrigation assets and infrastructure; and upgrades of pipelines, water supplies and sewerage works. I should emphasise that that money is in addition to the funding that the government is committed to the Wimmera-Mallee pipeline and to the Snowy. When you put \$200 million-odd for the Snowy plus \$77 million for the Wimmera-Mallee pipeline to that you can see there is a substantial government investment in water projects, particularly in regional Victoria. They are focused on regional Victoria. The total for the water trust is \$320 million over a decade; the Snowy, \$200 million; and the Wimmera-Mallee pipeline, \$77 million. You are talking about more than \$600 million which is largely to be invested in regional Victoria on water projects.

In relation to recurrent funding, the budget contains \$10 million for water smart gardens and homes; \$10 million for Smart Farms; \$16 million for Healthy Rivers; \$2 million for research in water conservation; and \$2 million for the pensioner pilot program. The budget also sets up the water sector development group, which within the department will be the driving force behind the reforms to water which we are introducing. Last year major achievements included the Snowy River agreement; Watermove; the launch of the water trust; commissioning the water industry review; and commissioning of the feasibility study of the Wimmera-Mallee pipeline.

Looking forward to the future, we clearly have a need to ensure a reliable water supply for the future; to ensure that our water authorities are financially viable and the environment protected; and to support Victorians to become efficient water users. Of course, that has all been done in the context now where we are facing a continuing and very serious drought throughout much of the state.

**The CHAIR** — I refer to the overhead regarding \$320 million for the water trust. You have outlined in some of your overheads a little of the capital and something of the recurrent. Do you have any specific projects that you intend to fund, some of which you have already identified? It is a lot of money, but is there any indication as yet of who will be chairing that trust?

**Mr THWAITES** — In relation to the specific programs, the current programs that I have referred to are under way and will be under way this year. For example, with water smart gardens and homes, we are already providing rebates of \$150 for people in Melbourne that put in a water tank, and now \$500 for a grey water system or \$20 for people that spend more than \$100 on water-saving devices. In relation to Healthy Rivers, this \$16 million of funding over four years builds upon the \$10 million which was in last year's budget, so that we will have some \$6 million a year going into our Healthy Rivers strategy. We have already developed river-specific strategies for a number of rivers. We will be developing more and then implementing those strategies in coming years. We must remember that only 22 per cent of our rivers are in a healthy state, so we have a huge challenge there.

Similarly, the other projects of a recurrent nature, the Smart Farms project and the pensioner pilot program, will be up and running for the next financial year, and there will be further announcements in relation to those. In relation to capital investment, the budget allocates \$52 million, which is the first instalment of the \$120 million of capital investment that the Bracks government committed to in the last election.

**Mr FORWOOD** — Over four years?

**Mr THWAITES** — Over four years, that is right.

**Mr FORWOOD** — It is \$7.5 million this year?

**Mr THWAITES** — That is right, and over the next four years we will be expending the full commitment and making that full commitment. In relation to the specifics of that, I think you were asking about the Victorian Water Trust. The Water Trust Advisory Council has been established to advise the government on the specific ways in which the water trust funds should be expended. Professor Peter Cullen has been appointed the chair of the interim council, and the government will shortly be announcing the other members of the council and the permanent council.

**Mr FORWOOD** — At page 133 budget paper 2 contains a break-up of the Victorian Water Trust expenditure over the four years to get the \$52.5 million that you were talking about. It has the country towns water supply and sewerage program, the Murray River (Sunraysia–Mildura) and Macalister River upgrading of irrigation systems, and Werribee Plains. With the \$7.5 million, can you allocate it according to those four programs?

**Mr THWAITES** — No, because as I indicated, the allocation advice will come from the Water Trust Advisory Council, which is being established now, and we will be proceeding with that. I should emphasise that these are new moneys, but there have been many existing programs through our catchment and water output which will continue to provide support for water initiatives too. The total output for that is, I think, some \$200 million in round terms. So these are new initiatives on top of that. As I indicated before, this is on top of the Snowy \$200 million and on top of the Wimmera–Mallee \$77 million, so one should not just focus on one aspect of it. It should be seen as part of the whole package of initiatives for water.

**Mr FORWOOD** — I accept that, but next year we will be asking how you allocated the \$7.5 million against those programs.

**Mr THWAITES** — Of course.

**Mr BAXTER** — Earlier in the piece you talked about rainwater-tank and grey-water-system rebates. Why were those who were not on a reticulated supply discriminated against —

**The CHAIR** — Is this in relation to the water trust?

**Mr BAXTER** — No, it is in relation to the minister's answer to your question. Why were people who were not on a reticulated supply deemed ineligible for those two rebates?

**Mr THWAITES** — Because the whole purpose of that particular program is to reduce demand on reticulated water supplies, which is one element of our total strategy for water. I know that in some areas people that are not on reticulated water supplies would say they would want to get access to that, but that would not reduce the demand on the reticulated water supplies. I point out that in terms of the total funds we are spending on water, the vast majority is being spent in country areas — very substantial sums in the irrigation areas and things like the Wimmera–Mallee pipeline to pipe the channels rather than to lose that water to evaporation — so I think this should be seen as just one relatively small amount in a much bigger picture.

**Mr FORWOOD** — You will not be surprised that I wish to start with the front page of last week's *Weekly Times*, in which an article by Peter Hunt says that the decision to deliver 70 000 megalitres of environmental water into the Murray has been exposed as a sham. I make the point that on the second page it indicates that you did not respond to the paper's questions. How can they be described as environmental flows if Snowy Hydro retains the complete power to let it go at a time of its choosing to maximise its value for other purposes?

**Mr THWAITES** — I am surprised that you raised that, since I did not know you read the *Weekly Times* — I never noticed any particular interest from you in that. I also note that you said there was not a comment from us. Part of the reason for that was that we were not asked to comment until, I think, late on the Monday afternoon and were given a very short time to comment. But having said that, the issue around the whole Snowy agreement was one that was agreed between the commonwealth government, the Victorian government and the New South Wales government. At the time of that agreement it was publicly acknowledged that Snowy Hydro should not lose value as a result of the agreement to put extra water into the Snowy. So if Snowy Hydro had not had some ability to have some control over that water it would have lost value, and that was something the

commonwealth government certainly would not have agreed to. The suggestion that has also been made is that for some reason the states or the commonwealth are setting up Snowy Hydro to privatise it. That is not the intention by any means, and it is not our intention to do that. However, the reason that Snowy Hydro retained that right was to retain its value, and as part of the overall Snowy agreement that was important. I should also say in relation to that water that my understanding is that while Snowy Hydro will retain the ability to determine when the water is released initially, it will end up in the Hume Weir, and it will be for the Murray–Darling Basin Commission to determine the release from there.

**Mr FORWOOD** — But isn't the issue environmental flow? As environmental flow, it needs to flow, and it cannot be used in this way.

**Mr THWAITES** — Of course it can. On what basis do you mean?

**Mr FORWOOD** — If you are holding it back to maximise the revenue it is not flowing down the river.

**Mr THWAITES** — No, the point I made was that part of the agreement was that Snowy Hydro would not lose value, and it would have lost value if that agreement had not been made. The major thrust of the whole agreement was to restore flows to the Snowy.

**Mr FORWOOD** — Let me rephrase it: in a physical sense, how does it happen?

**Mr BAXTER** — But is it not a fact that Snowy Hydro can indeed not release this water year on year? It can save it up to when it chooses to release it. It can release it in the middle of summer when everyone switches their airconditioners on and we do not need an environmental flow, and it could well be that the Hume is full at the end of a wet spring at that time, and it can tip over the top and run down the river at an entirely inappropriate time.

**Mr THWAITES** — As I pointed out, the reason this was introduced was to ensure that Snowy Hydro did not lose value, which it otherwise would have. There is also, however, some environmental benefit from this.

**Mr FORWOOD** — What?

**Mr THWAITES** — There is some environmental benefit because when it is released at some stage that does provide the potential for extra environmental flows. To try to portray the whole agreement as being based around this — this was a minor part of the agreement. The majority of the agreement is about flows to the Snowy.

**Mr BAXTER** — But this 70 000 megalitres is being dressed up as an environmental flow, and it is clearly not necessarily going to be so.

**Mr THWAITES** — It was a part of the agreement. It has some environmental benefits. I do not think, despite people's best endeavours to portray it otherwise, that when the Premier of New South Wales launched this the thrust of the whole launch in the agreement was anything other than the Snowy. That was the concentration of that launch — on the Snowy and the increased flows to the Snowy. There was also a potential environmental benefit which will still be there from this; it is not the main part of the Snowy agreement, but it is a potential environmental benefit. I can say in conclusion that I am very pleased that you are demonstrating this concern for Murray flows and that the Victorian Farmers Federation and others are supporting those increased flows. I think it is something on which we all want to work together to ensure that we get good flows.

**Mr DONNELLAN** — I have a supplementary question while we are on the topic of the Snowy River. I believe a joint government enterprise was to be set up which administered funds in relation to this. Can you explain what stage it is up to — say, the position of New South Wales and how that fits into the management of the Snowy River?

**Mr THWAITES** — It terms of a sham, you would have to say it would be a great sham and a shame if the Snowy joint government enterprise, which has been set up to improve the environment of the Snowy to get the improved environmental flows, were then to be taxed by the federal government, but that is what the federal government is refusing to rule out at the moment. We are now in a situation where the joint government enterprise should be up and running. The states — New South Wales and Victoria — have both said they would comply with the agreement and get the thing running and pay their money, and they have been delayed because the federal government is refusing to rule out taxing the body. Taxing would mean that the income that the body receives from the states would then be turned around and be taxed at 30 per cent or whatever rate by the commonwealth government, which would mean more money going back to the commonwealth government than it is putting in, which in turn would be a ludicrous situation.

**Mr MERLINO** — You mentioned the Wimmera-Mallee pipeline in your presentation, and I can see that in the budget papers the government has reaffirmed its commitment to the Wimmera-Mallee pipeline. Can you provide further information to the committee on the progress of the project to date and how negotiations with the federal government are progressing for additional funds?

**Mr THWAITES** — I was very pleased to be with the Premier a week or so ago at the signing of the next stage of the Wimmera-Mallee pipeline, which is the design stage. A contract has been entered into for some \$7.7 million for the design. This is a major undertaking. It will mean replacement of some 17 500 kilometres of open earthen channels with pipeline over the next 10 years. It will cover some 2.3 million hectares and service 40 communities. It is a \$300 million project. The state government has already committed \$77 million towards that, the local farming communities will contribute to the project through their water authority bills, and of course we are calling upon the federal government to also contribute its share of the funding. The federal government unfortunately has not yet committed to its share, and that leads to a level of uncertainty in the project. It also makes it more difficult to plan a project when you do not know exactly how much money you are going to have at the end. We are very disappointed that the federal government has failed to match Victoria's commitment, but we are certainly calling on the federal government to do so as soon as possible.

**Mr BAXTER** — A supplementary question: is it not a fact that only 10 days ago you, along with federal ministers Truss and Kemp and the Victorian Minister for Agriculture, Mr Cameron, put out a press release crowing about the \$7.7 million, which surely includes some federal money. Is it also not a fact that the rural authority in question has got \$15 million in the bank to get on with the job once you signed the planning agreement, which you finally got around to doing last week?

**Mr THWAITES** — In fact the federal government has not done what we called upon it to do, which is to match Victoria's \$77 million commitment.

**Mr BAXTER** — That was not my question. I was asking about the press release you put out jointly with the feds last week, saying what great fellows you all were.

**Mr THWAITES** — I am answering your question. They have contributed now \$3.35 million compared to Victoria's \$77 million.

**Mr BAXTER** — But you have not spent any of your \$77 million?

**Mr THWAITES** — No, we have put that in the forward — I do not know why you bother asking questions if you just want to make statements.

**Mr MERLINO** — I have a further supplementary in relation to the users of the pipeline. What is the expected commitment of the users, and how will that be coordinated?

**Mr THWAITES** — Sorry, the financial commitment?

**Mr MERLINO** — Yes, what is the expected commitment of the users towards the pipeline?

**Mr THWAITES** — The users are expected to commit half the total cost, which is \$150 million, and they will do that largely through their water charges. What this will do for the users is provide a much more secure supply and a better quality supply, and of course in drought times like now a much better chance of getting water than they are facing at present.

**Mr CLARK** — My question relates to environmental flows also and in particular the flows and the arrangements under the Snowy implementation deed. I understand at the moment 38 000 megalitres per annum is going down the Snowy, primarily drawn from Jindabyne under what is called the Mowamba borrowings, and the government's obligation is to make those up through savings to be found in the system over three years following corporatisation. My question is: how far advanced are you on finding those savings? If you do not find those savings, how are you going to make the necessary repayments? Will you rule out reducing flows to the Snowy or to the Murray? Will you rule out compulsory acquisition of irrigators or others' water rights, or will you go into the market to buy up the necessary water?

**Mr THWAITES** — We have announced a \$25 million package of water saving projects in northern Victoria aimed at implementing water savings which will ensure those increased flows to the Snowy. They are the Normanville project, the Caseys Weir pipeline and the metering projects, which will provide much better metering and measurement of water. Together those projects will generate about 25 000 megalitres per year of water savings.

On top of that there are some additional savings from other projects, including the Woorinen pipeline project, which has been completed this year. Those projects are very important initiatives to achieve those savings and therefore the increased flows. We have also completed comprehensive studies of other water savings opportunities in irrigation and in bulk storage systems. You are probably aware that other projects are also being examined at the moment, like the Mokoan and others, as potential opportunities for the future.

When we put all of that together we have a comprehensive program. We believe there can also be some real steps forward in new technology on farm — for example, controlling irrigation supply channels. As well as providing water savings that can provide real benefits for the irrigators. If you look at the whole suite of things that has been done, that is going to assist the joint government enterprise when it is up and running, and hopefully the commonwealth will then see sense in relation to taxation. Some \$375 million is available to the joint government enterprise over 10 years to fund projects, which will give the joint government enterprise funding security to offset those flows.

**Mr CLARK** — You are confident that you can get the necessary savings without having to go into the market or reduce water flows?

**Mr THWAITES** — Yes, that is as I have indicated.

**Mr FORWOOD** — A quick supplementary: what is the balance of the Mowamba account at the moment?

**The CHAIR** — What account?

**Mr FORWOOD** — It is the borrowings account.

**The CHAIR** — I did not hear what you said.

**Mr THWAITES** — Thirty-eight gigalitres.

**Mr FORWOOD** — Thirty-eight last year?

**Mr SUTHERLAND** — That is what is being borrowed. Up to thirty-eight gigalitres a year in total.

**Ms GREEN** — Minister, I note that on page 245 in budget paper 2 that you intend to establish the water sector development group. What function will this group perform and what is the government doing to increase beneficial water recycling statewide?

**Mr THWAITES** — The water sector development group is aimed at developing a strategy that we will implement in the coming 5 to 10-year period as we reform water across Victoria. Some of the key responsibilities of the water sector development group will be in establishing and supporting the Victorian Water Trust; conducting the water sector review through the green paper; leadership and direction of the Snowy unit and the Living Murray unit within the department to implement environmental policies for the Snowy and Murray rivers; the management of key projects such as the Wimmera-Mallee and the Balliang pipelines; and the further development of policy in the area of water allocation and use including recycling. It has an extraordinarily important role to play and we are recruiting top people for that role.

**Ms GREEN** — A supplementary question: what about achieving the stated target of a 20 per cent reduction in Melbourne's water usage by 2010?

**Mr THWAITES** — The water sector development group has a key role to play in development policies to achieve that — for example, one of the most important ways in which it will need to achieve it is to start substituting reclaimed or recycled water for potable water. Currently about half the water we in Melbourne use in our households is used in our toilets and on our gardens. That is a usage that could be replaced or substituted by recycled water, but in order to do that we will need policies which support recycling of water, through EPA guidelines and also through planning policies. We will need to provide a policy basis for changed behaviour in terms of the way we build our new subdivisions and housing estates.

**Mr BAXTER** — I would like to turn for the moment to the setting of priorities for capital expenditure and refer to the Eildon reservoir. Whilst it is quite safe, it needs to be brought up to world standard to cater for super floods and super rainfall events that none of us has experienced and hopefully never will, but nevertheless I understand it needs about \$30 million to bring it to that standard. Bearing in mind that due to the drought it is at a



very low level at the moment, it would seem to be an ideal time to do it rather than risk it filling or risk having to impose an artificially less-than-full capacity on it and let the rest just go down the river — important as that is to the Goulburn Valley and Melbourne's food supply and the economy generally. Why did it somehow miss out and does not seem to have been mentioned in the \$320 million the Chair has referred to, or in the list that was read out before of the sorts of things the Victorian Water Trust might be looking at?

**Mr THWAITES** — You have raised a number of different issues, but, as I have indicated, essentially the priorities are going to be subject to advice from the Victorian Water Trust Advisory Council, so we will be taking its advice. The reservoir, with other projects, will be subject to the advice that we receive, so I cannot pre-empt that advice. But to comment more generally on what you have said, as you have indicated, there have been proposals about Eildon and a business case has been prepared by the Goulburn-Murray water authority. The government will consider that together with the advice of the water trust. You also indicated that the reservoir is safe, and that is important to note, so it is being proposed to take the matter to a higher level. It has to be considered and will be considered, as I said, as we set all the priorities. It is worth pointing out that there have been applications for funds for a number of projects — I believe there is one this year in, I think, your own electorate relating to Lake Buffalo.

**Mr BAXTER** — It used to be, but now not. Very reliant on it.

**Mr THWAITES** — Very important.

**Mr BAXTER** — Just a quick supplementary question on that, Chair. Minister, thank you for that answer, but bearing in mind that there is only \$7.5 million in the water trust funding this year — which Mr Forwood alluded to — if the trust was to form the view that because this is an ideal time to upgrade Eildon, could the funds be brought forward in the same way as your previous example of earlier funding, if the circumstances seemed appropriate?

**Mr THWAITES** — Those things are, as you indicate, technically possible, but do not forget that the funding available this year is one-year funding and there is a further \$52 million over four years, so in terms of a project like that — to design, construct and build it — I am not sure that even if it were approved it would all be done and able to be completed in the year.

**Mr BAXTER** — You get the funding and we will get the bulldozers out and we will make a fair go of it.

**Ms ROMANES** — Minister, you mentioned earlier the need to approach people to change their behaviour to use more recycled water particularly for gardens and around the home. I note that last year the Smart Water Fund was established and in the output table on page 245 of budget paper 2 there is further allocation in the Smart Water Fund for the coming four years, and I ask how the successful applicants for grants under that fund have been determined and whether those criteria will continue for further allocation in the year ahead?

**Mr THWAITES** — There are actually a number of different funds that support the better use or smart use of water. The Smart Water Fund, which totals \$8 million over two years, was set up with the support of the water authorities that retail Melbourne's water to provide seed funding for innovative projects to support and encourage water recycling or water savings projects. It was very popular and there were more than 200 applications for that. An independent panel headed by Terry Laidler assessed those various proposals. This year 27 applications have been funded. One that I was impressed with locally was a project to sewer-mine along Albert Road in South Melbourne next to Albert Park and to use some of the recycled water to top up Albert Park lake. It is an interesting pilot project which I hope can be utilised more frequently in the future in relation to recreational lakes. It mined into the sewer coming from South Yarra and utilised the water for the lake; it was an innovative project. There were a number of others, including those from a number of schools, getting young people much more aware of the importance of valuing water. In addition to that program there is the water smart garden and homes budget item, which is \$2.5 million net this coming financial year. It will provide rebates for water-saving initiatives around the home.

**The CHAIR** — We are all interested in that.

**Ms ROMANES** — So in fact there are funds both for community and local government projects as well as for individuals for the home?

**Mr THWAITES** — That is right. The Smart Water Fund supports those community and — —

**Ms ROMANES** — So where is that in the budget?

**Mr THWAITES** — It is funded through Melbourne Water and water retailers, so it is not in the budget.

**The CHAIR** — On the point of the water smart fund, you made reference to schools. Do you publicise the type of successfully funded projects anywhere on a web site? A lot of us could think of examples where we believe there could be really innovative uses of water, but while all the funds have grand names, it is difficult to work out exactly what type of project goes into which fund.

**Mr THWAITES** — There is the savewater.com.au web site. I think Yarra Valley Water is responsible for updating, it but it collects ideas from the different proposals. If you go to the savewater.com.au web site, you can see the ideas.

**Ms ROMANES** — Could I just ask how much is in the Water Smart Fund with Melbourne Water this year?

**Mr THWAITES** — It is about \$4 million a year.

**Mr FORWOOD** — A point of clarification on your answer to Mr Clark. Mr Sutherland said that he thought that 38 000 GL was the total amount in the borrowings account. I thought that was a year?

**Mr SUTHERLAND** — It is obviously a year.

**Mr FORWOOD** — So it will go up each year?

**Mr SUTHERLAND** — The allocation a year, as are the water savings of 25 gigalitres. They will be generated annually.

**Mr FORWOOD** — Okay. Take this on notice if you wish, but there is \$25 million in water-saving projects which you believe will save the 25 gigalitres over time. I want to know where the money is going on those projects and when they start to kick in. My own belief is that we have a problem in meeting the pay-back period. However —

**Mr THWAITES** — Frankly, the biggest problem we have is that the joint government enterprise is not up and running and able to initiate water savings. That has been held up by the continual failure of the commonwealth to rule out taxation of that enterprise. The quicker we get the JGE up — that is the organisation that is meant to be doing that.

**Mr FORWOOD** — But if I pick up your point, Minister, we now have a problem, because the longer this is delayed, the more water flows down the river, the more savings we have to find to pay it back, and we now have this conflict with an environmental flow down the Snowy River. Is that a higher ranking environmental flow than an environmental flow down the Murray River? That is a really fascinating question that I would be interested in your views on. More important than that is the issue of bulk entitlements to irrigators. You would be aware of Environment Victoria's submission to the national competition commission of April 2003, which says that the bulk entitlements are the reason for the overallocation of funds. I guess the ultimate question in all this mix is: will you protect the bulk entitlements of irrigators' water rights, or are you going to allocate them away?

**Mr THWAITES** — I have not seen that response, so I cannot comment on what they are saying.

**The CHAIR** — Thank you.

**Mr FORWOOD** — Hang on —

**The CHAIR** — You asked about the water allocation. The minister said that he has not seen that.

**Mr FORWOOD** — I will rephrase my question without referring to Environment Victoria and its views. Let me make this point very clear. We have a problem in finding water savings to meet the repayment of the Mowamba account. Will you rule out using irrigators' water rights?

**Mr THWAITES** — In relation to the Snowy River, we have said that we would not reduce people's right without replacing it.

**Mr FORWOOD** — Without replacing it?

**The CHAIR** — Yes.



**Mr FORWOOD** — Hang on. What does ‘without replacing it’ mean?

**The CHAIR** — He said that many times.

**Mr FORWOOD** — He does not need your help, Chair, to answer the flaming question!

**Mr THWAITES** — I thought I had answered that. I said we did rule it out in relation to the Snowy.

**Mr DONNELLAN** — What is the government doing in relation to national water efficiency labelling, and how is it relevant to meeting the government’s targets at the moment?

**Mr THWAITES** — Last Friday the environment ministers council met, and I was pleased that the ministers adopted Victoria’s recommendation to move further down the path of a national labelling scheme. A working party has been established to come back to the October meeting of the environment ministers with a legislative and administrative scheme for the labelling of appliances in relation to their water-saving priority. It will be a system like the one for energy appliances, where there is a star system. Washing machines, shower roses and dishwashers will be subject to the labelling system. The precise details are still being worked out, but it is likely that it will be a star-type rating system that incorporates the common appliances but may not incorporate all the appliances that are subject to the voluntary scheme. For example, taps and urinals are not suggested at this stage, but the main appliances that use water in the home, washing machines, dishwashers and shower roses, will be subject to the system. Remember, we are talking about quite substantial amounts of water that could be saved. Melbourne Water resources strategy indicated that 25 000 megalitres of water a year could be saved through the introduction of front-loading washing machines and a similar amount if everyone adopted AAA shower roses. So quite substantial amounts could be saved.

**Ms ROMANES** — Has there been any work on any mandated changes through the planning scheme in terms of how far reaching the results could be in saving water?

**Mr THWAITES** — We have not gone down that path to date, but I think that is something that will be considered at a future time. Through the planning system we now have compulsory four-star rating for new multi-unit developments for energy. We have announced that that will be upgraded for housing in the future. The next step will be planning requirements for water-saving measures in homes. In the coming decades I am sure that we will see some level of planning controls to encourage better water conservation. There is a relatively minor measure in Rescode which requires new developments to have a certain percentage of porous material so that water does not just run off into the stormwater, but I think we have a fair way to go on that.

**Mr CLARK** — You said in relation to making up the environmental savings necessary for the Snowy that you would not take away irrigators’ or other bulk entitlements without replacing them. Can you give a similar assurance that you will not take away bulk irrigators’ or other water entitlements to meet the government’s obligations in relation to the Murray River, and can you explain what you meant by saying ‘without replacing it’?

**Mr THWAITES** — In relation to the Murray, we have not made any decision. In relation to the Snowy we have an intergovernmental agreement, and as part of that we made those commitments to irrigators. In relation to the Murray process, the government does not have a position at this stage. We are still in the consultation stage. We are still in the discussion stage, so it is really — the question is pre-emptive.

**Mr CLARK** — What did you mean by ‘without replacing it’ in relation to not taking away entitlements?

**Mr THWAITES** — We are not reducing entitlements through the Snowy process.

**The CHAIR** — In relation to the Essential Services Commission, in your presentation you referred to the future of regulation in the water sector. Could you outline to the committee how the pricing of water will be more transparent? As I understand it, the Essential Services Commissioner will play a part in that.

**Mr THWAITES** — That is right. The whole of the water industry is being brought under the economic regulation of the Essential Services Commissioner. The purpose of this is to ensure that the system is properly accountable and that consumers and all players know that there is an independent oversight of the system. It will ensure that we will fulfil our commitment to fair water pricing and enhanced protection for water consumers. The government has consulted extensively with the community about independent economic regulation. While it is true to say that it is not universally supported, we believe it is in the long-term interests of all consumers to have an independent regulator. It is also consistent with national competition policy and the COAG principles. We believe it is essential that the Essential Services Commissioner is in a position to regulate those prices from July 2005, so

that is why the legislation provides for the Essential Services Commissioner to take over the role from 1 January next year.

The other point to make is that there have been comments that somehow this means that government is not accountable or responsible. The government sets up the policy framework within which the Essential Services Commission operates, and then the Essential Services Commission makes a final recommendation to government. Government retains its accountability, but people can be assured there is that independent oversight.

**The CHAIR** — The transparency.

**Mr BAXTER** — I would just like to turn your mind to the water trust so that I can get a better understanding of its structure. The name ‘trust’ suggests a body of significant standing. Is it an incorporated body in the sense that it will produce a report — I do not believe it is reporting to Parliament for example — or is it more in the nature of an advisory committee to you as minister? It is up there in lights as a trust, but what is its structure and role and who does it report to in formal terms — the public, you or the Parliament?

**Mr THWAITES** — The role is set out in the legislation, which passed through the Parliament. I presume that you voted on that —

**Mr BAXTER** — I know, that is why I am asking the question, to make it clear. I think it is an advisory committee.

**Mr THWAITES** — That is exactly right. The Water Trust Advisory Council does that — it advises the government in relation to the funding for these projects but also more generally on water. It will establish an investment strategy for governments for the water trust, which will assist not only in determining individual projects but also more generally in a way forward for water so that proponents of projects can see what sort of thing will be supported in the future.

**Mr BAXTER** — But it is not initiating any projects?

**Mr THWAITES** — No.

**Mr BAXTER** — It is recommending to you as an advisory committee?

**Mr THWAITES** — It is not initiating. The projects will be initiated from communities, potentially from business, from farmers, from local government.

**Mr BAXTER** — Perhaps then the word I meant there was ‘commissioning’. It is not commissioning any projects, it is making recommendations to you as an advisory committee?

**Mr THWAITES** — It will identify an investment strategy and identify proposals which will then be considered by government, and government will make a final decision.

**Witnesses withdrew.**