

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006-07

Melbourne — 4 July 2006

Members

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Witnesses

Mr J. Thwaites, Minister for Environment and Minister for Water;

Mr P. Reed, under secretary, portfolio performance;

Mr D. Downie, deputy secretary, water sector group;

Mr K. Love, deputy secretary, land stewardship and biodiversity; and

Mr A. McDonald, chief finance officer, Department of Sustainability and Environment.

The CHAIR — I now welcome Mr Phillip C. Reed, under secretary, portfolio performance; Mr David Downie, deputy secretary, water sector group; Mr Kevin Love, deputy secretary, land stewardship and biodiversity; and Mr Andrew McDonald, chief finance officer, Department of Sustainability and Environment; departmental officers, members of the public and media. Minister, could you please give us a brief presentation? I say 'brief' but you have, according to the agenda, up to 10 minutes to run through the portfolios of environment and water.

Slides shown.

Mr THWAITES — Thank you. Starting with water, 2005-06 was a significant year for delivering the government's water agenda, and significant expense was committed on key infrastructure projects sourced from Our Water Our Future from the Victorian Water Trust and from general water initiatives. Examples of those projects include the Wimmera-Mallee pipeline — the final commitment to that was \$167 million, on top of the \$7 million already spent in planning for that and some preliminary works, so that is a very significant project; the Eildon dam wall and spillway upgrade, to which the government contributed \$26 million, has now been completed successfully; channel automation in the Goulburn and Gippsland regions, which is automatic channel control, is delivering both a better service for irrigators and also provides the potential to save significant amounts of water; the Lake Mokoan decommissioning and Tungamah pipeline is part of that.

The stressed river red gums project has had water available this year and we have been able to provide water to some of the stressed river red gums along the Murray. This year we secured entitlement for the environment for the Thomson River — 10 gigalitres — and the Wimmera and Glenelg. Very pleasingly we were able to deliver on time the Snowy project water savings, which was a major achievement — 38 gigalitres were delivered to the Snowy and 19 gigalitres to the Murray.

Around the country there has been some discussion about the water savings for the Murray not being delivered. In terms of our contribution through the Snowy project, we have delivered absolutely on time 19 gigalitres, which is available for the Murray now. That is a joint project with New South Wales and the commonwealth, although the savings have come from New South Wales and Victoria.

We have also had some major advances in terms of our water saving campaign. Last year Melbourne's average per capita water consumption was reduced by 22 per cent compared to the 1990s average, which exceeds our target. There were some \$13 million in grants from the Smart Water Fund. The Water Smart Gardens and Homes rebate campaign has successfully provided some 127 000 water rebates. Melbourne's water businesses are on track to deliver their water recycling target. We have developed a good relationship with nurseries — water saver garden centres — so nurseries are able to be a part of this project and people can go into their local nursery and get advice on water saving. Our River Health strategy has seen significant investment — some \$18 million to protect and repair water resources.

We have also been a significant part of national water reform and taken a leading role in national forums on water reform. We have reached agreement with South Australia for interstate water trading, and we have an in-principle agreement with New South Wales also for interstate trading, although there is still some work to be done before that can commence.

We are proceeding with a sales package for the Living Murray, and also generally with the Living Murray initiative, to which the state government is contributing \$115 million over five years.

We have reached agreement with other governments for them to make financial contributions to our major water saving project, the Goulburn Murray recovery package. Both the commonwealth and New South Wales governments have agreed to contribute to that and it is likely that South Australia will as well. That is by far the biggest water saving project in Australia now for the Murray. It will start delivering water from 1 July next year. The good news is that the commonwealth has backed this and the other states are backing it as well, so I think it is fair to say we are very much in the lead in water reform.

In terms of Victoria's water future, during the year I announced a major package of measures for the Yarra River totalling nearly \$600 million. Earlier this year I also released the draft central region sustainable water strategy, which sets out the proposals for water in the central region which includes Geelong, Ballarat, Melbourne and Gippsland for the next 50 years to take us to 2050. It proposes new water saving targets of a 25 per cent reduction in water use by 2015 and 30 per cent by 2020. We believe they are achievable. In the past year we have also passed through the Parliament the Water (Resource Management) Act which sets out the unbundling of water

entitlements, environmental flows and environmental water reserves. So this is a very significant year of reform and investment in water.

I will now pass to the environment portfolio.

The CHAIR — You have 3 minutes.

Mr THWAITES — It is 5 minutes; I have only done 5 minutes.

The CHAIR — Okay.

Mr THWAITES — Just to keep moving, I think I will go to the new initiatives. Some of the new initiatives in the budget in environment for this year include Great Parks for a Liveable City which provides some \$10 million in funding for new parks for Melbourne over the next four years. That comes on top of last year's very significant extra funding in the budget for parks, principally in regional Victoria.

We also provide funding for bike trails, which I am sure Ms Romanes will be pleased about, of some \$8 million over four years; funding for the caravan and camping parks on coastal Crown land; significant extra funding for fire management; and in the Zoos Victoria long-range plan there is funding of \$20 million for the seal pool. There is funding for the department through the Healthy and Active Victoria initiative and also Enhancing Game Management to deliver better outcomes on public and private land — and that is some \$2.5 million over four years.

One of the most significant challenges the department faces is fire. The 2005–06 summer was a serious fire season. The department attended some 739 fires. A cumulative total of 188 000 hectares of public land was burnt. Ninety per cent of wildfires were controlled within 5 hectares, which exceeds the target — it is significantly above the target. Seventy-three per cent of wildfires were controlled by 8.00 a.m. on the following day. So it was a real effort in terms of early response to fires. As everyone would recall, this was a very serious fire season. For example, on one day we had some 2500 calls to the Victorian bushfire information line.

The two most significant fires were probably the Grampians fire, which burnt a total of 130 000 hectares and involved some 300 firefighters from DSE, Parks Victoria and DPI, and 550 from the CFA. There were also firefighters who assisted from New South Wales, and a significant number of fire tucks, bulldozers, air cranes et cetera were used. We were able to provide extra resources because of the very significant budget investment in 2004–05 of \$168 million over four years for extra fire staff and equipment, so we are better placed in that regard.

The other fire at Moondarra in Gippsland burnt a total of 15 000 hectares. Very importantly, with that fire you saw the benefit of fuel reduction burning, where there had been significant fuel reduction burning in the lead-up to the fire season, and the fuel reduction burning stopped the fire basically jumping the road, which could have caused a real threat to property. You could see from that the real benefits of that fuel reduction burning.

The next slide just simply shows the distribution of fires right around the state. In terms of fuel reduction burnings, I want to refer to this because obviously there has been comment about this and we are seeking to raise community understanding of the importance of fuel reduction burning, but also the challenges faced in ensuring that fuel reduction burning can be conducted safely. This year and for the past season we had 150 project firefighters employed until the end of May 2006 to carry out burns.

The problem that we faced this year was that it was a very poor weather year for fuel reduction burning. People will recall from the Commonwealth Games how hot it was. It was far too hot through March to do fuel reduction burning in most of the state. Then people will recall we had almost no autumn: we went almost directly into winter, with very low temperatures, and it was fairly damp and wet in April. That meant that our main fuel reduction burn time, which is essentially March, April and early May, was severely constrained. We had only about six to eight burning periods available over autumn, which is much less than we had the previous year.

Last year we did carry out our full target, which was around 130 000 hectares. This year we just simply have not been able to do that. We had all the staff there, we were ready to go, but the weather just did not allow it. I think people would understand obviously from previous incidents that you cannot do fuel reduction burning when the weather does not allow it.

In terms of parks, it has been a significant year. I mentioned the metropolitan parks, also the Otways — the new Great Otway National Park was established with extra funding of some \$13 million. We have also had a significant and continuing effort on weeds and pests.

In terms of the sustainable state, we made significant contributions to BushTender to encourage farmers to be involved in improved land practices and to be able to get funding for that, a new approach to native vegetation, and BushBroker has been established. The planning minister and I made a major announcement in relation to the coast with the coastal spaces report, backed up by funding of some \$2 million. I think that completes my time.

The CHAIR — Thank you, Minister. I would like to start on the water portfolio. In your overheads you referred to the draft central region sustainable water strategy. Could you please outline to us in some detail how that is intended to achieve Melbourne's future water needs?

Mr THWAITES — The draft central region sustainable water strategy is a plan to secure water supplies for the whole region, not just for Melbourne but for Geelong, Ballarat and West Gippsland, and also to ensure that we have a healthy water environment, which means healthy streams and ground water. It has a 50-year time frame. Protecting and improving the health of the region's rivers is a very high priority in that. To do that we have a very public process which enables all of those involved — whether they be water authorities, councils, local communities, farmers, townsfolk — to have a say on the draft strategy which we have now released and to provide input into that. There is also a panel that has been set up to provide recommendations to government. That panel is essentially the water trust council, headed by Professor Peter Cullen. That process is under way now.

We have, in the draft strategy, made some important proposals, including setting a new target for water saving for Melbourne of a 25 per cent reduction compared to the 1990s, by 2015, and a 30 per cent reduction in water use per capita by 2020. Water saving is the cheapest and best way to find more water. It is a lot cheaper than infrastructure and we have shown that we are good water savers right across the state. We are also proposing to work with business. We initially worked with the top 200 water users. We will now be working with the next 1000 top water users in industry to reduce their water use. Already we are getting some major businesses — Carlton and United Breweries, for example — significantly reducing their water use.

The government also, as part of this, needs to ensure there is security for farmers and particularly, for example, we have the irrigators in the Macalister region. I think now the government has developed a good relationship with farmers and irrigators where irrigators understand that we are not about reducing the security of their businesses or taking water from them. This is about ensuring we use water in the most efficient way, and that has been very productive.

As part of the draft strategy we have indicated that we support connection of water supplies between parts of a region. That means we can get more efficient use of water — there might be one area that is particularly dry in a particular year and can get access to another area's water. That is consistent with the national water initiative principles. However, we have said that it is not government policy to interconnect Melbourne with irrigation water from north of the Great Dividing Range through the Goulburn–Murray system.

We basically indicated that because we strongly believe the north of the state does need the water for its regional development and for Victoria's economic future. The amount of water that Melbourne will need in the future is significant, and Melbourne people need to look within its own region first to make savings and efficiencies rather than looking to go north of the Divide.

Mr CLARK — My question relates to a fundraising campaign being run by Parks Victoria, selling two furry toys to raise funds. I refer to Ranger Roo and Ranger Bear. They are to raise money not for Parks Victoria but for two non-government organisations, the Mount Macedon trust first of all and the People and Parks Foundation.

Why is Parks Victoria carrying out fundraising on behalf of two non-government organisations? What is the legal status of those two bodies and why is the switch made from one to the other? How much money is being raised through the sale of these toys? What is the accountability of those two bodies back to the government? Finally, why is a non-native animal like the bear being used as a fundraising mascot for Parks Victoria?

Mr THWAITES — Parks Victoria has been very successful at community engagement and raising general support in the community for parks. This is what this is all about. The Parks and People Foundation is all

about ensuring that there is more and more public discussion, debate and interest in parks and interest in the principles of Parks Victoria. That is the background to that.

There are also a number of non-government organisations and foundations that Parks Victoria works with to promote those ideas. Whether they are organisations like the VMPA, or other organisations, they have the same sort of ideas. This effort is about that. It is about promoting public understanding, public support for the principles of parks and being able to do that in a way that at times might be a bit of a gimmick and attract public attention. That is why Parks Victoria participates in those sorts of the activities.

Mr CLARK — Why the switch between the two bodies, how much money is involved, what accountability is there and why use a non-native animal as a mascot?

Mr THWAITES — In terms of the last question first, I suppose it is a matter of what will attract attention and what is going to be something that might attract children and others to particular projects. That is the reasoning and assessment they have made. In terms of the various organisations where funds are government funds, they have to be accounted for through all the proper auditing and accountable processes, but where they are private organisations and Parks Victoria participates by supporting them, obviously they are not subject to government auditing but will be subject to ordinary commercial principles.

Mr CLARK — Do these funds come into consolidated revenue and then be paid as grants to recipients?

Mr THWAITES — No, they do not go into consolidated revenue.

Mr CLARK — So what funds have been involved or handed over to the two bodies as a result of this program?

Mr THWAITES — You cannot say because it depends on how much they raise. There are private donors who may be making donations to these various projects.

Mr CLARK — Parks Victoria is involved in a fundraising progress with advertising on its web site, so surely the money is coming into Parks Victoria and is being handed out. How many dollars are being raised under this fundraising program?

Mr THWAITES — I cannot tell you the amounts, but I can find out.

Mr CLARK — I would appreciate it if you could.

Ms ROMANES — Minister, on page 218 of budget paper 3 there is reference to ‘Healthy and productive water systems’, and one of the sustainable outcomes sought is ‘reliable and safe urban water and sewerage services as demanded by customers’. Could you tell the committee more about the delivery time frame for projects under the Country Town Water Supply and Sewerage program, the impacts on the general customer base and how the funding has been allocated to projects?

Mr THWAITES — These water supply and sewerage projects are very important for country towns that do not have sewerage or, in some cases, have water supply issues. The projects will be carried out over the next four years, and we have gone through a process of working with local government to determine the highest priority projects. Having gone through that process, we have allocated funding of \$6 million for 15 innovative projects. Essentially they are projects that are not full sewerage schemes but innovative alternatives to full sewerage schemes. We have allocated funding of \$21 million to 37 high-priority schemes across the state but particularly in areas like Gippsland, where there have been a number of problems with sewerage in the past, and this will provide tremendous assistance to those towns. These projects are carried out on the basis of a maximum contribution by householders, and there is a real benefit to householders in that regard as well.

We also have \$12 million allocated for three projects under the Gippsland Lakes package. One of the real reasons we have seen pollution in the Gippsland Lakes has been because of inadequate sewerage in some areas, and that is why we have provided that extra funding. We have also provided \$3 million to assist councils to prepare domestic waste water management plans. In terms of the impact on individual customers, it will have an impact on sewerage tariffs, because apart from government funding the water authority has to contribute some funding towards it, and generally that is less than 10 per cent. So we are talking about a very significant additional benefit, and generally the tariff has been less than 10 per cent.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the funding provided for fire prevention on page 227 of budget paper 3. Output funding is shown as \$118.3 million for the budget year against an expected outcome of \$100.4 million for the 2005–06 year. However, there is no increase in the target for fuel reduction burning. Could you please outline to the committee the nature of the \$18 million increase, what that is comprised of, and why there has not been a commensurate increase in the target for fuel reduction burning?

Mr THWAITES — I will just get some advice in terms of the specifics of that. There is a range of different aspects of the additional funding to take it up to \$118 million, but \$8.4 million of it is largely related to aeronautical expenditure — aircraft expenditure — and revenue that is received from other jurisdictions in relation to that aircraft expenditure; that is a significant amount of it.

There is \$2.2 million of it for indexation, so that is extra funding required for wages. There are small amounts for the capital assets charge and depreciation. This year there is an extra \$2.8 million funding for the public fire initiative, so the real extra funding for 2006–07 is some \$2.8 million. On top of that there is \$6 million additional funding for the new fire model. All up, the additional funding this year for fire suppression and prevention is around \$9 million. That gives you a better picture.

In terms of the reason for that extra funding and how it relates back to the targets, a substantial part of that extra \$9 million — about \$6.5 million — is for the new fire model, which was an outcome of the Wilsons Promontory investigation. The investigation indicated that when you do fuel reduction burning, you need to have the same approach to it as you do to fire suppression in the wildfire season. That essentially means having more staff and more senior staff. Traditionally fuel reduction burning was seen as something you did at the end of the year, perhaps without the same level of intensity and caution that you would attach to a wildfire. So we are putting in extra funds to ensure that the fuel reduction burning we do is done in a safer way. However, there is also funding for extra staff to be available for longer periods of time.

You asked why the area of fuel reduction burning is not increased. It is essentially because of the limits we have due to weather. Having more staff does not mean you can burn more, because you are limited by the number of days you can do it. We believe that 130 000 hectares is a reasonable target. We were able to achieve it last year, and we will certainly seek to achieve it in the coming year, but we will have more staff with a higher level of skill doing it because of the outcomes of the Wilsons Promontory fire investigation.

The CHAIR — When the staff you have referred to are not engaged in fuel reduction burns, are they employed doing other duties or are they employed specifically at times for the fuel reduction burns?

Mr THWAITES — There is a range of different categories of staff. There are the project firefighters, who have traditionally been put on for just a few months over summer, usually about three months. We are now extending the period of employment for a large number of those firefighters out to six months. That means they are able to do the fuel reduction burning principally in the autumn but also some in spring, and that is all they do. They basically just do fire management.

As part of our overall fire initiatives we are also employing more fire specialists who essentially do fire suppression and fuel reduction burning during the bushfire season, and then in the off-season they will do training, planning and all those other aspects of fire management. But when they are not doing that, they can do other things that are related to fire management — for example, maintaining roads. One of the big issues in fire access is roads, so by having more staff we can do more maintenance of roads as well.

The CHAIR — So that I am clear, the overhead that you had headed ‘Fuel reduction burns’ shows that we have had only two periods when burning could be done safely during autumn; staff who were employed for reduction burns could be put into, for example, road maintenance? My understanding was that that could not happen.

Mr THWAITES — Theoretically they could, but practically they are sitting around in some cases waiting for the weather, to be ready. In a number of cases I think it is fair to say that basically we had staff on a location ready to go and then the weather just did not allow them to, so they could not be used doing anything else.

The CHAIR — That is clear. Thank you.

Mr SOMYUREK — Minister, you referred to the National Water Initiative in your presentation earlier. Can you please detail the progress made in implementing the National Water Initiative, expanding interstate water trade across the southern MDB and implementing key Victorian government commitments under the Living Murray initiative during 2005–2006?

Mr THWAITES — Thanks, Mr Somyurek. The National Water Initiative is a very important initiative of which Victoria is a major supporter. One of the key aspects of the National Water Initiative is interstate water trade. Victoria has signed a bilateral agreement with South Australia for interstate water trade. That was signed in February this year. In May, we reached agreement in principle with New South Wales for interstate water trade, but it is subject to the ACCC examining the exit fees and other rules that New South Wales has which, if they were to be implemented immediately, would have disadvantaged Victorian farmers. That is why we would not sign up to interstate water trade with New South Wales — until we had that security for our farmers.

The National Water Initiative does require a new cap for water trade out of districts, which is 4 per cent. Previously it has been 2 per cent. That is going to be implemented from this year. That is quite a significant change and quite a challenge for communities, because where before as soon as the 2 per cent cap was reached there would be no more trade out of that district, now it will be 4 per cent. I think that will cause some level of discussion in a number of communities.

In relation to the Living Murray initiative, the government is committing \$115 million over five years to water recovery. Victoria is leading the way in terms of actually getting that water recovery. We already have two major projects which together total 169 gegalitres of our total commitment of around 200 gegalitres, so we are very close to reaching our total commitment already. Those projects are the Goulburn Murray project and Lake Mokoan. The government has formalised agreements with South Australia and New South Wales in relation to those projects, so we have support from the other states and the commonwealth to do those projects.

So I think in summary it is fair to say that we are implementing the National Water Initiative successfully, we have support from other states and the commonwealth for what we are doing and we believe we are on target to deliver our obligations under that.

The CHAIR — Minister, by way of supplementary, did you cover when these various arrangements will take effect — the date?

Mr THWAITES — In relation to the trading, interstate trading has already taken effect with South Australia, so there can be interstate trading. With New South Wales it will take effect once the ACCC has concluded its investigation of the exit fees and other matters. Then it comes back to New South Wales and Victoria for final agreement. In relation to the water saving projects, the main water saving project, which is the Goulburn Murray project which delivers around 145 gegalitres — that is, 145 billion litres — takes effect any time after 1 July next year.

Mr BAXTER — Minister, the Treasurer at page 6 of his budget speech referred to the:

\$30 million towards building a new pipeline to secure Bendigo's water supply and the future of surrounding irrigators.

I wonder if you could give the committee some of the technical detail of that proposal, such as the size of the pipe, the per megalitre pumping costs, what is the maximum lift, and will it mean a change in the operating rules for Lake Eppalock?

Mr THWAITES — The government has, as you indicated, announced a \$30 million contribution towards that very significant project which will provide security for Bendigo for its water future, and also will provide security for the farmers who are part of the Bendigo water system— the Coliban water system.

Mr BAXTER — Are you including Campaspe irrigators in that, or do you mean specifically those supplied by Coliban?

Mr THWAITES — The ones provided by Coliban, which the Campaspe are not, but there are obviously significant farms all round Bendigo that are provided by the Coliban system. The questions that you ask: it is too early to give an answer to that level of detail because that detail is being worked through now. Obviously the commitment has been made — the \$30 million commitment. The general route of the pipe has been determined from the Waranga channel into Eppalock. The general size of the maximum call, which is around

20 000 megalitres a year maximum, is the framework, but the detailed design of the pipe — and the project is under way now — once that has been completed that information will be available.

Mr BAXTER — I find it difficult to believe, Minister, that a figure could have been put on this project, as worthy as it might be, if the basic criteria, such as pumping costs, have not been estimated. How does one assess an estimated cost, and is it a viable project if you do not know the pipe size, you do not know the pumping costs, and you do not know the maximum lift. It must be stabbing in the dark, surely?

Mr THWAITES — No, it is not stabbing in the dark because there has been an enormous amount of work already undertaken. There has been a feasibility study carried out by GHD which examined the feasibility of the project and looked at other alternatives. In carrying that out they have made reasonable estimates, for the purpose of a feasibility study, of the costs, and that was the basis on which the government made its decision to contribute \$30 million.

Work has been done by a reputable engineering company but, as with all of these projects, you carry out general work to determine the feasibility of a project, the general costing of it. The government has made a decision to make a commitment to that, Coliban has made a decision that because of the great threat to Bendigo's water future that they need to go ahead with it. Then, as in all of these projects, the detailed planning is carried out, and the final engineering and other aspects are finally determined.

It is the same as, for example, on the Wimmera-Mallee pipeline. The government committed to the project and the federal government committed, on the basis of the feasibility studies that have been carried out, but then subsequent to that the detailed planning and implementation has to be carried out.

Mr BAXTER — You referred to the GHD consultancy report. I understood that to be on another proposal to augment the Campaspe irrigation district, and that when this announcement was made, that work was suspended and GHD started to look at this proposal. Is that the scenario and, if so, has GHD reported on this proposal?

Mr THWAITES — That is in fact incorrect. What GHD did was look at a range of proposals. I cannot give you the exact number, but there were certainly about six or seven different proposals.

Mr BAXTER — Including this one?

Mr THWAITES — Including this one. They looked at this one; they looked at a proposal to connect the Waranga Channel direct to the Campaspe Weir; they looked at a proposal that was put up for Campaspe farmers to sell their water to Coliban, so that Coliban would take it out of Lake Eppalock. So GHD did consider each of those. On the basis of the work they did, they made an estimation of the costs of those systems and provided an interim report to government, essentially recommending the three that I have indicated be considered with their costs — that is, going from Waranga to Campaspe Weir, from Waranga to Lake Eppalock and purchase of the water rights. That report gave an indication of costs, the benefits and disadvantages of each proposal. On the basis of that information the government made the decision to invest \$30 million, and Coliban made the decision to go ahead with the pipeline to Lake Eppalock. Essentially, the reason for that was because it was the only solution that provided security for Bendigo if we have another very dry period in the next 12 months.

Mr BAXTER — It is the interim report; you have not got the final one from GHD?

Mr THWAITES — The government had already made its decision on the basis of the interim report — and Coliban did too. We believed there was enough information there to make the decision to go ahead. The reason for that, as I indicated, is that it was the only way there could be a guarantee of security for Bendigo if we have a very dry period. The problem with putting a pipeline to Campaspe Weir is if we had a dry year, that still would not provide sufficient extra water for Bendigo, so you would be spending the money and not getting the security of supply.

The CHAIR — By way of supplementary, so I am clear for our report, have you got figures of what is the contribution from the commonwealth and what is the contribution from Coliban, and is there an expectation that this project will commence in the 2006–07 financial year?

Mr THWAITES — The contribution from the state is \$30 million. The estimated project cost is \$70 million, and Coliban is seeking federal funding to match the state, to make up the balance, and we have not had

an indication from the commonwealth if it is going to contribute. But Coliban has indicated that the water situation in Bendigo is so severe that if it does not get the commonwealth contribution, it will do the project, but it will mean that the people of Bendigo and the farmers in that area that use that system will have to fund the balance through their water rates.

Ms GREEN — Minister, the first slide that you presented today referred to the Our Water Our Future plan and an allocation of \$61 million. Could you detail how this funding is being spent and the current progress of the government's reform program?

Mr THWAITES — The Our Water Our Future project is a very significant project for the government. It sets out some 110 actions to secure Victoria's water future over the next 50 years. It is a plan that balances the environment, city and farmers. A very significant part of the plan was the Snowy River, which I referred to, and, as I indicated, we were able to deliver our water savings targets for the Snowy on 1 July 2005 with 21 500 megalitres of water going back into the Snowy, so if you go and have a look at the Snowy, there is more water going down it.

There is 19 000 megalitres going into the Murray out of that. We also provided 10 000 megalitres of extra water to the Thomson, and that has already been very well received, not only in terms of environmental but also for recreation use in the Thomson. In terms of the Living Murray I have indicated that we are leading the way with the Living Murray initiative and getting other governments support for that.

The other major projects in Our Water Our Future are proceeding well, such as the Wimmera–Mallee pipeline. We have now released the tenders for that, so the tenders are out for the first stage of the Wimmera–Mallee pipeline. The Eildon dam wall has been completed. We are undertaking the automatic channel control in Macalister and in parts of the Goulburn system, and we have started the Tungamah pipeline project. So all up, we are seeing very significant steps forward in terms of Our Water Our Future.

At the same time our water savings projects are going really well. There is great support right around the state for water saving. People in Melbourne have saved 22 per cent on water use compared to the 1990s and we are seeing that replicated in other parts of the state as well. All up, I think it is a good example of a good policy which came out of a good process. There was a lot of public input and we 600 submissions into the white paper Our Water Our Future, and we were able to complete a document that around Australia is regarded as a leading — probably the leading — public water policy document in the country.

The CHAIR — By way of supplementary could you outline, if you have it here, any of the asset funding of the \$3.5 million and the projects that it is going to be spent on in this financial year?

Mr THWAITES — Which \$3.5 million is that?

The CHAIR — In the Our Water Our Future initiative we have got a note here that there is asset funding of \$3.5 million allocated for 2006–07.

Mr THWAITES — That was just one aspect of many. That was for public bores — bores into ground water. We are refurbishing them and that was just one of many projects funded through Our Water Our Future.

The CHAIR — The output funding was \$60.4 million for 2006–07 from that same announcement. Have you got an indication of that with you here today; otherwise we could follow it up later?

Mr THWAITES — I can provide a breakdown of that but essentially it is for all of the different projects that I have referred to.

The CHAIR — That is good enough, thank you.

Mr CLARK — I want to refer, Minister, to the processes that you follow in exercising your powers under the Flora and Fauna Guarantee Act 1988 and the Wildlife Act 1975 to protect endangered species in Victoria, and I refer in particular to the Mallee emu-wren which, as you will know, has a question as to its future in relation to the proposed toxic waste dump at Hattah-Nowingi. I want to ask you, in relation to your responsibilities under these two Victorian acts, what actions have you taken so far to satisfy yourself that the Mallee emu-wren will be able to survive if the toxic waste dump goes ahead? What actions do you propose to take in future to exercise your responsibilities under those acts, and would you be prepared to exercise your powers under those acts to prevent the toxic waste dump going ahead if you considered that that endangered the future of the Mallee emu-wren?

Mr THWAITES — The appropriate process for me is to follow the recommendations and government decision in relation to the recommendations of the planning panel, which is currently determining its position on the hazardous waste facility. The whole purpose of having an environment effects statement is to give ministers advice on their various statutory responsibilities — environmental particularly — in relation to a particular project. And that is exactly what this process is doing.

There is a full and comprehensive environment effects statement process under way now. There is a panel that has been appointed to hear submissions and make recommendations on all those issues. That panel will make recommendations and obviously the government will then consider them. That is how I will fulfil my statutory obligations in relation to that issue.

Mr CLARK — Once you receive the panel report you will then consider whether and to what extent you should exercise powers that you have under those two pieces of legislation?

Mr THWAITES — Yes, that is exactly right. That was your question. Could you repeat the question at the end?

Mr CLARK — I was asking to what extent have you to date and to what extent are you prepared in future to exercise your powers under those two acts in order to protect the Mallee emu-wren, if necessary, including prohibiting the toxic waste dump?

Mr THWAITES — I think there was an assumption in the question that the facility would have a negative effect and you asked what I then would do. I am saying the appropriate way for me to proceed is to take account the independent environment effects statement panel and to carry out my statutory roles on the basis of that.

The CHAIR — Minister, I would like to take you to the Wimmera-Mallee pipeline issue. I would like you to detail the current progress on the implementation of that pipeline. You mentioned briefly in passing in relation to the overheads and to a couple of other questions some detail on that. Particularly I would like to know what progress was made on the project to date and what you expect in the current financial year. Also, what was the expenditure of the project to date?

Mr THWAITES — Thanks. The Wimmera-Mallee pipeline is an incredibly important project and it is vital for the future of the whole region. It is particularly so at a time when water storages in the region are devastatingly low. I think they are less than 7 per cent currently. It is also worth remembering that if it were not for the northern Mallee pipeline project a number of towns in the northern Mallee would be out of water, or would have had to have water carting for a number of years. This sort of project is absolutely vital if towns are going to survive.

It will provide about 80 000 megalitres of water a year on average for the environment and for the Glenelg and Wimmera rivers. But it will also provide much more security for towns and farms in terms of their water supplies. The Victorian government and the national government have each contributed \$167 million towards the project. In addition there is some prior expenditure which I think you asked about. The prior expenditure is \$7.8 million, which has gone into planning and design works and into completing the Cannie Ridge and Patchewollock areas.

The tenders for the construction went out on 31 May for the first stage and we will wait and see the outcome of that. There has already been some expenditure in 2005-06 relating to the set-up of the project team — the project office, et cetera — and also some early pipeline installation works around Halls Gap. But the major part of the project will commence in this financial year once we have gone through the tenders for the first stage. We are also releasing expressions of interest for the next stage and so we will have a rolling program of works over the coming years. It was originally proposed to be a 10-year project and now we are looking at what possibilities there are for acceleration of the project.

Mr RICH-PHILLIPS — Minister, I would like to take you to the issue of the EPA's role in the implementation of the broiler code, which is a matter for the Minister for Planning and which came up in a hearing with the minister last fortnight. You may be aware that the Minister for Agriculture, who also has a role, received a report from the broiler code committee on the simulation studies of odour dispersion from broiler farm complexes, which is a matter where the EPA gets involved. In this report it states:

There is little reliable data establishing what are best and worst practice odour emission levels from broiler farms. Levels of odour emission rates from commercial broiler sheds have been measured to range from 500 000 to 3 million odour units per minute per 40 000-bird shed. In the absence of firm data, the EPA has been applying 2 million odour units per minute per 40 000-bird shed in its 'worst case' assessment of broiler performance required under the SEP AQM —

the state environment protection policy air quality management. Given how controversial these decisions are on the broiler farm application, is it acceptable for the EPA to be applying an arbitrary assessment figure, and when can we expect the EPA to be able to provide accurate data for these assessments?

Mr THWAITES — The EPA has an independent statutory role, so as a minister it is not appropriate for me to interfere with that or to direct the EPA in a particular way in the carrying out of those responsibilities. The EPA's reputation is very high in terms of providing that advice. I would expect it would in carrying out its role meet the sorts of obligations you would expect for a high-quality environmental protection authority.

In relation to that particular case I cannot comment particularly. As you say, it is essentially a matter for the Minister for Planning, and he has the role to make those determinations. I do not have the role to direct the EPA. It is a matter for it to assess what is the appropriate type of investigations or recommendations to make.

Mr RICH-PHILLIPS — But clearly the recommendation to the Minister for Agriculture highlights a shortcoming in the way the EPA is operating under the broiler code, in providing information under the broiler code. What can be done to address that by you as the minister?

The CHAIR — That is an assumption you have made.

Mr RICH-PHILLIPS — That is the state of the report.

Mr THWAITES — I think you have overstated it.

Mr RICH-PHILLIPS — There is little reliable data.

Mr THWAITES — I do not think it does say that and, as I said, it is a matter for the EPA as an independent body to itself ensure that it does the appropriate testing, and I think everyone's experience with the EPA is that it does that.

The CHAIR — Thank you, Minister. We will have a 5-minute break.

The ACTING CHAIR (Ms Romanes) — I have a question relating to page 225 of budget paper 3 in regard to the management of parks, forests and public land. Can you inform the committee what progress there has been on initiatives associated with ending grazing in the Alpine National Park?

Mr THWAITES — As the community would be aware, the government ended cattle grazing in the Alpine National Park last year to protect one of our most important natural assets. Most of the cattle licences expired in August 2005 — 61 of them — but 4 of them expired on 30 June this year.

As we indicated at the time, licensed grazing does continue in the high country in the state forest, just not in the Alpine National Park. At the time we made the announcement, we also indicated a package of measures totalling \$7.5 million to support the high country through a range of measures, including transition payments for the cattle licensees, improving the natural condition of the park, supporting local tourism and supporting high country cultural heritage. In relation to the transition payments, 43 of the 45 licensed contact persons have applied for assistance payments, so that is 95 per cent. In year 1 some \$682 000 has been paid out in transition payments.

In relation to the natural values, Parks Victoria has been provided with extra funding to improve weed and pest control in the park. That has included programs to remove broom, foxes, feral pigs and wild horses. We have also had a great program with volunteers to assist in rehabilitation of some of the alpine bogs that have been damaged. There was about 18 000 hours of volunteer time donated over the summer period.

Some of the high country festivals have been supported, including the Mansfield and Mount Buller high country festival, the Man from Snowy River Bush Festival in Corryong and the Mountain Cattlemen's Association annual get-together. We are also working on protecting some of the huts. The historic Fry's Hut on the Howqua River was repaired using funding from the program. We are also working with local business on projects for encouraging

tourism in the area. Finally, on the issue of the Bogong Road, we are waiting for funding from the commonwealth government.

Mr BAXTER — Minister, as I understand it unbundling of water entitlements has been postponed until July next year largely because of some concerns expressed by some of the municipalities that have significant irrigation districts within their boundaries, with the effect that it might have destabilised their rating base. The delay is to give some opportunity to work through that issue. Could you inform the committee where that is at, and what the input of your department is in terms of working with those municipalities to identify a fair and equitable rating regime post unbundling?

Mr THWAITES — In fact the major reason we agreed to defer the unbundling to 1 July was not that; it was mainly because of discussions we had with the VFF and the irrigation community, where they believed it was appropriate to have more time to work through the issues and explanations with irrigators themselves, and also to implement the whole project at the beginning of a new irrigation season rather than part way through. So that was the fundamental reason, not the council issue.

In relation to the council issue, we have agreed on a separate arrangement with the MAV essentially to continue the existing rules on rating and the burden of the rates, if you like, while we carry out a study on alternatives for the future. We are carrying out that study now but it is not yet finished. In the meantime, there is no real shift because we are continuing with the valuation which keeps the water right as part of the rate. So it is not affecting councils.

Mr BAXTER — Is that going to continue until this study is finished?

Mr THWAITES — That will continue until the study is finished.

Mr BAXTER — Even though unbundling might come into place in the interim?

Mr THWAITES — That is right, yes.

Mr SOMYUREK — Minister, if I can take you back to the management of parks, forests and public lands referred to on page 225 of budget paper 3. I would like to raise the issue of land rehabilitation and private land-holders. What is the government doing to encourage private land-holders to participate in land rehabilitation?

Mr THWAITES — There is a range of programs that the government is supporting. Obviously Landcare is very important and critical, and we in Victoria provide more direct state assistance to Landcare than do other states. We do that through Landcare facilitators and through the second generation Landcare program.

We are also now establishing a new program, BushBroker, which is an important new development in providing on the one hand some extra opportunities for land-holders to protect their land but also for developers or farmers to obtain offsets for native vegetation clearing. The way BushBroker works is that essentially farmers who want to improve their land are able to give an indication to BushBroker of their projects and put them on the register, and then if a developer or a farmer needs an offset because they are going to clear some native vegetation, they can then use that work that is being done by the farmer as the offset and pay for that.

Essentially this is a market-based system that we are setting up where we are going to provide an extra incentive for farmers to rehabilitate their land and also a more efficient way for developers and farmers to obtain their offsets. We have already received some 60 expressions of interest from land-holders on 150 sites, covering some 40 000 hectares across the state. So you can see in a very short time this is stimulating a lot of interest.

We have within the Department of Sustainability and Environment, I think, probably Australia's leading economic team in terms of new market ideas for supporting the environment. It is really the way of the future, rather than traditional regulation, to provide market incentives for business, farmers and others to look after the environment.

The ACTING CHAIR — Is there a dollar allocation for that?

Mr THWAITES — There is this \$2.8 million to establish BushBroker. Essentially that is going into the considerable amount of work that needs to be done to support it, but the dollars in the system are private dollars. Once we set it up, instead of the government just subsidising or funding this work, it will be the private market which will pay for the rehabilitation as part of their offsets for native vegetation.

Mr CLARK — I want to raise the issue of the condition of the Yarra River and other metropolitan waterways, and in particular the level of E. coli contamination in them. As I understand it, the latest relatively comprehensive data set is that published by Melbourne Water on water quality data 2004 which was released in 2005 in its essential facts publication. That shows some pretty striking levels.

I understand 200 organisms per 100 millilitres is regarded as a safe level. If you look at its figures for, say, Darebin Creek at Clark Road, Ivanhoe, the 50th percentile of 890, a maximum of 9800; Mullum Mullum Creek at Deep Creek Reserve, Warrandyte, 875 50th percentile, 3600 maximum; Dandenong Creek at Boronia Road, Wantirna, 390 50th percentile, 8600 maximum. One of the most striking of all is Gardiners Creek at Glenferrie Road, Hawthorn, 1900 50th percentile, 33 000 maximum.

What I want to ask is: when is the next set of data readings from Melbourne Water due out? If you have received any feedback from Melbourne Water so far, can you update the committee on what you have found out? Would you agree that this does show there is a serious problem with our waterways? Can you give the committee any indication of when you expect that the various measures you have announced will have some noticeable impact on this problem?

Last of all, I gather community bodies such as the Friends of Gardiners Creek are struggling to get funding even of modest levels, like \$60 000 for wetlands improvement projects that would perhaps alleviate the situation there. Why are community groups like that struggling to get relatively modest amounts of funding that would contribute to helping with this problem?

Mr THWAITES — There were about 10 questions there but I am happy to do as many as I can recall. In relation to the statistical data, I do not have any further reports today. However, what I can indicate is that under our government there is very regular reporting, and public reporting, of the water quality data in the Yarra. That is far more extensive reporting than occurred under the previous government. We are extensively reporting, giving people information on a regular basis about the water quality in the Yarra.

Mr CLARK — When do you expect the next Melbourne Water *essentialfacts* to be out?

Mr THWAITES — I do not know; we can check on that. But as well as that report there is the regular reporting on the web that is available publicly. That is the first point.

The second point is you made statements in your lead-up about a so-called safe level — 200 parts was, I think, the figure you gave. The point that needs to be made there is that that is for primary contact. I think that for general recreation use the general recommended level is around 1000. But the most significant point is that the basis of that is not to be calculated in terms of a figure that is just after rain. The figures you have quoted I think you will find are shortly after rain.

Mr CLARK — I have given 50th percentile and maximum figures.

Mr THWAITES — That is right. We know that after rain you are going to get, in an urban area, significant wash-off of contaminants and pollution into the river. In a city of 4 million or more people, that is going to occur. What we are seeking to do is to continue to reduce the level of contamination and pollution in the river. We are doing it backed with the most significant investment we have seen in the Yarra ever — some \$600 million.

That \$600 million investment includes the northern sewer — a major new sewer which is going through the northern suburbs, but of course the benefit is there for the whole of the lower Yarra. It includes the acceleration of the septic tank replacement plan in the Yarra Valley water system. It includes \$20 million to tackle urban stormwater pollution and working with councils to do that. The main focus is on reducing contamination, reducing litter into the river. It does include extra funding of some \$3.8 million for community support and involvement.

You referred to a particular group. I am not sure whether it has applied for that funding but there is very widespread funding available for that. We are working with a number of friends groups and others, not just in terms of water quality but also the repairing of vegetation and removing weeds. If you go along the river now, along the banks you see significant improvements in a number of areas.

We are also putting more funding into investigating where the point sources of pollution are, particularly, for example, faecal pollution. We have been able to track down a couple of those sources but it is a bit like looking for

a needle in a haystack — it is not simple. We are working with the EPA on doing that, and with councils once again. For example, we were able to track down a source from the Stonnington transfer station. We were also able to track down a source from a particular drain — I think the Harper Street one in Abbotsford. We are out there doing everything we can to track down these sources. This is a project that is being overseen by an independently chaired Yarra coordinating committee. That headed up by Professor Barry Hart. We have a comprehensive and coordinated approach.

In terms of time — you are asking how soon — this is a major project and is something that has not occurred overnight. Your party is very vocal now with exaggerated claims about the state of the river. Of course, these sort of E. coli readings were there when you were in government; it is just that you did not release them. That is the real difference.

Our government has been much more open about releasing these figures. Unless you have some evidence that in the 1990s the E. coli levels were not like that, which I would be very interested to see, the truth is that the river itself has over its whole history since European settlement been the recipient of pollution from industry and from households. In the 1970s there was a significant improvement when most of the more serious industrial pollutants were removed and subsequent to then there has been a much more gradual improvement but certainly the river is much healthier than it was in that period in the 1970s and 1980s. With the investment we are putting in we will see a continuation of that improvement.

Mr CLARK — In terms of performance measurements and when you expect to get results, what results do you expect to get?

Mr THWAITES — These are long-term projects. The northern sewer project is a multi-year project so there is not going to be — you can't! Once again I do not know that your party has a solution and I have not seen any policies that will remove the E. coli now. It is a comprehensive approach that is needed and is taking some time. As stormwater contaminants from the \$20 million is implemented, there will be a reduction; as we complete the northern sewer there will be a further improvement but these are projects that take some time to complete.

Ms GREEN — In your presentation you referred to the coastal spaces report. Could you provide further detail on the strategies in place to manage the environmental impact of growth on our fragile coastal areas.

Mr THWAITES — As you say the coast is a very fragile area, and we as a government are investing significantly to protect the coast. In April this year the Minister for Planning and I announced the government's response to the coastal spaces report and we also identified \$2 million in funding to go towards further protection of the coast, with \$1 million being provided from the provincial statement to support coastal councils in planning and managing change. One of the big things is sea change with people moving into areas like the surf coast which puts a lot of pressure on that area. We are providing funding to the council there and other councils to do strategic planning about how to better manage that.

There is also funding of some \$600 000 to progress implementation of the landscape assessment project so we can determine what are the significant landscapes we want to protect. Obviously you do not allow developments that interfere or destroy the most important landscapes. We are also working with the Wellington shire to address some of the old and inappropriate subdivisions down there. This was land that was divided and subdivided in the 1960s, very inappropriate subdivisions, much too small with no proper sewerage or septic systems; we are working with the Wellington shire on a project to try to fix that up. All in all, the coastal spaces plan is one that is backed up with funding and the idea is that people can continue to enjoy the coast but not destroy the very reason that they want to go there.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the sustainability and greenhouse policy output group referred to on pages 229 to 230 and the performance measures the department has recorded for that group. For example, under 'quantity' the performance measures include 'Coordination of the implementation of programs and measures under the Sustainability Action Statements/Victorian Greenhouse Strategy' and 'major policy papers, strategy reviews or research papers completed'.

Under 'quality' are things such as 'Greenhouse response actions managed and administered' and 'Ministerial endorsement and support for the ongoing implementation and review of Towards Zero Waste'. Under 'timeliness' are things such as 'Ad hoc policy advice delivered as required with initial advice and estimated date of completion within two working days', 'Analysis of issues to inform the development of the government's sustainability

outcomes delivered within the agreed time frame', and 'Responses to ministerial correspondence delivered within agreed time lines' et cetera.

If the government is committed to its greenhouse policy, why are you not recording and measuring meaningful performance measures on greenhouse performance, at least with respect to the state government? For example, each department is required to report annually on its performance with greenhouse emissions. Why are you not reporting that on a whole-of-government basis in the budget papers so we can see if the government itself is performing satisfactorily against its targets?

Mr THWAITES — We do in the annual reports of the departments — —

Mr RICH-PHILLIPS — But there is nothing to collate them.

Mr THWAITES — That may be something the government can consider, but every department does, in its annual report, transparently report on its energy, water and greenhouse targets. As you indicated we have government targets — for example, a reduction of 15 per cent in energy use which departments are seeking to deliver, and successfully so.

Reporting in annual reports is probably the best way to do it, because the budget papers are essentially about overall budget expenditure and output measurements on that budget expenditure whereas annual reports are able to give a focus on the performance of departments. So it would be my view that probably that is the best way to report, but I could have a look at whether there ought to be any other ways as well.

Certainly there is that transparent reporting, and at times it has been embarrassing or challenging for departments, and that is a good thing. We are a government that has been very open about these sorts of issues. Once again, I do not think these were reported under the previous government.

The other way in which it is reported is in comparative reporting through the commissioner for environmental sustainability which analyses the environment management plans and the EMS performance of departments. In the commissioner's report there is comparative reporting of all departments.

Mr RICH-PHILLIPS — Would it not be more meaningful, though, if you could put some of those measures in place of the ones that are listed here? I see many of these are actually new ones that have been introduced this year, but they do not seem to have a lot of relevance to actual performance in the area where you are trying to get improvements.

Mr THWAITES — I think I have answered the question. There is widespread reporting of those matters. The question as to whether it should be in the budget papers is something that can be considered. That is a matter that is considered by the department and by the Department of Treasury and Finance. They are reviewed every year, and the points you have made can be considered. But I also point out that this particular unit has a very important policy role.

Greenhouse is a bit different from a lot of other things in that carbon dioxide and greenhouse are world environmental issues that require national and international cooperation, and it is at this stage very much a policy question for governments, so this particular unit has to do a lot of work on policy around greenhouse but also on sustainability as well. So it is appropriate, given that it has very much a policy focus, that the output measures reflect that.

The ACTING CHAIR — Thank you, Minister. I have a question that goes back to the output measure relating to fire prevention, operations and planning on pages 227 and 228 of budget paper 3. Minister, in your presentation you talked about the impact of the Grampians fire. Can you give us more detail of any recovery work that has been undertaken by the government following the Grampians fire?

Mr THWAITES — Yes, I can. I have seen the post-fire situation at the Grampians on a number of occasions, and it is very extensive — some 100 000 hectares were burnt. That has had a significant impact on the park and obviously on tourism, which is vital for the region. We are working on the environmental recovery of the park, and we are also working on reinstating tourism and tourism assets. A focus of the initial work has been on some of the most important tourism assets, like MacKenzie Falls, which was rehabilitated prior to Easter so that

people visiting the Grampians at that time could experience the Falls. That work was important for generating tourism and tourism activity in that period.

A number of the tracks in the Grampians were damaged by the fire, and of course one of the big risks is erosion after rain, so we are also working on rehabilitation of tracks and trying to reduce the risk of erosion which would not only destroy the environment but also harm the tourist experience and the tourist market.

We are working in with the local tourism operators quite positively to market the region and encourage people back to the Grampians. There is a continuing campaign to ensure that people understand there are still lots of things to do, despite the damage that was done. Certainly the southern part of the park was not significantly affected by the fire, but even in the north where most of the damage occurred, many places like MacKenzie Falls and the walks around that region can still be visited. Overall it is fair to say that while this fire was hugely damaging to the park, by working with local operators and Parks Victoria we have started the rehabilitation process.

Mr BAXTER — Minister, you will be aware that there is presently a study by VEAC into the riverine red gums, and I think you would agree that it is important that all parties have the opportunity to put their case and that no party should be given the inside running or be perceived to be getting an inside run. I understand that Samantha Parkinson, who I think is an adviser to you, and another young lady, Nicole Fitzgerald, visited Barmah forest and a sawmill last week.

Mr THWAITES — Visited where, sorry?

Mr BAXTER — Visited Barmah and a sawmill in Echuca. Why did an apparatchik from Friends of the Earth accompany the party to and from Melbourne in the same vehicle and attend with them at the sawmill in Echuca, particularly when that person had been warned off for trespassing at that sawmill only a fortnight previously?

Mr THWAITES — Well, the reality is that the government and my advisers and department people visit all sorts of facilities with all sorts of people from both sides of the debate. We will, and do, talk to people from Friends of the Earth and the environment side of the debate, just as we will talk with people from the timber side and the 'brown' side of the debate. We are a government that benefits from hearing all sides of the argument.

But of course you asked about VEAC. VEAC members do their own extensive consultations. I think they have a reputation for independence and for hearing both sides of the argument. Everyone gets a chance to put in a submission to VEAC, and VEAC will then make its recommendations. You could just as well say or someone else might argue why is it that I met with a particular group that were not supportive of the Greens? We meet with the four-wheel-drive clubs and some others who do not support a number of proposals for parks. We meet with all of those people.

Mr BAXTER — Could I just say: is it fair that, for example, the graziers and representatives from the Barmah Forest Preservation League were given just a little over an hour to put their case whereas this particular gentleman had the opportunity to speak with your two officers for 3 hours in the motor vehicle both ways and also had dinner with them in Echuca? That would seem to me, at least in perception, that he was being given a greater deal of opportunity to state a case than the other interest groups. Is that fair?

Mr THWAITES — Well, you take one day. There might be another day when we meet with only those on the other side of the argument. For example, on the alpine grazing decision, I can tell you that I spent more time visiting the sites with the cattlemen than I did with those on the other side of the argument. You then make a decision based around what is the best evidence and that is the basis on which the government makes decisions.

I point out that in this case it is VEAC that is undertaking the inquiry. Its members will do as they always do — consult widely. So I would not get too fussed by one particular day; I would look more over a long period of time at what is the overall input that various parties have. I think you will find that all parties get a fair hearing.

Mr SOMYUREK — Minister, I refer you to budget paper 3, pages 223 and 234, under 'sustainable catchment and biodiversity conservation output'. Can you please provide details of how native vegetation will be protected and managed into the future?

Mr THWAITES — We are undertaking some fairly important changes to native vegetation regulation. The aim is to make it simpler and easier for people to understand but also to get the best environment outcome with the least cost to the community. So it is a matter of ensuring that we can get more and better environmental outcomes but do it in a simpler way. We have clarified the regulations for native vegetation. The operational guidelines that were prepared in a draft form, we have not proceeded with because they were regarded as too complex — and I think they were too complex.

We are now developing a new approach that in the urban areas sets out native vegetation precinct plans. That identifies areas of high value. So, for example, in the outer south-east of Melbourne, where there is new development, rather than having the developer come in and have to do the native vegetation work after they have already bought the land and done everything, we are wanting to get in ahead of that and do the native vegetation precinct planning early so developers know where the important areas are and do not seek to put residential development there. We are doing mapping of all the area around the urban fringe to determine the most high-value areas for native vegetation and setting them aside for protection. At the same time we are providing a simpler offsetting system for when there is a need to remove native vegetation.

In terms of the rural areas, what we are doing is encouraging and allowing farm management plans so farmers can have a 10-year farm management native vegetation plan so they then do not have to keep going back to get further permits. We are also providing additional regional native vegetation officers to work with local government in particularly regional Victoria where there was a problem for local government in being on top of all the policy issues around native vegetation, so we are providing more support and resources for that. Finally I refer to the BushBroker scheme, which I referred to earlier, which is a market-based scheme which allows developers and farmers to get a direct offset from BushBroker.

Mr CLARK — Can I come back to the subject of the quality of the Yarra and other metropolitan waterways, referring in particular to the recent Auditor-General's report on the backlog of sewerage. I would expect you to know at page 54 the Auditor-General concluded that:

...the approaches taken by DSE, local government and the EPA do not ensure the public health, environmental and amenity risks related to failing septic tanks are adequately identified, assessed, prioritised and treated.

I also understand that at page 89 the Auditor-General concludes that it would take 46 and 55 years respectively —

Mr THWAITES — Sorry, I did not hear that.

Mr CLARK — I am referring to page 89 of the Auditor-General's report where he found that it would take South East Water 46 years to complete its backlog and Yarra Valley Water would take 55 years on past actual expenditure levels. Do you agree with the Auditor-General's assessments on these points, and also the Auditor-General reported that Yarra Valley Water had said that it would need to fund its proposal with borrowings and the Essential Services Commission would need to approve a tariff increase to service the debt, and what is the government's reaction to the Yarra Valley Water proposal and what further action are you taking in response to the Auditor-General's findings?

Mr THWAITES — Mr Clark, you referred to those points about the backlog project, and I think you said South East Water was about 46 years and Yarra Valley Water was a similar sort of figure?

Mr CLARK — Fifty-five years.

Mr THWAITES — Fifty-five years based on previous expenditure. The government accepts that would be so if previous expenditure continued. Of course that expenditure is the amounts expended under the previous Liberal government and under our government to date.

What I can indicate is that under our government it has been agreed that that should be accelerated for both Yarra Valley Water and South East Water to less than half the time, so it will be 20 years instead of those figures that you referred to, so both South East Water and Yarra Valley Water would be accelerating the septic tank replacement program. That will obviously have tariff implications, and they will seek that through the ESC process, which is an independent process, if they are going to upgrade the sewerage systems at a faster rate.

They have already started the implementation, but the next ESC round, which is in 2008, will approve the next round of acceleration. Essentially the answer to that part of your question is, yes, we agree the Auditor-General is right if past expenditure was continued; it would take that long. However, we are going to accelerate expenditure and accelerate the replacement for those.

In relation more generally to the Auditor-General's report, in general the department welcomes the findings, and that is why we have an Auditor-General and we are pleased we have that independent assessment, and we will be implementing a number of changes to improve the system.

We already have made significant improvements, like our country towns sewerage scheme, which we have invested substantial funds in, but this is a very expensive area. We are talking about thousands and thousands of septic tanks around the state and replacing them all is expensive. It has a tariff implication, so there has to be some balance between the cost and the replacement to speed.

Mr CLARK — Do you have an expectation as to what level of tariff increase will be required?

Mr THWAITES — No, because that will be determined by the Essential Services Commission, and there are so many ins and outs, if you like, in terms of the overall cost of these things that I really would not like to put a figure to the final determination. It is determined by the ESC.

Ms GREEN — Minister, can you tell the committee what progress the government has made in establishing the Great Otway National Park, the \$13.1 million investment in the 2005 budget which you referred to in your presentation?

Mr THWAITES — I think everyone would be very pleased that the Great Otway National Park has been established. That was established in December last year, creating the largest national park on our coastline, of approximately 102 000 hectares. The government has put substantial funding into the establishment of the park for extra park rangers and extra resources for Parks Victoria in managing the park. Already 15 new staff are to be trained and allocated in the coordination and management of the new park, mostly through Parks Victoria. We are setting up a community engagement framework to ensure that the local community is involved in decisions about the park.

We are also establishing partnerships with local indigenous people to ensure that we have a very major input from indigenous people in how we manage the Otways park. We are also improving the facilities and access to the park, and that will have a major tourism benefit also. There has been very substantial government funding going into the Otways. That has come at the same time as our decision to phase out logging from 2008. We believe this is a huge tourism opportunity for the area.

Traditionally, people have not left the Great Ocean Road and gone into the hinterland despite the fact that it is absolutely magnificent. We want to encourage those hinterland visits, whether it is to Triplet Falls or some of the other great walking tracks in the area.

Mr RICH-PHILLIPS — I would like to ask you about what is going on at Parks Victoria with the restructure and the dispute with the CPSU that has ended up in the industrial relations commission. There was a hearing in late May where a conference was held and agreement reached between the CPSU and Parks Victoria to pause the filling of vacant positions subject to resolution between the CPSU and Parks Victoria. Looking at information put out by the CPSU, that subsequently seems to have fallen apart. What is going on at Parks Victoria with the restructure, why is it necessary, and what is the nature of the dispute with the CPSU?

Mr THWAITES — Essentially, in terms of the restructure, the purpose of that generally, and under our government, has been to put more of a focus on direct service delivery and less on central administration. That is consistent right across our government. In terms of Parks Victoria, that means we are increasing the number of park rangers on the ground and putting more of a focus on park rangers, regional Victoria, and less on central administration. That is really the thinking behind that, to get a more efficient, more delivery-focused organisation. The process of doing that is being undertaken in the proper way. Whenever you have these processes, there is going to be some level of debate and discussion about them. That is as it always is, and we will go through that process.

Mr RICH-PHILLIPS — The restructure, moving to more rangers, does that require the retrenchment or otherwise separation of existing staff, or is it a relocation of existing Parks Victoria staff?

Mr THWAITES — Generally what we are doing in terms of resources is putting more resources into rangers and staff on the ground, and somewhat less into administration. So they are different people, we are not just relocating people who were administrators and making them rangers. It does mean that there will be some reduction in the number of administrators. There may be some voluntary separation but I am not aware of the details of that.

Mr RICH-PHILLIPS — And this is a permanent structural change, not short-term?

Mr THWAITES — Yes, this is the general direction we are taking, I would say, and right across government. Usually these positions are changed through vacancies and through managing your staff in that way and putting more of the resources you have got and the extra resources that Parks Victoria has got directly into the rangers. There are significant extra resources for Parks Victoria now. Under our government I think there has been an increase of about \$20 million in funding.

Mr LOVE — Over the last six years there is about a \$30 million increase.

Mr THWAITES — That is a \$30 million increase in funding for Parks Victoria, so it is quite a substantial increase in funding but that is going essentially towards services on the ground.

The ACTING CHAIR — Mr Baxter, have you got another question?

Mr BAXTER — If we have got the time.

The ACTING CHAIR — Yes, we have got time for two quick questions. Minister, my question relates to the budget provision of \$25.8 million over five years to 2009–10 to enable Sustainability Victoria to provide households, businesses and community groups with incentives, assistance and advice on energy conservation, alternative energy production and greenhouse emission reductions.

Can you tell us a little bit more about the kinds of incentives that will be provided in this funding and what performance measurement and reporting framework will be in place to assess what outcomes have been delivered from this funding?

Mr THWAITES — Sustainability Victoria has an important mission to encourage behavioural change, sustainable action by households and businesses, and there are a range of ways that it can do that. In terms of businesses we have a number of programs that provide funding support for businesses to undertake energy efficiency projects — that is, the business energy innovations fund. Under that, businesses are able to get funds for things like reducing energy use for pumps, for waste energy and water reduction programs, and the like. By doing that they are able to save money and also save on greenhouse gas emissions.

In terms of households, we have had the solar hot water system which has been a system where people are able to get funding support for installing solar hot water systems and we are also through the Sustainability Fund involved in projects with local government and local communities in encouraging greater sustainability and sustainable behaviour.

Mr BAXTER — Minister, you will no doubt recall that in the committee's report on budget estimates last year, at page 523, there was some criticism of the quality of some of the material provided to the committee by your department and I will not read it out in the interests of time, but just as an example in terms of expenditure between the estimated actual and what was subsequently reported in the annual report there was a difference of almost 20 per cent.

In one particular category 'Public land and sustainable forest management services' the estimated actual, which as you know, is reported fairly late in the year, was in round figures \$142 million, but the expenditure recorded in the annual report was \$233 million, which is a difference of some 63.9 per cent. How could it be so far out and what confidence can the committee have that this year we are going to see greater accuracy in these sort of figures provided to the committee?

Mr THWAITES — In that case there were some two fairly significant movements in the funding that were not determined at the time of the committee report. One was a write-off of forests transferred to VicForests. That required a decision involving not only the department but also the Department of Treasury and Finance for the

final accounting treatment for that. That one-off write-off amounted to some \$54 million. That was a significant factor.

There was also a transfer of showgrounds Crown land holdings to a joint venture of some \$30 million. Once again the decision on that, which had to be agreed to through DTF, was in August — after the time of the preparation. Certainly the intention was to provide as accurate an estimate of the accounts as possible to the committee, as we always would. But in that case there were two significant, one-off transfers which were not determined until August.

THE ACTING CHAIR — If there is any further information, you can pass it on.

Mr THWAITES — There could be some. I will pass it on.

THE ACTING CHAIR — That concludes the consideration of the budget estimates for the portfolios of environment, water and Victorian communities. I thank the minister and his departmental officers for attendance today and all other staff who have helped in the preparation of the answers that have been given to the committee. It has been a very useful and informative session.

The committee has a few issues to follow up and there may be some further written questions. When Hansard provides the transcripts of today's hearing we request that they be returned within two days to help us get working on the estimates process. Thank you very much.

Witnesses withdrew.