VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 3 June 2008

Members

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Witnesses

Mr T. Holding, Minister for Water,

Mr P. Harris, Secretary, and

Mr D. Hill, Chief Finance Officer, Department of Sustainability and Environment.

The CHAIR — I welcome Peter Harris, the Secretary of the Department of Sustainability and Environment, and Des Hill, the chief finance officer of the 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 relating to the budget estimates for the water portfolio.

Mr HOLDING — Thanks very much, Chair. I am pleased to be joined by Peter and Des for this morning's presentation. I wanted to just fly through the slides because I know you are all very keen to ask lots and lots of questions.

Overheads shown.

Mr HOLDING — The first slide goes to the output summary for the DSE budget. It is the healthy and productive water systems area which is my responsibility, principally, in relation to DSE's activities, so it is that output group in particular that is important.

Just to provide some context, since this committee last met and interrogated the Water Minister, a lot has happened. We have had the July 2007 release by the Government of *Our Water Our Future*, which, as you would know, contains a number of very major augmentations of Victoria's water supplies. Included in that are our ongoing efforts in terms of water recycling and conservation but, more importantly, our efforts to modernise irrigation infrastructure in the state's north and our efforts to build a statewide water grid and share some of the savings that come from that modernisation of irrigation infrastructure. We have had the announcements around the construction of a desalination plant to supply water for Melbourne, Geelong and communities in South Gippsland and Western Port, and of course a number of other projects that were part of those announcements, including the Hamilton–Grampians interconnector, the Geelong interconnector et cetera. So there are major new initiatives, major new augmentations built around the themes of conservation, recycling, modernising infrastructure, modernising irrigation infrastructure and connecting the state in a statewide water grid.

Just in terms of the desalination plant — 150 gigalitres, 150 billion litres of water each year. This is an important project because it is not rainfall-dependent water. We have said that we propose to deliver it as a public-private partnership in accordance with the Government's Partnerships Victoria framework. We have said it will be carbon neutral through the provision of renewable energy purchased by the consortium that is eventually successful in building this piece of infrastructure, and there is a small amount of money in the 08–09 budget, which will ultimately be recovered as part of the procurement activities connected with that project.

We said that modernising the State's irrigation infrastructure is extremely important. This budget commits the Government's contribution to stage 1 of that project. You would recall it is a $1 billion project to stage 1 — $600 million from the Consolidated Fund, $300 million from Melbourne water users, and $100 million from Goulburn-Murray Water. Stage 1, to capture 225 gigalitres, will be shared one-third, one-third, one-third. Of course we have also now got the Federal Government's announcement of funding, subject to due diligence, of stage 2, which would capture potentially a further 200 gigalitres of water. And there is also funding in the state budget for the Northern Victoria Infrastructure Renewal Project board that will deliver the modernisation infrastructure.

Other initiatives — some of these are part of the July 2007 announcement — include the Hamilton–Grampians pipeline and the Geelong–Melbourne pipeline, but there is also additional funding for the Wimmera–Mallee pipeline project, which is now running many years ahead of schedule and will deliver huge benefits to those communities.

With increased recycling, suffice to say that Melbourne is now recycling more water than we had originally committed ourselves to recycling in terms of our targets by 2010. We have got major upgrades not just to the eastern treatment plant here in Melbourne but also to water recycling facilities — or the construction of new water recycling facilities — in parts of regional Victoria as well.

From a conservation perspective, we have got water restrictions still in place. We have driven down Melbourne's per capita water use; we have driven down our total water use; we have also seen a lot of very innovative projects funded under the Smart Water Fund; we have our industry water savings plans, our Water MAPs, in place for major water users right across Victoria; and we have had a great public response to our rebates for water-efficient products.

Other policy activities that are under way that will roll out over the next 12 months include the unbundling of water rights — you would recall that we unbundled water rights in the state's north as of 1 July, and the southern part of Victoria will be subjected to this new regime; we have provided some funding support for local government to deal with the impact on their rating revenue of the unbundling arrangements; and the Government's drought response, including support for irrigators during this difficult period. I might stop there.

The CHAIR — Thank you, Minister. I remind members of the committee and the minister that we are meant to concentrate strictly on questions and answers and concentrate on the issues on hand. Also I note there are a number of people from the public who have come in. In accordance with the guidelines for public hearings, I remind members of the public they cannot participate in the committee's proceedings.

Ms MUNT — Budget paper 3, page 277, outlines the aim of the government's water plan. I would like to ask how this investment in Tarago has helped achieve the outcomes.

Mr HOLDING — A great question. The Tarago Reservoir is a reservoir that was constructed in the late 1960s. I think it was opened in about 1969. It provided water into the system up until about 1994, when it experienced significant water quality issues. Those water quality issues resulted in the reservoir being disconnected from the supply system. As a consequence of the series of decisions that the State Government has made, we decided that it was appropriate now to consider the reconnection of Tarago to supply water into Melbourne.

Essentially the features of this system are that it has a capacity of about 34 to 35 gigalitres — 34 000 to 35 000 megalitres. The water quality issues that were experienced there are going to be dealt with by the construction of a water treatment plant, which is about 8 or 9 kilometres from the reservoir itself. It is a gravity-fed plant that benefits from the head on the Tarago Reservoir being able to gravity feed the water into the treatment plant. The treatment will use a series of ultraviolet systems as well as a flocculation system to treat the water and enable it to be delivered into the Devilbend Reservoir and supply water into the Mornington Peninsula. The volumes of water that we expect to get from this reconnection are in the order of 15 000 megalitres — 15 gigalitres or 15 billion litres — of water per annum in the dry years, on our dry scenarios of the last 10 to 15 years. In the wet scenarios, the average for the last 90 years, we could potentially get as much as 21 or 22 gigalitres out of that system, or even up to as much as 24, but we are certainly not relying on that. Our expectations are a consistent and reliable supply of high-quality water of a magnitude of about 15 billion litres.

I am pleased to say that I was up looking at this project on Saturday. It is ahead of schedule. In fact we are likely to get the benefit of the water from this project by about mid next year— mid calendar year 2009 — which we are very pleased about. This is a very good and important interim step in the augmentations that are part of Melbourne's water security going forward. We get the benefits of Tarago in 2009; in 2010 we get the benefit of the connection of the Sugarloaf interconnector; in 2011 the desalination plant; in 2012 the eastern treatment plant. These together constitute a massive increase in water availability for the communities that depend on Melbourne's collective water supplies.

Mr BARBER — I would just like to ask about the environmental water savings associated with the food bowl modernisation. I understand there will be savings and water that can be allocated to various environmental programs, but there are also within the food bowl area certain environmental assets that are probably currently being watered informally due to the leaks and so-called inefficiencies. At the moment what understanding do you have of the water needs of those particular environmental assets? How much water do you think will need to be allocated simply to maintain assets which currently are being watered anyway? How will that water be carved off for them, I suppose?

Mr HOLDING — By 'watered informally', which I think were the words that you used, I assume you are referring to the so-called informal water which is the result of leakage or seepage out of irrigation channels that are not working as effectively as possible. Let us be honest, often this seepage or leakage that occurs actually contributes to rising salinity levels in the systems themselves. Far from being an environmental benefit or a dividend that comes from having a leaky, old, antiquated irrigation system, it is actually a further environmental cost that occurs as a consequence of the way the system operates. It is not necessarily the case that just because the water is not finding its way to a productive consumptive use it is therefore being used as effectively as it could be for the environment, and I think you would be aware of that.

The question is: what can we better do with that water? We can use it to restore flows on some of our most stressed systems, particularly the Murray and the Snowy, which will potentially be beneficiaries of environmental water projects that are aimed at returning water to the environment as it is. We have seen the state that some of the most stressed iconic sites on the Murray are under at the moment, and some strategic release of environmental flows to those iconic sites has done a lot to support stressed species in those iconic sites or to preserve wetland-type arrangements that would otherwise have been devastated if it was not for that environmental watering.

Mr BARBER — I was asking about the assets within the food bowl area itself. You are currently modelling their water needs and working out how to maintain those water needs. I am just asking about how that is going, what the quantum of water is likely to be and what arrangements you have put in place, particularly if new infrastructure needs to be created to maintain the water to those assets.

The CHAIR — It is just the environmental assets you are referring to?

Mr BARBER — Yes.

Mr HOLDING — I guess one of the questions that are raised by this is that environmental water is a relatively new feature of our water management in Victoria and indeed nationally. One of the things that we have been exploring with the Commonwealth in recent months as we endeavoured to conclude arrangements around the memorandum of understanding for the Murray–Darling Basin arrangements was what could we do to better coordinate our environmental watering activities. You now have the Commonwealth entering the market as a significant purchaser of water for the environment; you have the state investing in infrastructure upgrades, which deliver water savings, some of which are earmarked for the environment; and other states, indeed, purchasing water to acquit their responsibilities under the Living Murray and other environmental water initiatives.

What can you do to better coordinate all of this activity? One of the explicit conditions that we reached in our memorandum of understanding with the Commonwealth was a recognition that environmental watering efforts by state and federal governments need to be better coordinated and rolled out in a cooperative way. That is one of the things that we are working through with the new IGA — the intergovernmental agreement — which will underpin the Murray–Darling Basin arrangements into the future. I think what we can say is we will see a more coordinated system of environmental watering activities than might have otherwise been the case if we had just let each jurisdiction go their own way. But I would also say that making the irrigation system more efficient is in and of itself a good thing to do, and we should not be dissuaded from making those investments because we are concerned that there is some public benefit or some public good that is served in having a system that does not operate efficiently or effectively.

Mr BARBER — That was not my question, but I will take it there is no figure available for the water needs of existing environmental assets inside the food bowl area; that is something you are still working on.

Mr HOLDING — I am not going to concede the last element of the question. I am not sure exactly what you are asking.

The CHAIR — Why do we not look at the Hansard transcript and, insofar as it can be taken on notice, you will consider it.

Mr BARBER — There are environmental assets inside the food bowl area which currently receive water one way or another.

The CHAIR — Are you talking about wetlands and things like this?

Mr PAKULA — Such as what, for example?

The CHAIR — Just one at a time.

Mr BARBER — Like a wetland in the middle of the food bowl that receives water now formally or informally.

Mr HOLDING — I guess what I would say is that we have said that as stage 1 of the food bowl modernisation there will be 75 gigalitres of water saved that will be returned to the environment, to stressed rivers,

and we have said that that will be stressed river systems in northern Victoria. That is what we have said, and I do not think we can be more explicit about who the beneficiaries of that environmental water will be.

Mr PAKULA — Minister, page 202 of the statement of finances, budget paper 4, makes reference to $115 million towards the goldfields super-pipe. Just given that, I ask you to update us on the progress of that project.

Mr HOLDING — Thanks very much, Martin, for that question. The goldfields super-pipe is a very important project, or two projects really, because it is providing water security not only for communities in Bendigo and the surrounds, but also now, with the most recent connection, communities in Ballarat. This is a project that has been jointly funded by the water authorities in the areas, Coliban Water and Central Highlands Water, but also by the State Government and the Commonwealth Government. We were very pleased that the new Labor government at the commonwealth level committed substantially more to the Ballarat leg of that than the previous government was committed to supporting. That is important because it does put downward pressure on prices at a time when prices are trending upwards.

The project itself has been delivered ahead of schedule — both the Ballarat and the Bendigo legs, on budget, ahead of schedule — and it is providing a significant body of water, with I think 18 to 20 gigalitres of water in the context of Bendigo and at the moment potentially 10 gigalitres, which could rise quite substantially to about 16 to 18 gigalitres from memory, for the Ballarat leg.

In both instances the management of the delivery of this project was extremely effective. The engagement with stakeholders — by whom I mean principally land-holders through the affected corridor where the pipeline was constructed — was outstanding, and in fact what it shows is that with major pipeline projects it is possible to work through the issues around access to land for the construction of the pipe; for the protection of properties from disease transfer from neighbouring properties; for the contractors to be able to work through Aboriginal heritage issues, which arose in a couple of instances; and also for appropriate compensation to be provided within the existing framework to affected land-holders. So this is a really good project.

In the case of the Ballarat stretch of this pipeline project, which is the stretch that has just been completed, there are pumping costs and energy that is required as a consequence of those pumping costs, and some of those energy requirements will be offset by the construction of a mini hydro facility at the White Swan Reservoir. So as well as providing a project which is vitally important for the water security of those towns, which was delivered in a cost-effective way and in a timely way ahead of schedule — in fact the final construction schedule was accelerated by about two years — it has also been delivered in a way which respects the needs and priorities of the local community, particularly affected land-holders, and it also endeavours to address issues of environmental sustainability. It is really an outstanding example of a visionary project that was not supported by everyone. In fact when it was originally proposed there was some opposition to this as a solution to Bendigo's and Ballarat's water needs, but I think now there is very broad support for this augmentation.

Dr SYKES — My question relates to the food bowl modernisation project and claimed water savings, and putting it in context. In recent times your government has promised a total of 520 gigalitres of water savings, and yet in the last year the Goulburn system only lost 450 gigalitres. How do you intend to honour your promise when you are promising more water savings than there are actual losses? I can provide you with a table that shows the promises that you have made.

The CHAIR — Minister, particularly in relation to the estimates, of course.

Mr HOLDING — Yes. I am aware of the savings that have been promised in relation to this system across a series of different initiatives. They include stage 1 of the food bowl modernisation; potentially, subject to due diligence, stage 2 of the food bowl modernisation project; the Shepparton modernisation project; and the Central Goulburn 1 to 4 upgrades, as well as some ancillary projects that hang off those. The Government and in fact most of the significant irrigators in the region and other water experts across the state and nationally concede, firstly, that this system is a system that loses hundreds of billions of litres of water every year, regardless of whether it is a dry year or a wet year.

Dr SYKES — Sorry, Minister. The Goulburn-Murray Water figures have shown that the losses are less in dry years.

The CHAIR — Dr Sykes, the Minister to answer, please.

Mr HOLDING — Can I just say that I said it is a system that loses hundreds of billions of litres of water every year, regardless of whether it is a dry year or whether it is a wet year. Even the figures that you have passed across or the figures that you cite from Goulburn-Murray Water indicate that the losses in the system amount to hundreds of billions of litres. That is undeniable. The question is whether or not the losses in dry years are commensurate with the commitments that the government has made in relation to savings. And I want to say this in relation to this, because this is a very, very important issue: it is possible to reduce the losses in the system to zero. If I wanted to reduce the losses in the system tomorrow to zero, I could do so, and I would do so by shutting the system down. If you shut the system down, then the losses go down. That is undeniable. At the moment the system is not running at full capacity, not just because of drought but as a consequence of drought. Measures have been put in place which are deliberately designed to retard the operation of the system in an effort to reduce the losses that occur. If you then use those loss figures as a basis for claims about what savings can be made, then what you are doing is you are saying that the only basis upon which we can proceed with this investment is if we assume that the system is going to be retarded forever in the way in which it operates on an annual basis.

To give you an example of the sorts of practices that have been put in place over the last 12 months or 2 years to try to manage this system during this period of stress, the watering season — the irrigation season — has been altered in a number of different ways. In some cases farmers or irrigators who are on a channelled system have had to accept channelled water or the water being run through the channel not at the most optimal time for them but during a collective water run that everyone can draw their water supplies off. You know this. You are from the area. What it means for these irrigators is that they are not necessarily watering at the most optimal time for themselves. They are watering when the water can be delivered so that everybody can draw off the system at once, so that you can actually reduce the losses in the system for that period of time.

In other cases water is actually being carted in — trucked in. The channel is not actually being used, so there are no losses in that channel at all, but for stock and domestic purposes they are drawing their water from a carted system instead. If you want to use that as the assumption for saying that is the basis upon which we should then calculate any savings that can be achieved, what you are really saying to these farmers is that for ever and a day the system's operation should be retarded so that we can arrive at a figure as to what the true losses are. No matter who it is, no matter which experts you talk to, everybody concedes that this system is a broken, clapped-out system losing hundreds of billions of litres every year. I love it when conservative politicians come in here, Chair, and say we support — —

The CHAIR — Just answer the question, Minister.

Dr SYKES — I asked a simple question. Chair, can we bring the Minister back to the question?

Mr HOLDING — I am happy to come back to the question.

Dr SYKES — Please do.

Mr HOLDING — Because the question is on the question of savings. How is it possible that people can say, 'The savings are not there, but we support the expenditure of $1 billion or $2 billion on modernisation updates'? Why would you support the expenditure of billions of dollars of public money on upgrading a system when you do not believe the losses are there?

Dr SYKES — Chair, you have given the minister some leniency. I would ask your indulgence. I asked a question — —

The CHAIR — Very quickly, please. You have had nearly 4 minutes on this already.

Dr SYKES — That is because the Minister went off on a political diatribe.

The CHAIR — For 15 seconds.

Dr SYKES — Through the Chair, my question was: you have promised 520 gigalitres of savings; the system only lost 450. My question is: do you stand by your ability to deliver 520 gigalitres of savings and, in particular, 225 gigalitres for stage 1 of the food bowl modernisation? Do you stand by that?

Mr HOLDING — We have said that we can deliver 225 gigalitres of savings in stage 1. We have said that subject to due diligence we can deliver another 200 billion litres of savings as part of stage 2, the commonwealth-funded components. We have said that wherever appropriate and wherever we have identified it, those savings are in addition to the other savings you have mentioned. Central Goulburn 1–4, the Shepparton modernisation project — all of those savings — are capable of being achieved with the investments that we are making. Why would you spend billions of dollars upgrading a system like this unless you believed — —

Dr SYKES — No, that is not the question.

Mr HOLDING — It is exactly the question. You asked me whether I stood — —

Dr SYKES — Would you answer the question?

The CHAIR — Okay. I think we — —

Dr SYKES — Will you resign if you do not deliver the 225 gigalitres?

The CHAIR — Dr Sykes, that is completely inappropriate. I think we have had the answer to this question, so we will move on to the next question.

Mr HOLDING — He has had three questions in a row. Dr Sykes has asked if I stand by the savings, and my answer is unambiguously that the Government stands by its belief that these savings are achievable, and that is why it is supporting this project.

Dr SYKES — Will you subject those savings to an independent audit to confirm them?

The CHAIR — Thank you, Dr Sykes. You have had your answer. You are just grandstanding. You will have an opportunity later to ask further questions. Minister, I just refer to you to page 277 of budget paper 3, and this is in regard to the top 1500 industry program savings. I notice now we are looking at the top 1500 industries in table 4.2 of budget paper 3, page 277. You will notice there that we have funding going out to 2010–11 under this particular program. How is this going to result in further water savings?

Mr HOLDING — We have already seen major savings from industry users in Victoria. This is one of the myths perpetuated by some, Chairman, that industry has not been doing its bit or pulling its weight in relation to water savings. I am very pleased to be able to inform the committee that industry in fact has been a top water saver in Victoria. Industry in the Melbourne area uses around 30 per cent of Melbourne's water, and Melbourne's industrial water users have saved 9 billion litres — or 9 gigalitres — of water in 2006–07. These are quite substantial savings. We have seen that 99 per cent of companies across the state that are required to complete a water map have now done so, with 100 per cent compliance in Melbourne — 1259 of the organisations in Melbourne that were required to complete a water map have now done so, which is 1259 out of 1259, and 564 out of 586 have done so in regional Victoria.

The CHAIR — I think there was one company outstanding. You might recall, Minister, from our outcomes report on this matter there was one company still outstanding.

Mr HOLDING — I think that might have been the 100 top water users. This is the 1500 water users.

The CHAIR — Right. Okay.

Mr HOLDING — The base is much more extensive. We have seen some really innovative water projects, Chair, and I know members will be interested in some of these, including plastics manufacturer Qenos. I was there several months ago now with a member of the committee, Martin Pakula, celebrating its commitment to using some of City West's recycled water from the Altona treatment plant. We are talking about water quantities in the order of 2 billion litres — 2 gigalitres of water — for one user alone.

They will be using class A recycled water where previously they used potable water. They are Australia's sole manufacturer and leading marketer of polyethylene resins, so being able to slash their drinking water use by more than 90 per cent is a major achievement. The purified water — the treated water — will be used on Qenos's cooling towers, boilers and other processors. We are seeing something like another 400 million litres of water being recycled on site by Qenos, with $2.5 million government funding support. We also see the Shell Geelong refinery

which is saving 100 million litres of water a year following the completion of an extensive water management program. That $55 million water master plan, which I celebrated the commencement of with Shell probably close to a year ago now, has cut back on its water use. They have also introduced a number of other water-saving measures at their Geelong site. Things like the recovery and reuse of water through a new water treatment facility, the capture of scheme condensation from large boilers for reuse through the manufacturing process, the collection and treatment of stormwater prior to its discharge into Corio Bay, and the use of Shell employees in a number of water conservation projects.

Industry is doing its bit. The Water MAPs have been a great success in driving down industry water use amongst our water users. It has been a success in regional Victoria, a success in Melbourne, and it is great to see large water users like Qenos and Shell coming to the table with very innovative projects that save substantial amounts of water.

The CHAIR — So industry savings are similar to domestic savings?

Mr HOLDING — More than. At the moment industry savings exceed the percentage of water savings made by households. That is not to criticise industry or households; we just make the point that — —

The CHAIR — Different capacities to save, of course.

Mr HOLDING — Industry is certainly doing its bit. We appreciate the efforts that households have made but also the efforts that industry has gone to.

Dr SYKES — Minister, you have indicated that you expect to achieve 225 gigalitres of savings with the food bowl modernisation project from the first $1 billion invested. Given the cost increase is around 50 per cent of the Wimmera Mallee pipeline, and also similar increases in the recent upgrades to the irrigation systems in Shepparton East, do you intend to allocate further funds to stage 1 of the food bowl modernisation project, or do you intend to reduce the works?

The CHAIR — So far as it relates to the estimates, and Minister, insofar as you feel the need to deal with hypotheticals.

Mr HOLDING — This is a project that we are committed to achieving on time and on budget. If we look at projects around the state, and Dr Sykes mentioned a couple — he mentioned the Wimmera Mallee pipeline project: I would point equally to the goldfields super-pipe project, which has been delivered ahead of schedule and under budget. I would point to the Tarago Reservoir project, which I mentioned earlier, which is tracking well in accordance with the financial estimates expected for it, and again well ahead of schedule. This Government has a good record in terms of water projects that have been delivered ahead of schedule. In fact we have accelerated many, many water projects. This modernisation project is in itself an acceleration of capital works. If we had left it to the funding of Goulburn Murray Water through its ordinary capital works program it would have taken decades to achieve. We will be able to achieve it in a very short period of time.

NVIRP (Northern Victoria Infrastructure Renewal Project) comprises people who I know are deeply committed to making sure that the set of works that will be rolled out will be delivered quickly. I know Barry Steggall is one of those, and I know that Dr Sykes would have a great deal of confidence in Mr Steggall's capacity to ensure these sorts of projects.

Dr SYKES — I do not have such confidence in you, Minister.

Mr HOLDING — I would also say that I was able to mark the commencement of the early works of the food bowl modernisation project last Friday. This is the installation of the first 1000 flume gates and the first 1000 meters as well as some other ancillary work — —

Dr SYKES — Will that actually save water or just enable the charging of that water?

Mr HOLDING — If you have automated flume gates in place — and I am very pleased that Dr Sykes has asked this question — they enable you to do two things: firstly, to regulate the flow which reduces losses from outfalls, basically — —

Dr SYKES — Which often go into other systems downstream and become available for irrigation — —

Mr HOLDING — Why don't you come over here and answer the question.

The CHAIR — Dr Sykes, it is very difficult for Hansard if you keep interrupting. One at a time.

Mr HOLDING — Firstly, to deal with outfalls; secondly, an automated flume gate enables you also to pinpoint where losses are occurring in the system, and the best use of channel linings — limited channel linings — that can occur, are channel linings that occur in the places where the losses actually occur. The answer to Dr Sykes's question about whether it enables you to reduce losses is that it enables you to deal with outfalls, and it enables you to pinpoint exactly where losses occur. I am happy to stand by the early works program that has already commenced, which will support food bowl modernisation.

Dr SYKES — Can I just clarify through you, Chair — —

The CHAIR — Very quickly.

Dr SYKES — I understand that you guarantee this project will be delivered on budget and on time. Is that what you said?

Mr HOLDING — I just said I am very confident — it might be better if I answer the questions rather than you answering your own question.

Dr SYKES — I am putting it back to you, Minister, for you to answer it.

The CHAIR — You need to seek clarification in terms of the question, not in terms of the answer.

Mr HOLDING — I made it very clear that we are very confident that the savings can be achieved, which was your original question, and that the project can be delivered on time, and that the project can be delivered on budget. The government has provided $600 million, Melbourne Water users will be providing $600 million, and for stage 1 Goulburn Murray Water users will also be contributing $100 million. We want that money to be spent as effectively as possible to generate those first 225 gigalitres of savings— —

The CHAIR — Okay.

Dr SYKES — If by chance you are wrong and the savings are not made, or the costs went up — —

The CHAIR — I think that is hypothetical, Dr Sykes.

Dr SYKES — What impact would that have on the business case for the north–south pipeline?

The CHAIR — Quite frankly, I think that is hypothetical.

Mr HOLDING — We have had four questions in a row from Dr Sykes.

Ms MUNT — Page 354 of budget paper 3 details funding for the Wonthaggi desalination project. My question is: why has the government not given serious consideration to the construction of a pipeline from Tasmania to Victoria?

Mr HOLDING — I thank Ms Munt for this question because from time to time I do see reports about the viability of a Tasmanian pipeline as an alternative to desalination. The Government considered carefully the feasibility study that was done at the time that we made the decision to construct a desalination plant, and we have said all along that we can get about 150 gigalitres from desalination — 150 billion litres of water that will be of drinking water quality to provide for, or to supplement, Melbourne's water supply. This is estimated to cost $3.1 billion or thereabouts. It is too early to give the exact cost at this point.

We are obviously going to go through a process with the private sector to determine what the actual cost will be, but it will be something in that order. The alternative of a Tasmanian pipeline really needs to be reflected on carefully. If we were to build a 500-kilometre pipeline from Tasmania, 350 kilometres of it underwater, it would be a very expensive piece of infrastructure. In fact, Melbourne Water estimates that it would cost something between 8 and $12 billion. At the same time, the water that we would be collecting from this pipeline would be dependent on Tasmania guaranteeing in perpetuity that we would be able to access this water supply. Now, Tasmania is itself at the moment drought-declared, and whilst they might be happy to provide us with water for a few years, to justify

the investment of between 8 and $12 billion you would need an extremely long guarantee to be in place that you will be able to access that water. At the same time, commentators have said that this pipe could actually be gravity fed, that it would require no energy to use it, which is one of the criticisms that is made of desalination. In fact, when you build a 500-kilometre pipeline there is a high likelihood, as most engineers will tell you, that there will be friction losses that occur over the course of that pipeline which mean that often then some pumping is required. The pumping connected with a 500-kilometre pipeline could end up being, depending on its design and how it operated, quite significant.

So in order for us to build a pipeline that would generate something like 150 billion litres of water, we would need to make a huge capital investment. There would be a very long lead time to build the pipeline. It would require a guarantee from the Tasmanian government that we could continue to access that water for a very long period of time, a guarantee that with climate change and other factors coming into account they would probably be quite reluctant to give, and then, of course, a series of issues around the gravity losses and the practical way the friction losses from a gravity-fed system would affect the way in which the pipeline actually operated. Despite some of the superficial appeal that a pipeline from Tasmania might have, we actually do not believe that that is a long-term solution to Victoria's water needs.

The CHAIR — Okay. Thank you, Minister. Dr Sykes.

Dr SYKES — Thanks, Chair. Minister, I would like to move to the north-south pipeline. The pipeline has been built to take one-third of the savings from the food bowl modernisation project and you expect that to be 225 gigalitres so that means one-third is 75 gigalitres per year. Have you worked out the unit cost of that water going to Melbourne via the pipeline?

Mr HOLDING — Approximate cost compared to desalination, for example: it is much less. It is a much cheaper option than accessing desalination water over what we anticipated it being.

Dr SYKES — So it is much less, but what is the actual unit cost that you have done your number crunching on?

The CHAIR — It is all right. If we do not have an answer now we can take that on notice.

Mr WELLS — No, surely they would have the cost.

Mr HOLDING — We do have some material in relation to the unit cost of water. In fact, you could cost it on a number of different bases. You could cost it by dividing the 75 billion litres by the cost of traded water in the district at the moment. Of course, the traded water level fluctuates from time to time so it would be — —

Dr SYKES — I know what you could do. My question is have you done it?

The CHAIR — Let the minister answer, please.

Mr HOLDING — Secondly, I am just reluctant to provide the number in the form that you may have asked for it simply because we are about to go through a process with desalinated water, and until we get the final costings in relation to that, I have just made a comparison around desalination water and the unit cost there — —

Mr WELLS — What has that got to do with the pipe?

Mr HOLDING — Well, I mean I am just saying you can cost — —

Mr WELLS — That is ridiculous logic. That is illogical.

Mr HOLDING — Well, do you want to ask a question?

The CHAIR — No, the minister to answer.

Mr HOLDING — Do you want to ask a question?

Mr WELLS — No, that is illogical. What is the unit price?

The CHAIR — Thank you, Deputy Chair. Minister to answer, please.

Mr HOLDING — Well, we know the cost of water traded on the water market — what would you calculate water traded on the water market in northern Victoria?

Dr SYKES — No, no, my question to you is what is the unit cost, the cost of water?

Mr HOLDING — It fluctuated over — —

Mr WELLS — What is the cost of water from the other side to Melbourne?

The CHAIR — Okay, thank you. Minister to answer, please.

Mr HOLDING — Well, okay, Melbourne Water's contribution to the food bowl modernisation is 300 million. the cost of the pipeline is 750 million, and the 75 gigalitres that is provided to Melbourne will become part of Melbourne's bulk entitlement. That is how we have said it will operate.

Dr SYKES — That is back-of-the-envelope calculations, isn't it? Is that how you did your sums?

Mr HOLDING — But there is nothing back-of-the — —

Dr SYKES — What would be the impact — —

The CHAIR — I think the minister has answered the question.

Dr SYKES — No, he has not answered the question. If I can just clarify. Minister, what would be the impact if the savings were less?

Mr WELLS — It is a straightforward question.

The CHAIR — One at a time.

Ms MUNT — I think he could take it on notice.

The CHAIR — I did suggest that.

Mr WELLS — No, you have got to be kidding.

Mr PAKULA — It is amazing how you guys have woken up now that there is publicity.

Dr SYKES — What would be the impact if the savings were less — —

The CHAIR — No, you have asked your question. Minister, you have answered the question. If you have any further details you will take it on notice. Okay, thank you. Mr Scott.

Mr SCOTT — Thank you, Chair. I refer the minister to budget paper 3, pages 352–355 detailing spending on various water projects including initiatives in the 2007 next stage of the water plan. Can the minister explain how alternatives, such as dams, compare in terms of cost and water augmentation?

Mr HOLDING — I am happy to provide some additional information to Mr Scott's question. You would have seen some coverage yesterday in just some material on some research that the government did in 2005 on a number of alternative dam propositions. In fact, we looked at seven dam water diversion or reservoir-type scenarios, including a dam on the Macalister River in the Mount Useful area above Glenmaggie; a dam on the Mitchell River, the expansion of Lake Buffalo and the Buffalo dam, which I know is an enthusiastically supported project by the member for Murray Valley; and some augmentations in the Geelong area particularly on the Gellibrand River. We costed each of those options and we looked at the environmental and social impacts connected with them also, and what they show is that in each instance, either the water yield from them is highly variable and highly problematic, the social impacts of flooding either parts of historic townships are also in some instances removing from use— —

Dr Sykes — Big Buffalo? Big?

Mr HOLDING — No, no, I am talking about Licola particularly, which was one of the townships affected — Dargo and other townships in the Gippsland area — and it would have affected the viability of those townships as well as removing productive land from pastoral or other use at the moment. So we looked at the full impact of those things, and if I could just give some particular information because dams have been an important part of providing water security for Victorians for a long period of time, and the system of storages has served us well over what has been a comparatively wet century. But at the same time we recognise that if you have storages that sit at 20 or 30 per cent full for long periods of time, with the reality of climate change coming, and the possibility of protracted drought, you have to question why you would continue to build more and more storages when there are other augmentation options that are available.

For example, in the case of the dam on the Mitchell, this would get the most reliable water supply, which would result in about 86 gigalitres, but at a capital expenditure of something like $1.347 billion in 2005 prices; so when you compare that to other water augmentations, and take into account the true cost, the environmental cost of damming the Mitchell River, the social cost of damming the Mitchell River, you realise that new dams are not a long-term solution to providing water security for Melbourne; and for many parts of Victoria they are not a long-term solution to providing water security for other townships in Victoria.

It is in that context that our investments in modernising irrigation infrastructure, our investments in building pipelines to transfer water to where it can be most productively used, and our investment in a desalination plant are so important. Our investments in recycling water — $300 million for Melbourne Water to capture something like 100-plus gigalitres or billion litres of water that is currently not treated to an appropriate standard at the eastern treatment plant — it is in that context that these investments become most useful and the case for them is most powerfully made.

The CHAIR — Thank you, Minister. Mr Wells?

Mr WELLS — Minister, I would like to ask you about the environmental contribution levy, but before I do, can I just clarify that as Minister for Water you do not know the cost per litre of water coming down the north-south pipeline?

The CHAIR — I think you get one question, Mr Wells.

Mr WELLS — Yes, I just wanted to clarify that.

The CHAIR — We have dealt with that question. Get onto the next one, please.

Mr WELLS — We still do not have the answer. That is why I am concerned about it.

The CHAIR — Can you get on to your next question, please?

Mr WELLS — Would he like to seek clarification?

The CHAIR — We have dealt with that matter. On to your next question or else I will pass to Mr Noonan.

Mr HOLDING — I am happy to — if Mr Wells has a calculator on him, he can take $1050 million, which will be the cost of Melbourne's 75 gigalitres of water, versus $3.1 billion or $3100 million for 150 gigalitres of water. So you can see from the two alternatives there that it is very easy to work out the unit cost for each. You need a calculator and you could work it out in 30 seconds.

Mr WELLS — So what is it?

Mr HOLDING — Well, it is 1050 divided by — just do it.

Mr RICH-PHILLIPS — Just tell us what it is.

Mr PAKULA — It depends on the source of the water.

Dr SYKES — What price is it, Minister?

Mr WELLS — You said it is very easy.

Mr HOLDING — No, I just said one thousand — —

Mr PAKULA — It's a cute debating trick!

Mr WELLS — You just said — —

Mr HOLDING — One thousand — —

The CHAIR — Can we have one at a time, please?

Mr WELLS — Well, can we get an answer?

The CHAIR — The Minister has given us some figures.

Mr HOLDING — I have just said: the cost of the water, the 75 gigalitres that comes to Melbourne will be $1050 million — the capital expenditure on that will be $1050 million for 75 gigalitres of water. The capital cost of the desalination plant is something in the order of $3100 million, and that will deliver 150 gigalitres of water. They are very clear figures on the cost of — —

Mr BARBER — And what are the economic lives of those assets, Minister?

Mr HOLDING — You can talk about — it is like any question, the first question that is answered — another question comes up. He has asked his question.

The CHAIR — This is your question, I assume?

Mr WELLS — No, no, I was just seeking clarification and we still do not have an answer yet.

Mr BARBER — It is just one more question from me, and that is the economic life of the asset.

The CHAIR — The minister has actually answered that one.

Mr WELLS — He said it was a very easy answer, but he has not given it to us.

The CHAIR — Well, if you cannot divide — —

Mr WELLS — What is the cost of the asset?

Mr PAKULA — Kim, you can do it in your head. Divide 3100 million by 75 billion.

Mr WELLS — I just want to know the cost per litre.

Mr PAKULA — You just failed Finance. Sorry.

The CHAIR — I think we will all take a deep breath, and give us your question, please.

Mr BARBER — It has an economic life and a terminal value.

Mr HOLDING — It is the capital cost of the project.

Mr WELLS — What is the cost per litre? That is all we are after.

Mr HOLDING — The cost per litre or the cost per megalitre or the cost per gigalitre or the cost per kilolitre?

Mr WELLS — Per thousand litre. Give us the answer in per thousand litres then.

Mr HOLDING — The cost for 75 gigalitres is $1050 million.

Mr WELLS — Per?

Mr HOLDING — For 75 gigalitres; for 75 billion litres.

Mr WELLS — Okay. No operating costs?

The CHAIR — We can all get out our calculators later.

Dr SYKES — He hasn't done the sums until today.

The CHAIR — Look. We will get our calculators out later.

Mr WELLS — Are there any operating costs?

Mr HOLDING — Can I just say this: as juvenile as this is, Dr Sykes has just interjected to say the costs have not been done. In fact I have just indicated the costs. What they have not been done is done in the form which I can hand over to him right now, in the form that he insists on.

Dr SYKES — They have been done on the back of a scrap of paper, delivered for the question!

Mr HOLDING — In Mr Wells's case, he says that that is — —

Dr SYKES — You've done it on a scrap of paper.

Mr PAKULA — Grow up!

Mr HOLDING — I have made it very clear that that is the capital cost of that water. The capital cost. I know Mr Wells has had challenges in the past in differentiating between operating cost and capital cost — —

Mr WELLS — No, no, none at all — —

Mr HOLDING — In this case I am making it very clear: $1050 million is the cost, the capital cost, of 75 gigalitres of water.

Mr WELLS — So there are no operating costs, Minister?

Mr HOLDING — I did not say there were no operating costs. I just said they were the capital costs.

Mr WELLS — Well, what are the operating costs?

Mr HOLDING — We can move on.

Mr WELLS — What are the operating costs, then?

Ms MUNT — They are the operating costs. He still doesn't understand.

The CHAIR — I think you have had your question, Mr Wells.

Mr WELLS — He is very keen about the capital costs. What are the operating costs?

Mr HOLDING — He has had about eight questions.

The CHAIR — He has given you the capital costs.

Mr WELLS — What are the operating costs?

The CHAIR — Get onto your question or else we will — —

Mr WELLS — Are you refusing to answer or deal with the operating costs?

Mr PAKULA — I thought he had two questions!

Mr WELLS — Are you refusing the answer the costs of the operating costs?

Ms MUNT — It is a different question.

Mr WELLS — You are refusing to answer.

Mr HOLDING — No, I am not refusing to answer.

The CHAIR — No, he is not. You are putting words into the minister's mouth and that is just totally inappropriate for this committee. If you have a question ask it, or otherwise I will pass to Mr Noonan.

Mr WELLS — I was just going to seek clarification that he does not know the cost of the operating costs.

In regards to the environmental contribution levy, on budget paper 4, page 186 and 187, the government states that $227 million will be raised from 04 to 08, and that every dollar will be spent on initiatives to secure sustainable water supplies for the state, but I also note in June 07 in the DSE (Department of Sustainability and Environment) report $137 million had been expended on projects with $87 million left to be raised and expended in this financial year.

The question I would like to ask is: has the government spent or allocated all of the $227 million that it said it would collect and spend? And with the levy being extended for a further four years and expected to raise an additional $295 million, will it be spent on the existing five categories, and why did you take $14.5 million from this environmental levy fund for the food bowl modernisation program?

The CHAIR — This relates to the estimates and you may want to take some of it on notice.

Mr HOLDING — In addition to the four or five questions Mr Wells has already asked, he has asked another four or five.

What I can say is that over the four-year program for the environmental contribution levy, $225 million was generated. Of this, $11 million will be spent at the end of 2007–2008. Expenditure of this amount has already been determined and will occur in the 2008–2009 financial year, so the question of moneys that are not spent and whether or not they have been allocated, unambiguously it is $11 million, and it has been allocated.

In relation to the second tranche of the environmental contribution, I can say that this expenditure will commence in 2008–2009. The program will continue a number of the successful programs implemented under the first tranche, such as extending the river health programs managed by the catchment management authorities. You asked how this money would be spent, and what I can say is that it is planned that the second tranche will have the same funding categories as the first tranche, with the exception that the original COAG Living Murray initiative category will be consolidated into the protecting and repairing our water sources category, and in the context of how that money is being expended, that makes sense.

Mr WELLS — Minister, is the $14.5 million for the food bowl modernisation coming out of that levy?

Mr HOLDING — It comes out of that levy because a third of the savings will be returned to the environment, so it is an obvious use of the environmental contribution.

Mr NOONAN — Minister, I wanted to ask about the Small Towns Water Quality Fund, which is referred to on page 277 and is a significant investment over the estimates period. How many communities have benefited from that program and how many are expected to, going forward? Also, more generally, how does Victoria compare with other states in terms of delivering water programs and projects?

Mr HOLDING — Thank you very much, Wade, for that question. This has been a very successful program, the Small Towns Water Quality Fund program. It was originally established to assist small towns to improve their water quality and to upgrade, monitor and maintain septic tanks. The main aim of the program is to optimise public and environmental health by minimising risks associated with leaking septic tanks and to improve the quality of drinking water supplies in small towns across the state.

This program is in addition to the $64.5 million funding that was provided under two programs: the New Town Sewerage Initiative and the Country Towns Water Supply and Sewerage Program. These two programs, which have been funded, saw the replacement of something like 30 000 septic tanks, or the closure of 30 000 septic tanks and the provision of a reticulated supply for those systems that were able to see the closure of those tanks. There was also a marked improvement in water quality in those towns that were able to access water treatment facilities as a consequence of that funding.

As part of the 07–08 budget the Government provided $20 million over four years for the Small Towns Water Quality Fund. The project, planning and implementation for the expenditure of this money is well under way. In fact, a number of water corporations and rural councils have already commenced the planning of their water and wastewater solutions and the preparation of business cases to access funding under this program. I did want to say that we are shortly going to invite water corporations and local councils to submit their business cases for these solutions in 08–09.

The program will work on a one-to-one matching funding basis. There will be no limit on property owner contributions, and this is very important. Under the previous system there were limits in place, caps in place, on owner contributions. The consequence of this was that in many cases water authorities and local councils were unwilling to commit to septic tank closure systems or water quality upgrades, because they knew that the cost of those would have to be disbursed across the entire rateable base of their water authority or local council, and in some cases the closure of septic tank systems were going to the benefit of very wealthy land-holders, particularly in the small towns and seaside resorts, where there were a large number of holiday homes.

It was considered inappropriate that effectively a cross-subsidy be put in place where poorer families from larger townships across an area's catchment, across a local government area or across a water authority's area, were effectively subsidising the cost of the closure of septic tank systems for wealthy landowners in small seaside resorts because of the cap that was in place. So the removal of the cap will enable water authorities to make a judgement about which cases they actually want to bring forward and who should bear the cost of those sorts of initiatives. If they want to reduce the cost impact on local property owners, they can still do so with as much flexibility as they had, but they will not be constrained by being forced to implement it in the context of having that cap in place.

The CHAIR — Do the water authorities actually keep a record of these implicit subsidies?

Mr HOLDING — They would; it would be embedded in the business case for the program.

The CHAIR — Is it possible to get information on these implicit subsidies?

Mr HOLDING — You could approach the water authorities.

The CHAIR — Maybe we might look at some of the larger ones in our outcomes review.

Mr HOLDING — It is really targeted at smaller rural water authorities.

The CHAIR — I understand — the small towns project, yes.

Mr NOONAN — In relation to the second component of my question on how Victoria compares with other states in terms of the water programs and projects — —

The CHAIR — Are you just asking for clarification?

Mr NOONAN — It was part of my original question.

Mr HOLDING — Sorry, I missed that.

Mr NOONAN — The second component of my original question was really about how Victoria compares with other states in terms of water programs and projects.

Mr HOLDING — We have actually had some research that has been done, firstly by the Essential Services Commission which looks at a range of benchmarks across our water authorities, but also work that is prepared by the National Water Commission which compares different states and territories in terms of the performance of their water activities across a number of different areas — everything from the amount of water recycling to the billing levels that are in place or a range of other tests and measures. The ESC process, but more importantly the work done by the National Water Commission, showed that Victoria is doing extraordinarily well. We stack up well against other states in terms of our bills, in terms of the amount of water recycling that occurs, in terms of the quality of our water, in terms of the quality of our infrastructure, and whatever test you care to put in place where you can make an objective comparison between different states, Victoria is doing very well.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the Geelong–Melbourne pipeline. There is $20 million in the forward estimates provided for that project, and when it was announced last June the total cost was put at $80 million, with 20 million being funded through the budget and 60 million to be funded through a rise in water prices to the users. The most recent Auditor-General's report on *Planning for Water Infrastructure in Victoria* indicates the cost of that project is now $120 million, rather than $80 million, so my question is: how will that additional $40 million be funded?

Mr HOLDING — Firstly, we have made it clear on a number of levels. The Government contribution to this project is $20 million, so any additional contribution that is required will be funded by Barwon Water. Secondly, in relation to exactly how they wish to manage the additional funding required for that, the Essential Services Commission will oversight whatever decision is made in relation to the relative level of debt and the impact on prices and the appropriateness of that, but Barwon Water is best placed to make that judgement.

In relation to the additional cost itself, I think the issues in relation to that project centred around the final route alignment and the judgements about which was the most appropriate route that should be selected for the pipeline, and other issues around ongoing cost inflation in relation to the construction cost of a pipe-based project of that order.

Mr RICH-PHILLIPS — So if the additional cost is absorbed by Barwon Water, ultimately it will be passed on to their customers?

Mr HOLDING — Ultimately. I think we had also some advice that the price impact of that is very, very small — to the tune of a couple of per cent; from memory even less than that — the actual price in fact is point something, so it less than 1%, the final price impact on Barwon Water users. From a Barwon Water perspective, the attractiveness of this project is obviously that it enables those in the Geelong region to be connected to Melbourne's system and thus get the benefit of Melbourne's water augmentations — the desalination project, the Sugarloaf project and other projects that are occurring in Melbourne, everything from the eastern treatment plant and others, that will reduce the call on potable water supplies. Those projects collectively providing additional water security for Melbourne means that if Geelong is connected to that system, Geelong can benefit from those water augmentations, therefore a cost impact on customers of less than a per cent is a very, very small impact indeed.

Mr RICH-PHILLIPS — And that is still on track and can be delivered in 2011?

Mr HOLDING — Barwon Water is working on the delivery of the infrastructure required for that project at the moment. Obviously it needs to dovetail with the other augmentations that are occurring in that region. There is some major bore fields work being done — the Anglesea bore fields project. There is also work being done on the Black Rock treatment plant. The exact phasing of all of those different projects needs to be worked through in cooperation with Barwon Water, but our expectation at this stage is that it would still be delivered on the original time line.

Mr PAKULA — I am mindful that we are running out of time on this portfolio. Minister, on page 354 of budget paper 3, table A.20, note (b) refers to an amount sourced from the Victorian Water Trust. With that in mind, could you detail for the committee some of the projects that are being funded by the Victorian Water Trust?

Mr HOLDING — Yes. Thanks very much for that question. The Victorian Water Trust was $320 million that was put aside by the Victorian government in 2003. It had as its objective the aim of providing sustainable water supplies for Victoria. It is a 10-year investment program, and funding now under that program has basically been almost fully allocated. It is expected that by the end of the 2007–08 financial year $260 million of the trust's funding — that is, about 81 per cent — will have been spent on a number of water-related initiatives, and those initiatives will have delivered significant water savings and benefits.

Mr Pakula's question asked what some of those initiatives were. They include funding for the Water Smart Gardens and Homes rebate, which is the program which has provided something like 186 000 rebates for water savings devices that have delivered benefits of something like 1.6 billion litres of water. It has also provided funding for: the Water Smart Farms initiative, which has saved 8731 megalitres of water — almost 9 gigalitres of water; stage 1 of the Healthy Rivers program; and a contribution to the Gippsland Water Factory, which is a water treatment and recycling system.

Some other areas where 2008-09 expenditure has occurred is in the area of the Office of Housing retrofit program, which provides water-efficient showerheads for Office of Housing properties. It is about $1.2 million-worth of funding. There is $11.6 million for the Country Town Water Supply and Sewerage program and $25 million as a contribution to the food bowl modernisation project. There is actually a large diversity of programs. They all have as their theme obtaining or securing sustainable water supplies for Victoria, some in regional areas around smarter farming and modernising irrigation systems, in some cases in residential areas in metropolitan centres or regional towns, built around providing support for the provision of water-efficient appliances.

Mr PAKULA — Has that rollout of the Office of Housing retrofit started?

Mr HOLDING — It is an 08–09 program, so the $1.9 million for the retrofit program that is funded there would not have commenced yet.

Mr DALLA-RIVA — Minister, I refer you to the *Service Delivery* budget paper 3, page 232. Whilst we are going there, do you actually have a water tank in your home?

Mr HOLDING — I do.

Mr DALLA-RIVA — Minister, referring to that particular page, the target for 07–08 was 228 million, yet the expected outcome is 414.8 million. My question relates in particular to the additional $186.5 million above the target; also the increase in the forward estimates from the 228 to 277. My question relates to the issue of media, television, newspaper and radio advertising campaigns, in particular the ads that are running on the desal and the north–south pipeline. My question is: is that $186.5 million additional as a result of those political campaign ads, and are the forward estimates the increase? Are you anticipating to spend additional money on government advertising into the future?

The CHAIR — That is a bit of a long bow; maybe there are some outputs and deliverables mixed up.

Mr HOLDING — I thank Mr Dalla-Riva for his question. If I can go to both parts of Mr Dalla-Riva's question, I have answered the question around whether I have a water tank in my home. I ask and invite Mr Dalla-Riva to ask the same question of the shadow Minister for Water, Louise Asher. I am sure she will be pleased to answer that question for herself.

In relation to government expenditure on water advertising, what I can say is that we recently released our water-sharing ads, which people would have seen on TV. Included in those is the advice that you can obtain the water savings kit by ringing the hotline on it, which many thousands of Victorians now have already done. On that ad, at the time we released it, we actually released the cost of that advertising campaign. I do not have the figure in front of me, but my recollection is that it was about $2 million to $2.5 million. So I can say on any suggestion that the additional funding there is a consequence of government expenditure on advertising that I can make it absolutely clear to this committee that that is not the source of that additional expenditure there. But the Government makes no apology for spending some limited resources on government advertising and community information in this area. We think that providing the information kits — the water savings kits — that many Victorians have now availed themselves of, is actually a good thing to do. It locks in some of those water conservation savings that have been such a successful part of the measures that have been put in place to provide an interim solution to Melbourne's water shortages and also for other regional centres as well that have benefited from those campaigns.

Also, if you read the Auditor-General's recent report on our augmentation options, one of the things that he actually says is that the provision of further information to all Victorians is a really useful part of the government's ongoing campaigns around water supplies. So we think that providing the water savings kits, which have in them not just the shower timers and those sorts of things but practical information for people about the sorts of things that they can do, as well as information about the other things the Government is doing to safeguard and secure Victoria's water supplies, is actually something that is consistent with those sorts of recommendations that the Auditor has made.

Mr DALLA-RIVA — Just in relation to the forward estimates, is there an anticipated amount of money that you are going to use for advertising, in that 277? If not, put it on notice.

The CHAIR — I think you can take that one on notice because our time is up in that respect and we need to move to tourism and major events portfolio. I thank any assistants you have there.

Mr HOLDING — Just one correction: I think at one stage I said $600 million for Melbourne Water and $300 million — —

The CHAIR — You did; you meant?

Mr HOLDING — I meant 300 million for Melbourne Water and $600 million from the Consolidated Fund.

The CHAIR — Thank you for that correction. I am sure we will correct that in the Hansard transcript.

Witnesses withdrew.