

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2007–08

Melbourne — 15 May 2007

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

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

#### Staff

Business Support Officer: Ms J. Nathan

#### Witnesses

Mr J. Thwaites, Minister for Water, Environment and Climate Change;  
Mr P. Harris, secretary;  
Mr M. Clancy, acting chief finance officer;  
Mr D. Downie, general manager, Office of Water; and  
Mr K. Love, deputy secretary, Department of Sustainability and Environment.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2007–08 budget estimates for the portfolio of water, environment and climate change. On behalf of the committee I welcome the Honourable John Thwaites, MP, Minister for Water, Environment and Climate Change; Mr Peter Harris, Secretary of the Department of Sustainability and Environment; Mr Matthew Clancy, acting chief finance officer; Mr David Downie, general manager, Office of Water; and Mr Kevin Love, deputy secretary, Department of Sustainability and Environment. I also welcome departmental officers, members of the public and the media.

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

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses who speak at the hearing will be provided with proof versions of the transcript. The committee requests that verifications be forwarded to the committee within three working days of receiving the proof version. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website.

Following the presentation by the minister, committee members will ask questions related to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off. I now call on the minister to give a presentation of not more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the water, environment and climate change portfolio.

#### **Overheads shown.**

**Mr THWAITES** — Thanks, Chair, and thanks to the committee. The 2007–08 state budget builds on the Bracks government's commitment to securing our water supply, protecting our environment and tackling climate change. In broad outputs, you will see set out some 228 million in relation to water — a substantial increase from last year; healthy and productive land, 643 million; less waste, less pollution, clean air and a livable climate, 155 million — also a substantial increase from last year.

In relation to water, I turn to some of the projects undertaken around the state: in the west of the state, the Wimmera–Mallee pipeline — the largest rural water project in the country; the goldfields super-pipe; and the Bendigo recycling project, which is already in operation. Bendigo will be one of the first places to be recycling up to 100 per cent of its water.

The Lake Wendouree recycling project; the Eildon Dam wall upgrade, which is complete; major upgrades to irrigation systems in the Goulburn; and in the east of the state the Snowy environmental flows project; the recycling at Mt Buller and Mt Hotham; the eastern treatment plant upgrade; and the Gippsland Water Factory. So a very substantial investment in water infrastructure has been undertaken.

In terms of this budget, what we have announced are a number of new initiatives including rebates for household water-saving products, upgrading water quality in small towns, helping industry and councils use alternative water supplies, improving on-farm efficiency, community and industry programs to save water, promoting interconnections, a grid, improving the efficiency of the Shepparton irrigation system, and recycling projects in Leongatha and in Melbourne. All of that is consistent with the fundamental policy that we have adopted since 2004 under Our Water Our Future of water conservation — to save water and water recycling — to reuse it, boosting supplies through a grid and connecting our water system, and looking after the environment.

In terms of some of the details in relation to water, there is a substantial investment in water recycling — \$39.6 million of investment, major projects in Altona, Western Port, Frankston and Leongatha. There is a \$10 million extension to the Stormwater and Urban Recycling Fund and \$10 million towards the Werribee Vision.

In relation to direct incentives for industry and for homes, we are continuing our very successful rebate programs so people are able to get rebates for things like water tanks and the like. We are also co-funding with industry a range

of water saving programs, and there are real opportunities to reduce water use in industry. One example is cooling towers. Currently cooling towers can use quite a lot of water. The way in which you reuse and recycle the water as part of the cooling process can save significant amounts of water, and we will be working with industry to achieve that.

Together with industry and commercial laundries there will be a requirement that all of the top 1500 water users in industry develop water management plans. We are installing smart water meters so industry is able to determine how much water it is using, and we are expanding the WaterSmart program to reduce household water use. That is a comprehensive program.

On farms, as well as our irrigation upgrades and the major investment in the Wimmera–Mallee pipeline there is a major investment in the Macalister region in Gippsland. On farms we are working directly with farmers to become more efficient on farm. Obviously that provides extra efficiency, which I know is something the community is very concerned about. It provides extra access to water for farmers. It sets an example for other farmers, and it provides co-investment because the government provides funds, and the farmers does that also.

I think for many Victorians fire has become an increasing concern; that is certainly so for regional Victorians who had to live through the fires last year and in 2003. Last year's fire season was one of the worst we have faced, with more than 1 million hectares burnt.

We were well prepared for what was going to be an extremely tough season. We took on extra seasonal firefighters, and we hired them early. We took on extra permanent firefighters as part of our overall investment of some \$168 million of extra investment in fire. We put on extra air support, including an extra air crane, which we announced prior to the season, knowing that we were likely to have a bad season, and we are very glad that we did that; and of course we were able to work with the CFA and its volunteers who did a magnificent job working alongside CFA employees, DSE, DPI and Parks Victoria in fighting those fires.

Despite the fact that more than 1 million hectares were burnt, around 50 000 hectares of private land was affected, and there was minimal loss of property. There was only one death, which was not directly part of the firefighting effort. It demonstrates the increased skill now that we see in the fire effort — not just fighting fires, but in prevention.

As to the advantage of fuel reduction burning, for example, at Woods Point, I visited the area and could see where the fire went and around where the fuel reduction burning occurred, that they were able to protect the town. As part of our continued investment, we are maximising our efforts in fuel reduction burning, and I am pleased to be able to say that we will achieve our target. We have already achieved 97 per cent of our target fuel reduction burn to date — some 131 000 hectares of fuel reduction burning this season — so it has been a good effort.

**Dr SYKES** — Plus the million — you are well head of target!

**Mr THWAITES** — We do not count that. With climate change and, as minister for environment and climate change, I know that the increased risk of fire has to be seen as one of the key consequences of climate change. That has also required us to invest in bushfire recovery and, as a government, we have put in place a \$138 million package, 31 million of that being for essential infrastructure and rebuilding and land recovery issues associated with my portfolio.

The sorts of things we are talking about include rebuilding roads, parks and forests, rebuilding Craig's Hut, assisting volunteer groups with those efforts and, very importantly, land recovery. It is obviously not only the physical infrastructure that has been damaged by the fire; it is also the ecosystem, the land, and we are going to need to work on regeneration of fire-affected forests and better weed and pest control.

In terms of parks and tourism, the budget contains substantial investment in parks and tourism, which is one of the things Victoria is famous for and which is a great attractor of interstate and international as well as Victorian visitors. We have extended the additional 50 rangers we announced in 2002 and put on an extra 15, which is an investment of some \$25 million additional over four years. We are also investing in camping and recreational facilities in national parks, expanding walking and bicycle paths, upgrading piers and jetties, which are amazingly popular according to how many people use the piers every year, and protecting beaches.

Finally, climate change has a dramatic effect on Victoria, on Australia and on the world. There are specific initiatives in this budget, including rebates to help families save on and reduce their greenhouse gas emissions. There is funding for the CarbonDown project, which is a partnership project with business, so that business can help business reduce their emissions; funding to boost the government's purchase of green power from 10 to 25 per cent; funding for solar panels for schools; and funding for research, understanding that this is all on top of the major initiatives that we announced last year for VRET, which will provide very substantial incentives for renewable energy. It is not directly budget-funded, it is nevertheless funded through the electricity system.

**The CHAIR** — Thank you very much for that, Acting Premier. I would like first of all to concentrate on the issue of productivity and to ask you what will be the expected impact on productivity of portfolio spend, particularly any new initiatives?

**Mr THWAITES** — In terms of the environment portfolio, the key productivity issue is resource efficiency — that is, how we use our resources in the most efficient manner so that we maximise their value, reduce the negative impact on the environment and improve our lifestyle.

There are a number of good examples of how we are improving productivity through this budget. One obvious one is the Shepparton irrigation project. That will make the Shepparton irrigation system more efficient by some 50 billion litres of water a year. That is water that is now otherwise not used as efficiently as it might be. Of course our irrigation industry is a key economic industry for the state. Assisting irrigation to be as efficient as possible is a key productivity target for me and for the government. That is one good example.

Another important one in agriculture is salinity and the work that we do on salinity programs. By reducing the impact of salinity we look after the land, but we also enable land to be used more productively, so that is another productivity benefit.

In terms of water use generally, productivity is going to be assisted by more efficient water use, and that means not wasting water, and reusing water. This budget continues our policy, which I previously indicated, of water conservation and recycling. Examples of the recycling include the major recycling project which I launched today with BlueScope Steel down at Hastings, and also projects with Qenos, Australian Vinyls and other companies which are able to become more efficient by utilising their water in a more efficient manner. That is another productivity benefit. Another important one is the requirement, which receives budget backing for all industry that uses more than 10 megalitres a year, to have a water conservation plan. In many cases industry has not to date given sufficient emphasis to having that water-saving plan. Big industry has; the top 200 have all done it, but now we are talking about the next 1300. By working with industry to have water-saving plans is another way that we can improve productivity.

**Mr BARBER** — Did you mean gigalitres there, Minister?

**Mr THWAITES** — What did I say?

**The CHAIR** — You said 'megalitres'.

**Mr THWAITES** — And what was the figure I used?

**Mr BARBER** — Ten.

**Mr THWAITES** — It is 10 gigalitres; sorry. Another example is CarbonDown, which is a program working with business to reduce their energy use and become more energy efficient. Energy efficiency is one of the major resource efficiency measures that we ought to be targeting, so that is another example. If you look right across the portfolio, being more efficient with the way we use our resources is one of our key objectives that is better for the environment and it is also better for the community and boosts productivity.

**Mr WELLS** — Thank you, Minister. I have a question in regard to major water infrastructure. I refer you to the Melbourne Water website which states that it would cost \$1 billion to build a new dam equivalent to the Thomson Dam. It actually says:

The cost of a new dam, equivalent in size to the Thomson Reservoir, would be approximately \$1 billion. Such a huge cost cannot be justified when there are many low-cost opportunities to use our available water more wisely.

So it is using a cost argument in relation to that. I also refer you to the Treasurer's speech in which he stated that the government is looking into four main water infrastructure options, which I note are all costed at \$1 billion or more. So I have two questions: why is building a new dam not being considered as an option, given the cost for a new dam would be the same as two of the options and cheaper than the other two options — that is, the desalination plant, eastern water recycling, stormwater recycling and the north–south pipe plan? The second part of my question is: what is the contingency plan that you have in place if it does not rain?

**The CHAIR** — The first one, with respect to the estimates.

**Mr THWAITES** — In relation to the question of dams, I can say a number of things. First, Melbourne already has nine dams — very substantial dams. We have a very large total storage. The problem that we face at a time of climate change is not the volume of storage, it is the amount of stream flow into the dams. At a time of climate change it makes sense to be seeking alternative ways which are more efficient in their use of water rather than relying on rainfall as the sole source. That is the first thing to say about dams.

Second, very specifically in relation to Melbourne, having another dam on the Yarra or the Thomson would not increase the amount of water available to Melbourne because those rivers, which are the two rivers that supply Melbourne, are already fully allocated. If you wanted to get more water from those rivers, you would not have to actually build another dam, you would just divert more water into the existing dams. So spending more money for another dam on the Yarra or the Thomson would not create the extra water that you seek.

What you need to do, if you have a dam, is to divert water from a new river that is not already dammed or is not fully allocated. In relation to Melbourne, one of the alternatives — and some would put it forward — is the Mitchell River. The Mitchell River is obviously a very great distance from Melbourne. The costs associated with damming the Mitchell River would be substantially more than the figure that you have indicated, because of the distance involved. The Mitchell is also a river which is part of a national park, and, as I understand, no party in Victoria supports damming the Mitchell River for Melbourne. That is the Mitchell.

The other river that has been put forward is the Maribyrnong River. The Liberal Party put forward the Maribyrnong as an option. The amount of water that would be available from that is estimated by Melbourne Water to be about 6 gigalitres of water, but that would not be available in a dry period. So, as we speak, it is likely that there would be zip — zero — water available from a dam on the Maribyrnong, and a dam on the Maribyrnong would come at not only a substantial economic cost but at a great environmental cost, a very significant environmental cost. Just to put that 6 gigalitres that you might get from the Maribyrnong into perspective, since we commenced our water-saving effort, our program, Melbourne has saved the equivalent of more than 100 billion litres a year — 100 billion litres a year!

**Dr SYKES** — How many gigalitres is that?

**Mr THWAITES** — It is 100 gigalitres.

**Dr SYKES** — Just use one unit. Don't confuse us — we're simple country boys.

**Mr THWAITES** — It is 100 000 megalitres a year — more than that — in savings. Just to put that in perspective, that is 16 times the amount of water that would be obtained, at times, from a dam on the Maribyrnong. If anyone is in any doubt about that, just go and have a look at the existing dams on the tributary to the Maribyrnong, because there is one, and see how much water there is in there. It is not sufficient to supply. So people who make broad comments about dams need to be specific about which river they are proposing to dam and how much water it will produce.

The alternative that Melbourne Water talks about and the government talks about is to be more efficient with the water that we have, through conservation and through recycling. Examples of efficiencies include upgrading irrigation systems, which can be done, upgrading the efficiency of factories and industries, and utilising modern technology. So there are some clear ways forward to get substantial extra water, which is the government's policy. Finally, I should say in relation to dams that the government is reconnecting the Tarago Reservoir. The Tarago Reservoir was decommissioned under the previous government. We are reconnecting it, and that will provide around 20 gigalitres of extra water a year, and that water is available water.

**Mr WELLS** — Can I clarify just two points? The second part of the question you have not answered: what is the contingency plan that you have in place now, if it does not rain? The other point is: are there no dams, apart from the Tarago being reconnected, being considered in Victoria?

**Mr THWAITES** — No, what we have said is there are no dams for Melbourne because of the reasons I have indicated: that they would not provide any extra water for Melbourne, because the problem is not lack of dams, it is lack of stream flow. In the rest of the state we have not ruled out dams if it can be shown: one, that they provide substantial extra water; and, two, it is at a reasonable environmental cost. There could be some mid-system storage in the Murray system that we would look at in terms of the overall management of the Murray. That is an example of one that is a possibility. But apart from that, any additional dam that is built — for example, in north-east Victoria — while the government has not ruled them out, it has to be within the Murray-Darling Basin cap. On building a new dam, people say, ‘We will just raise the wall of Eppalock’, or we will do this or that. That can be considered, but you have to understand that if you raise the wall of a dam or build a new dam, you are taking the water from downstream, so people who access that water downstream, and the environment, miss out on that much water. That is why there is a Murray-Darling Basin cap that puts a limit on that and ensures that if you are going to do that you have to buy the water from someone downstream. So there may not actually be any benefit in doing that.

In relation to the other question, I know the Chair has ruled it out in terms of the questions here, but I am happy to answer. We have already announced substantial contingency planning which includes the better pumping of water out of the Yarra and out of the Yarra system, the better calibration of the environmental flows and the other flows into the Thomson, which together over two years produces about 40 gigalitres — the measures that we announced in January. We have also indicated that dependent upon what happens we will go on tougher restrictions from 1 August. We have also announced that we will be making an announcement about augmentation for Melbourne in coming months. So there is a very complete suite of contingency plans that we have. You say if it does not rain at all. We expect some rain, but obviously we have to plan for all eventualities ends, and we are doing that.

**The CHAIR** — Thank you, Minister. As someone who used to be involved in a research centre on river basin management at Monash University before I was elected to Parliament, a Maribyrnong dam certainly would be flood mitigation rather than storage.

**Ms GRALEY** — Minister, I want to pick up something that you briefly touched on in your slideshow and that is in BP 3 as well. I must say when I am out in the community people like to talk about water and climate change, and they like to tell me how much bucketing they are doing and the shower fittings and gadgets they have attached to their laundry and whatever. But the issue they always raise with me is: what is the government doing, or going to do, to reduce industry water use?

**Mr THWAITES** — Thanks for that question. Certainly that is one of the key objectives that the government has had, not just now but over our whole water saving program.

If I can start by indicating that industry has on a per capita basis under our government saved around 25 per cent, which is actually a greater saving than the residential sector. Overall under our government we have achieved a total saving of 22 per cent per head prior to the recent tough restrictions. That is as it was in 2005–06. Just to be a little bit more specific about the amounts in terms of industry, the total amount of industry use — and when I say industry, this includes all non-residential use: hospitals, sporting facilities et cetera — has come down from 142.3 gigalitres in 2000 to 117 gigalitres in 2006. That is a 25-gigalitre reduction in non-residential use under our government. That follows a very comprehensive program that our government has introduced to work with industry to reduce its use.

We have had a program with the top 200 industrial users. They have done water-saving plans which they are implementing, and they are saving water. A great example of that is Qenos, which was one of the biggest water users in the city. Qenos’s total water use, I think — and I could be corrected — was around 4 gigalitres for one company. They have already saved well over 1 gigalitre. They have had a 30 per cent reduction to date. With the initiatives we have announced in this budget they are going to save even more — around another 1.5 gigalitres — so that by the end of that process they will have reduced their water use by more than 70 per cent. That is a good example of how industry and government can work together to make very significant savings. Another example from today is BlueScope Steel, which will be reducing its water use by 60 per cent by using recycled water.

In addition to that there are some regulatory things the government is doing. It is requiring all businesses that use more than 10 megalitres a day to have water-saving plans. We are working with industry on issues like cooling towers and laundry use so that industry very much plays its part.

Finally, I should indicate that the water authorities are responsible for developing proposed water pricing schemes, and they are approved and oversighted by the Essential Services Commission. Those pricing schemes will come into effect from next year. In developing those schemes the water authorities are very mindful of the need to provide incentives for business to save water, and pricing will be an important part of the water conservation effort through sending the message to business that it pays to save water.

**The CHAIR** — Thanks, Minister. I have a project in my electorate which can save up to 200 000 litres a day, so I am sure we will be knocking on your door.

**Dr SYKES** — I wish to ask a question in relation to the equal share in the paying of reduced water supplies. Just before I do, to touch on the new dams issue, I am pleased that you have not ruled out the possibility of new dams. I would just like to clarify something. North of the divide we have to work under the Murray–Darling Basin cap. The cap is on allocation of water, not on storage, so a cap per se does not prevent the construction of a new dam, as long as the construction of a new dam or an increased capacity does not result in further allocation of water. You have to do trading of water allocation if you are going to shift usage?

**Mr THWAITES** — That is right. So you need to trade. What I am saying is that if you were going to do that you would have to purchase water from someone downstream, or upstream even, but somewhere in the system.

**Dr SYKES** — Yes. Except, say, if it is Wangaratta that has an allocation, does building Big Buffalo to improve the security of the supply of water to deliver that allocation impact on the Murray–Darling Basin cap?

**Mr THWAITES** — That is a specific issue on which we are seeking advice from the Murray–Darling Basin Commission. But what needs to be understood is that whenever you build another dam or increase the wall on an existing dam you have an impact on the downstream users and the environment. In getting less spills, that means less water for the environment, and the environment actually relies on spills for its health. So as we do the Living Murray initiative, part of that has to take into account the need for floods at times. Floods are a good thing when it comes to the environment.

**Dr SYKES** — Yes, but the counter to that is — and you use that with Lake Hume at the moment — there is actually environmental water stored in Lake Hume and released to top up seasonal floods so that you get your environmental effects. You can use your upstream storages as an environmental management tool, so it is not necessarily upstream storage equals bad news for the environment.

**Mr THWAITES** — No.

**Dr SYKES** — It can be a plus?

**Mr THWAITES** — That is absolutely right. What we are seeking to do is store some of the saved water from these efficiency projects in storages — and it could be an upstream or it could be a midstream storage — and then release that at a specific time. That is what we did last year with the river red gums along the Murray, which was very successful. That was done the year before in the Barmah forest; all the scientific evidence is that that has been really successful. With climate change we are going to have to do more of that because the total amount of water in the system will drop substantially. The CSIRO has already advised that there will be a very substantial drop in the amount of water in the Murray–Darling Basin because of climate change. That means to protect the environment we will need to store the environmental water and then release it at specific times and, if you like, mimic flood conditions.

**Dr SYKES** — Sounds like a great argument to increase Big Buffalo, but I will not go there!

**Mr THWAITES** — And for Lake Mokoan decommissioning.

**Dr SYKES** — No, for a midstream storage, Minister. That is for another day. My question — —

**The CHAIR** — Quickly, please; you have already had one.

**Mr THWAITES** — My apology; I interrupted.

**Dr SYKES** — It was just a point of clarification; the minister chose to — —

**The CHAIR** — Okay, quickly.

**Dr SYKES** — My question relates to the equal sharing of paying with reduced water supplies. In the case of irrigation water is there an allowance in the budget for the government to pay water charges for those who will not receive their full water allocation next season, if the drought continues, as it did for this season? And for householders is there a budget allocation to extend the \$1000 tank rebate that currently applies only to houses with reticulated water to households that are not on reticulated water supplies?

**Mr THWAITES** — Last year, as you state, we announced a very substantial drought package. It was, I think, around \$140 million in total. A substantial part of that was our support package for irrigators, which provided a rebate on their water bills up to around \$5000. That provided a full rebate to, I think, 75 to 80 per cent of irrigators. That program was — of course some people want more — widely supported. Indeed the Prime Minister, at the national water summit, commended the program and urged other states to follow. So I think it is fair to say that Victoria had the program to support farmers that was certainly best supported by the federal government.

What we have indicated this year is that at this stage it is too early to say what the water situation will be. We need to see what happens with the winter rains and the early spring, and we will assess the situation at that stage, and the Treasurer has indicated that. If you recall last year the funding for that package, the drought package, and the funding for the water rebates was not in the budget. It was announced by the Treasurer and the Premier out of the contingency funds that we have for events like that. That is what you have contingencies in the budget for. So yes, there is a contingency should that occur, just as if there were a major disaster or other incident. Good management of your budget ensures that you set those things aside. But as for whether we will make that decision, of course it depends entirely on the circumstances.

**Dr SYKES** — And the tank rebate?

**Mr THWAITES** — The tank rebate would be the same thing. There has been a very good take-up of the tank rebate. It has been a major assistance in the Wimmera. I might say that in the Wimmera region, of course, we are now investing very substantially in the Wimmera–Mallee pipeline, which we are accelerating. For many people in that region that will remove the need to cart water, which will be fantastic.

**Dr SYKES** — But is the tank rebate going to apply to non-reticulated households in other parts of the state? At my place I have to cart water, and I take it from the town supply. I, as an example, am not eligible for the tank rebate, whereas my friend in Benalla is.

**Mr THWAITES** — That is a different question. We have had a tank rebate for farmers that are part of the drought and that need it for water carting for the drought. The general issue of whether there should be a rebate for water tanks on non-reticulated systems — that is, for people not connected to town water systems — we have been very clear that that is not the purpose of the rebate. The purpose of the rebate is to reduce the pressure on town water systems, which people pay for through their bills. By having water tanks we are reducing the need to have new or additional infrastructure in those systems. It is an efficient thing to do, to have water tanks. That argument does not apply for people who are on non-reticulated systems in the same way.

**Dr SYKES** — It does, Minister, because when I run out of water I get a truckload of water from the reticulated supply in Benalla — and thousands of people have done that.

**Mr THWAITES** — This has been an ongoing discussion. We have had many other programs and rebates that substantially assist on farms — for example, smart farm grants. Those ones do not apply to urban areas, so we have — —

**Dr SYKES** — Those from the community of Tatong which are not on farms, are not on reticulated water, have to get their water from Benalla. It places a burden on the Benalla reticulated supply, but those people pay \$200 to cart it out to Tatong and they do not get a tank rebate. It is not equitable.

**The CHAIR** — I think that is the third time you have done this. We might give you a miss next time, if you keep doing this. Mr Pakula?



**Mr PAKULA** — Chair, I thank Dr Sykes for giving me a go.

I am just going to change the subject a bit, Minister, to beaches and foreshores. I think the budget has an allocation for the regeneration of beaches and foreshores. I know that issues like breakwaters and groynes are pretty controversial and they always get a bit of an airing amongst locals where they are built. But what are the key issues or key measures in the budget to deal with the regeneration of beaches and foreshores?

**Mr THWAITES** — Thanks for that. There are a number of elements. One of them you mentioned, piers and jetties. Sometimes people's eyes glaze over; you think, 'Piers'. I was absolutely amazed at the number of people who visit piers. Just the St Kilda pier in my electorate, I think a million people a year visit, but if you go right around the state, there are extraordinary numbers. So right around the state there are a lot of piers that are very important parts of our infrastructure. In this budget we have allocated \$10 million to assist in upgrading of a number of piers, including the Mornington pier, the Flinders pier, the Frankston pier, Queenscliff and Rosebud. So there are some examples of piers that are already subject to budget funding, which will be I think of real benefit.

More generally in relation to beaches, there is \$8 million of funding towards beaches and that is a continuation of the programs that we have been supporting over a number of years. It does provide funds for regeneration of beaches — that sort of work — groynes and the like. That builds upon a number of projects that we are already undertaking. There are about 25 beaches around Port Phillip Bay which currently are abutting the foreshore and potentially could be subject to coastal erosion, so they are the sorts of beaches that we would be looking at targeting as part of this program.

**The CHAIR** — Mr Barber?

**Mr BARBER** — That was quick.

**The CHAIR** — No, it was very good.

**Mr BARBER** — Minister, this is a chart of weekly water consumption for the Melbourne Water area and how it moves over the year, so that is why the horizontal axis goes from 1 to 52 — it is 52 weeks. Obviously there are five years there, and part of this year. That is just to illustrate the question I am going to ask you, I guess. Mid-winter water use, which, I guess, is largely indoor water use, has never really fallen below about 7500 megalitres a week, whereas in January, February and March you can clearly see the impact of different restrictions at different times. But the problem is that our week-in, week-out use is around about 7000 megalitres — that is, baseload use, if you like, and that is actually where 80 per cent of our water is used. So really what I am seeing is that in five years we have not had a reduction — take out the capita growth — —

**Mr THWAITES** — Sorry, I missed your last point there.

**Mr BARBER** — The last five years we have not had a reduction in the amount of water that is used mid-winter. It has always been around about the same; about 7500 megalitres a week. Eighty per cent of our water usage is actually in that baseload. It is year in, year out; it is not affected by water restrictions, which are mainly about outdoor use. So my question is: in relation to budget estimates, what measures have you got in this year's budget that will reduce water use permanently on an ongoing basis, and how many megalitres do they add up to?

**Mr THWAITES** — There are a number of aspects to your question. First, in fact on these figures there has been a reduction in winter use as well. If you look at even this year, we are well below where we were last year. Having said that, look at the overall picture for Melbourne. What we have seen is that prior to these restrictions we have had a 22 per cent reduction in water use per head. That is the first point.

**Mr BARBER** — All of it due to water restrictions; that is my point.

**Mr THWAITES** — No, not at all. This was prior to the water restrictions. Last year, 2005–06, we were not on water restrictions. If you look at our figures there, they are 22 per cent lower than the amount that we were using per head in the 1990s.

**Mr BARBER** — That is prior to your being in government too. I am asking about the last five years.

**Mr THWAITES** — That has been the success of the program we have run to drive down water use — 22 per cent reduction per head compared to the 1990s.

The second point to make is that, of course, we have had a substantial increase in population over that time. Therefore you would expect, as the population has increased, that our water use would rise in winter and summer, but it has not because of the measures we are taking inside the home as well as outside. In terms of what are those measures inside the home, for example, first, we are now requiring all new homes to have water-efficient appliances and shower heads. Now any new home has to have a water-efficient, 5-star shower head. Your taps and things have to be water efficient. On top of that, in terms of retrofitting, we are now putting out an extra 270 000 shower heads for inside-the-home use, each of which saves, I think it is, 30 000 litres per shower head.

**Mr BARBER** — So we will save 30 megs this year?

**Mr THWAITES** — I am going through every one. You asked the question; there is not just one answer, there are a number of answers. We have got the water-efficient appliances and shower heads et cetera — compulsory in new homes, a major retrofitting campaign. We have also had a major behaviour change campaign, with the advertisements and others, which encourage people to use less water in their washing machines, less water around the home. The result of that is that we are seeing a reduction.

We also have in this budget funds for a behaviour program to continue into the future of some \$3.5 million, once again, driving down in-home use. In fact it has been an extraordinary success story. I might compare that with other cities, because there is a bit of concentration now about what has occurred, say, in Brisbane or Sydney. In the years between 2000 and 2005 we were driving down water use; in Brisbane there was almost no change at all. To give a demonstration I would just like to show you this. It is quite interesting. If you have a look at that slide there, you will see between 2000 and 2005 Brisbane made almost no difference in its total water use. Look at Melbourne; it is the best in the country.

**Mr BARBER** — That is a per capita basis; that is what I am asking you.

**Mr THWAITES** — Of course. You cannot have it both ways. You are saying, what are we doing? We are driving down water use per capita.

**Mr BARBER** — I did not ask about per capita. I asked about total water use in light of your other policy which is to increase Melbourne's population — fair enough?

**Mr THWAITES** — The per capita water — I will go through the actual water use, which has come down too, in a minute — if you just have a look at that, that is the kilolitres per household, in Melbourne there has been a very substantial reduction in those periods. Before water was the front-page story we took the action. Before certainly some of the commentators now were raising water, we were out there saying it is a big issue cutting water use. Just have a look at Sydney where there has been a marginal cut; Adelaide is well above us; Canberra and Perth are all using far more than Melbourne. That is because we took the action six years ago to start this program. As I say, to go through things like rebates on water-saving devices, we have rebates on low-water-use washing machines; we have had the shower roses; we have had the low-water-use appliances, which are now compulsory. We are going to be introducing legislation so that when houses are sold the water-use appliances, such as the shower roses, must be efficient. It is actually an incredibly comprehensive picture which has led to these savings. On top of that you put the industry savings — —

**Mr BARBER** — So that does not include industry?

**Mr THWAITES** — It includes industry.

**Mr BARBER** — That is household per year.

**Mr THWAITES** — Sorry, that is household. Industry is the same picture basically.

**Mr BARBER** — That includes outdoor obviously?

**Mr THWAITES** — Sorry, that is household. If you look at the picture including industry, and you just compare us to the total consumption in litres per person per day, including industry, between 2001 and 2005, we came down from 404 to 329 per person per day. Brisbane went from 726 to 717 — so almost no change. Victoria,

not just Melbourne but the whole of Victoria, has made a major effort in water conservation. To put it in perspective, because some people sometimes say water conservation does not matter, it does not make much of a difference, we have saved more than 100 billion litres of water a year. That is the equivalent of two times the amount of water from the Perth desalination plant — two times.

**Mr BARBER** — My argument, Minister, is that all the heavy lifting has been done by outdoor water restriction, and that is quite clear. This chart shows the same thing yours shows, that per capita is going down, but what I am saying is that total consumption outside outdoor water restriction periods is pretty much the same for the last five years.

**Mr THWAITES** — No, let me come back. You said the heavy lifting; in fact the heavier lifting has been done by industry which has had, on a per capita basis, a bigger reduction than households. That has had a very substantial reduction. In addition to industry, though, households have played a major role. Has there been a bigger impact from the outside use than inside? Yes, there has. Is that surprising? No, because there is greater discretionary use of water outside the home than inside.

**Mr BARBER** — My point is you are running out of savings you can make.

**Mr THWAITES** — We are talking about drinking water; we are talking about toilet water, showers and those other items. It is harder to make the level of savings. But if you look at the fact we have actually made savings inside the home, despite the increase in the population, that is a significant effort. Are we going to do more? Yes, we are doing more, which is why we want to keep our behaviour change campaign going; that is why we have got rebates; it is why we require new homes to have these water-saving devices.

**Mr SCOTT** — My question is in regard to energy-efficient hybrid cars, which is referred to in the budget paper 3, appendix A, pages 299 and 300. Minister, what is the government doing to increase incentives for the purchase of energy-efficient hybrid cars?

**Mr THWAITES** — Certainly the government supports a range of measures to reduce petrol use. Hybrid cars are a key part of that. In this budget we have reduced the registration fee for hybrid cars by \$50 a year from 1 May 2007. That will make it cheaper for people to use those hybrid cars. It is a demonstration also of the government's support for those vehicles. I mean, we would obviously be very pleased if at some time we could see the manufacture of hybrid cars in Australia. That would obviously be a great initiative if that were able to be achieved. Having said that, there are more and more people interested in hybrid cars. We believe that there will be more of a secondary market. There was uncertainty about whether there would be, but I think now people are seeing that yes, there will be a second-hand market in it as well. I certainly see that over coming years that will be very much the way of the future.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the four major water projects that the Treasurer spoke about in the budget speech. I note that in your slide presentation of 15 minutes you did not touch upon them. Of the four projects in the speech, the first was the desalination plant. The Victorian government white paper *Securing Our Water Future Together* referred to feasibility on desalination being completed by the end of —

**Mr THWAITES** — Sorry, which was that?

**Mr RICH-PHILLIPS** — The white paper, which refers to feasibility on the desalination being completed by the end of 2006, which I understand has not been met. You have made public comment in the newspapers that it would be 2015 before it would be operational. In relation to the eastern water recycling proposal, the feasibility study for that proposal indicates it will take approximately seven and a half years from the business case approval for that proposal to be operational. On stormwater recycling the central region water strategy action to 2055 refers to the feasibility for that proposal not being completed until 2009, with, obviously, the project actually being implemented some time after that. More recently we have heard about the north-south plan, for which I understand there is yet to be a feasibility study. My question to you is: when one of these projects is eventually chosen by the government, what is the earliest that we can expect to see it online and providing additional water to Victoria?

**Mr THWAITES** — Can I start by saying that you made a number of statements in your question which are factually incorrect.

**Mr RICH-PHILLIPS** — They are out of your documents.

**Mr THWAITES** — That is just completely false, what you have said. For example, in relation to desalination you have alleged that the report is late. In fact, that is incorrect. What we committed to in the our water — —

**Mr RICH-PHILLIPS** — ‘Is expected to be completed by 2006’.

**Mr THWAITES** — Just read what it says. It says:

The government will investigate the environmental, social and economic costs and benefits of large-scale application of desalination. The investigation is expected to be completed by 2006.

We have done that and it has been completed. We did investigate the environmental, social and economic costs and benefits of large-scale desalination. We carried out that investigation. We, as a result of that, established it is something that is potentially available for Melbourne. We carried out the investigation to determine those matters — the environmental, social and economic costs. Now we have indicated that we are undertaking a feasibility study for particular sites that could supply Melbourne. The Premier and the Treasurer have indicated, as I have, that we will be making announcements about major augmentation in coming months. We will do that. We are considering desalination, we are considering the eastern water recycling project, we are considering the north of the Divide proposal by that group of irrigators and we are considering stormwater. We are considering those projects. It is appropriate that we do.

These are projects which have very substantial social, environmental and economic costs. They are big decisions for Victoria and for Melbourne and it behoves us to ensure that we get that decision right and not jump in and make the sort of unprepared statements that the Liberal Party has made. It has announced a dam on the Maribyrnong which everyone concedes would not provide any substantial water, or where even on desalination the Liberal Party, when it made the announcement, just picked two sites and without doing any feasibility — —

**Mr WELLS** — We are in opposition. We made the announcement. You criticised the desalination plant; now you are boxed into a corner — —

**The CHAIR** — Minister — —

**Mr WELLS** — And now you are going to do exactly the same thing.

**Mr THWAITES** — You said — —

**The CHAIR** — The minister to answer the question please.

**Mr WELLS** — What is the point?

**Mr THWAITES** — The point is that you have to do the study properly, not jump in. Even on the sites that you claim to have announced, I see your leader was on television the other day saying that a desalination plant had to have an ocean outlet, which is inconsistent with what you announced during the election. It just demonstrates that you have to get it right.

**Mr WELLS** — So you are going to come on board with a desalination plant though — that is the point.

**The CHAIR** — Okay.

**Mr THWAITES** — As we have indicated, all of those matters are under consideration.

**The CHAIR** — We are waiting for a decision in the next couple of months.

**Mr RICH-PHILLIPS** — What is the earliest — —

**The CHAIR** — I think — —

**Mr RICH-PHILLIPS** — The minister has not answered the question.

**Mr THWAITES** — In relation to that, that is — —

**Mr RICH-PHILLIPS** — Is it 2 years, 5 years, 10 years — —

**Mr DALLA-RIVA** — Never.

**Mr RICH-PHILLIPS** — Twenty years? I just want to know when is it going to come online.

**The CHAIR** — The minister to answer, please.

**Mr WELLS** — Answer the question. It is an easy question.

**The CHAIR** — Can you let me chair this please, deputy?

**Mr THWAITES** — It is a little rude.

**The CHAIR** — Thank you. Minister, quickly and then we will move on to the next question.

**Mr THWAITES** — This is obviously a key part of the consideration that is being undertaken.

**Mr RICH-PHILLIPS** — You cannot give us any indication at this stage?

**Mr THWAITES** — That is a key part. Once again, are you able to say — —

**Mr WELLS** — No, you are the minister.

**Mr DALLA-RIVA** — No idea.

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

**Mr WELLS** — No, he has not.

**The CHAIR** — Mr Dalla-Riva, next question

**Mr DALLA-RIVA** — In a 2006 budget press release issued by you, Minister, on 30 May 2006 you announced, and I quote:

The 2006-07 state budget will deliver an extra \$160 million for vital water projects as part of the Bracks government's statewide plan to protect Victoria's water supplies for future generations.

That was in the forward estimates for that year. In the 2007 budget you released a press statement on 1 May, and I will quote from it. You had a lot of intelligence on this; I think you just used copy and paste. It says that the 2007–08 state budget delivered an extra \$136 million for vital water projects generating water savings as part of the Bracks government's plan to secure Victoria's water supplies for future generations. My question is: given the sense of urgency and the water crisis in Melbourne and in rural and regional Victoria, which we all appreciate, why is there a decrease in the allocation of funding for water projects and infrastructure when you compare those two press releases over the years?

**Mr THWAITES** — There are a number of answers to that. The first is that the overall output for water has substantially increased this year. There is a very substantial increase in the output for water, which I can give you.

**Mr DALLA-RIVA** — I have got that. It is in budget paper 3, page 199. My specific question was not about — —

**Mr THWAITES** — Hang on — —

**Mr DALLA-RIVA** — Your press release headings relate to vital water projects, so while you can talk about outputs which discuss a range of other issues, I am just curious why there is that reduction in major water projects.

**Mr THWAITES** — I will come to that, but you have raised the issue. The output for water has increased from 162 million to 228 million.

**Mr DALLA-RIVA** — I can read that, Minister. That was not my specific question.

**Mr THWAITES** — That is a very substantial increase in the output — —

**Mr DALLA-RIVA** — But that was not my specific question in relation — —

**Mr THWAITES** — In relation to — —

**Mr DALLA-RIVA** — Vital water projects. They are your words.

**Mr THWAITES** — Hang on.

**The CHAIR** — The minister to answer please.

**Mr DALLA-RIVA** — Thanks, Chair.

**Mr THWAITES** — There is a very substantial increase in the output on water this year. The second and important point is that water projects are not all announced in the budget, and a very good example of that is the announcement that we made in, I think, October last year for the Ballarat super-pipe where we made a significant commitment of \$70 million outside the ordinary budget process to that project. So we as a government have indicated — and we have indicated also that we will be making announcements in coming months about augmentation for Melbourne — that you cannot simply compare one budget press release with another. You have to look at the whole amount of the things you do over the course of a year. This government has very substantially increased funding to water and we will continue to do that. It is quite misleading to just take one figure in one press release and another and say, ‘That is the whole picture on water’. I have indicated, first, that the total water output has increased substantially, and second, there will be more funding, as there has in past years been, as we proceed through the years.

**Mr DALLA-RIVA** — This is public accounts and estimates, Chair, where we are trying to estimate future expenditure, and we are just hearing from the minister saying that projects are going to be on the hop because he does not quite know, so there is no real allocation that he has got planned into major projects. That is what I want to get on the record.

**Mr THWAITES** — You keep trying to paraphrase things incorrectly. That is not what I said. I gave the example of last year where we made a substantial extra commitment. It was not announced on budget day, so you cannot compare simply the announcements on budget day; you have to look at what occurs through the whole year.

**The CHAIR** — I think it was pretty clear from budget day that there were announcements made with respect to water, and there were also announcements made by the Treasurer — —

**Mr DALLA-RIVA** — Thank you, Chair, but we are looking at forward estimates, and there are no forward estimates.

**The CHAIR** — I think would be a good opportunity now to have a cup of tea. We will have a break for a couple of minutes.

Minister, in regard to climate change — as you know I have got a strong interest in this and actually was involved in some of the first studies in the Asia-Pacific on this 15-odd years ago — what funding have you got in the budget for strategic and economic research into climate change impact, and what is the purpose of this funding?

**Mr THWAITES** — Thanks, Chair. Obviously climate change is one of the biggest issues that not just Victoria is facing but the whole world. As a government we see this as a whole-of-government issue. I am minister for climate change, but we have also established an office of climate change in the Department of Premier and Cabinet and put a whole-of-government approach to climate change. That means that within this unit they will be coordinating policy work and research on not only the environmental aspects of climate change but the economic and social aspects as well.

There is funding in the budget for that. It is not directly in the DSE portfolio, it is in Department of Premier and Cabinet, but that work will give us a much better strategic position as a state to tackle climate change. In terms of some of the specific areas it will include support for our work on emissions trading, and Victoria with New South

Wales has led the push for a national emissions trading scheme. We now have an agreement from all the states to implement emissions trading by 2010 if the federal government fails to do so. If we are going to do that we have to undertake a very substantial amount of work in understanding the various costs and benefits of different aspects of the scheme. That means things like what the level of caps should be; the way in which permits for emitting carbon dioxide should be allocated; the time frame for those permits; and what should happen to the funds, if any, which are produced by optioning or allocating those permits. There are a range of very important issues that need to be determined, and the office of climate change will be leading that, working with departments like DSE and others.

We are also giving support in Victoria to the economic work that is being carried out by Professor Ross Garnaut, which is part of the national study which, in a sense, is doing for Australia what the Stern review did in the UK. We will be supporting the work that is being undertaken by Professor Garnaut. All of that is occurring. We are also looking at some of the vulnerabilities of key sectors — for example, various sectors of society and the economy and how vulnerable they are to climate change; the effect on infrastructure; and the effect on biodiversity and on the land. All of those issues are subject to this research.

**The CHAIR** — I hope some of that research comes before the Parliament as well.

**Mr THWAITES** — It is certainly proposed that we will have legislation to back up what we are doing. We will have the energy efficiency target legislation.

**The CHAIR** — Good.

**Mr THWAITES** — That will provide a direct support for energy efficiency around the home. We will need to work with retailers to ensure that, wherever possible, people in their homes are more energy efficient. That is an example of legislation. That will follow our VRET legislation which we introduced last year, which is building up renewable energy.

**Mr WELLS** — You have mentioned a couple of times your Top 1500 Industry Program. I refer you to budget paper 3, page 327, and the output initiative of the Top 1500 Industry Program and \$1.2 million — —

**Mr THWAITES** — Sorry, which is this one? Is it page 327?

**Mr WELLS** — Yes, it is the output initiative Top 1500 Industry Program, \$1.2 million spread out over four years.

**Mr THWAITES** — Yes.

**Mr WELLS** — Can the minister explain why it has taken three years to allocate funding for industry to write a water-saving plan, and now industry has a further four years to actually write this plan?

**Mr THWAITES** — There are a few answers to that. First, we have already implemented plans for the top 200, so that has been put in place. We announced that we would now proceed with a top 1500. That is sensible; you start with the biggest users, you do their plans, and then you move to the other users, the top 1500. In terms of those plans, they will be done over the next 12 months, not over the next four years. The funding is to support a range of initiatives arising out of the plans, not just to do the plans — so the plans themselves will be done over the next year. We are working with the water authorities so that they can accelerate the work with that industry. It is a major undertaking; we are working with 1200 or 1300 companies to do their plans, but we will do it.

In the meantime I should emphasise that we have been working with industry of all sizes over the last seven years driving down water use, and that is why we have got those lower water-use figures compared to other states. It is why we have seen a 25 per cent reduction in the per capita water use of industry since we came into government. That is something that certainly was not achieved under previous governments. It has been achieved under our government because of our approach, firstly, to the importance of water, and secondly, to working with industry to achieve these things.

**Ms GRALEY** — Minister, I was talking before about how everybody is trying to do their little bit. I am wondering if the minister can outline what initiatives are in the budget to help families, especially low-income families, tackle climate change.

**Mr THWAITES** — That is a key part of our strategy — to understand that climate change will have a particular effect on low-income families, remembering that for lower income families the proportion of their total income that is spent on energy is higher than for wealthier people. We have a number of plans to work in harmony with lower income Victorians and social welfare groups to achieve that. One of the really good programs is the Energy and Water Task Force program, which is funded by \$2.1 million. That assists low-income Victorians to save energy and water by improving the energy and water efficiency of their homes. It basically involves an audit of the home; then following the audit, simple energy-saving measures can be introduced — it can be sealing doors and windows, it can be pelmets, it can be a range of things.

With the Chair, we launched and delivered a really fantastic program in his electorate where we worked in the ministry of housing area implementing energy retrofits for the homes there. The other great thing about this project is that it is also a job-creation project, where we in many cases are able to work with people who have otherwise been unemployed, who get skills in doing this home auditing and energy efficiency work. This is a real win-win program. It helps low-income Victorians cope with energy issues and it reduces greenhouse gases. It is something that we are also looking at maximising in our rebate program. We do want to see that our rebates are targeted in a way that low-income Victorians get the benefits.

Recently I launched the Phoenix fridge program with the Brotherhood of St Laurence. Under that program, people are able to bring in their old bar fridges, which often are absolute shockers when it comes to greenhouse gases if they are sitting out in the garage.

**Dr SYKES** — As long as they have got cold beer in them, there is nothing wrong with that!

**Mr THWAITES** — They can be about 70 per cent more inefficient than modern fridges. What we are doing is setting up this program where they are brought into the Brotherhood of St Laurence. Some of them are recycled or upgraded so they do not use as much energy, and then they can be shared out to low-income people who cannot otherwise get a fridge. That is another practical example. We have a range of programs. Overall one of the biggest challenges we are going to face in climate change is how to make sure that the impact both of climate change and action on climate change is not disproportionate on poor people. That has to be one of the key criteria in emissions trading in all actions that we take — that is, asking how can we have a system that is not disproportionately difficult and unfair on low-income Australians.

**The CHAIR** — You do not want the J-curve effect.

**Mr THWAITES** — That is right.

**The CHAIR** — Dr Sykes, with economy, please.

**Dr SYKES** — My question relates to bushfires and asset protection, but just in a brief digression I would like to acknowledge the outstanding efforts of the DSE staff under fellows like Johnny Kneebone, who are still out there working very hard in their rehabilitation activity when others are trying to move on. Minister, my question relates to the imposition of maintenance of permanent containment lines as you put in place for the Thomson Dam. In conjunction with increased fuel reduction activity, are you intending to have more permanent containment lines to protect other assets and in particular local communities? If so, what are the general guiding policies, and what is the budget allocation for more permanent containment lines?

**Mr THWAITES** — Thanks for the question. I should, since we are being so nice to each other, thank the member for his role during the fires, which was very positive in working with communities that were under unbelievable stress in places like Benalla, Mansfield and right through that region. In relation to fire prevention efforts, we are now implementing a major fire prevention program, and it has a number of aspects to it. One is fuel reduction burning, where we are committed to maximising the amount of fuel reduction burning. We have a target this year of 134 371 hectares, and we have already done 131 000. We believe we will exceed our target this year, and that is because we have had good weather conditions to achieve that — —

**Dr SYKES** — That is the thing about drought — the lovely sunny days, Minister.

**Mr THWAITES** — The dryness has actually been a problem, because it is very dry, but the lack of wind has meant that we can do more fuel reduction burning. That is the first thing.



The other thing is that we have put on staff for longer periods, so we have seasonal firefighters now on for a longer period, who are helping with the fuel reduction burns. We are also coordinating the CFA so that they in future can provide some additional support and backing for that fuel reduction effort, and there will be more work done on that. We are also investigating how we can extend that fuel reduction burning season even further into winter. Obviously the major problem there is if it rains, but given the weather situation we will seek to maximise the opportunities.

In relation to firebreaks, we have already announced that we will be leaving in place some 350 kilometres of firebreak that was put in during the fires. That will be a permanent firebreak protecting essentially the Yarra and Thomson catchments, but also of course it acts as a firebreak protecting the area into Melbourne from fires. Those firebreaks have already been built as part of the fire effort. What we are doing now is ensuring that they are properly built so that they can be long-term, permanent features, and that means partly revegetating and partly clearing to make sure that we maximise the natural values while at the same time having the firebreak. Why do we do this? Because it forms the basis on which we can back-burn during a fire. In some cases the firebreak itself can assist the stop of the fire, and it is also a staging point from which we can mount our operations towards the fire. Along most of this route there is a road anyway, so it is not as though this is simply all native bush. There is a road along there, but it is widened out to make a much more practical firebreak. In relation to the rest of the state, we have said that we would consider leaving in place some of the firebreaks and having some firebreaks around strategic assets. We are looking at some particular areas, and in the Otways we have already started to implement that. In the Otways we have recently built that. When was that?

**Mr HARRIS** — We have done clearances throughout the late part of summer, but now there is an assessment for how we would actually put a strategic firebreak across the Otways.

**Mr THWAITES** — So the Otways is another area that we are doing. In relation to other parts of the state, we are investigating that. It is, as you say, something that you do around strategic assets. It is a way to ensure that you have quick access during a fire and also to use it as the basis for back-burns.

**Dr SYKES** — I hope you would be using local knowledge, as I believe has been the case. I would hope that you are not rehabilitating existing fire containment lines, only to go back and re-establish them in two years time or something.

**Mr THWAITES** — And that is part of the thinking. The number of fires that we are getting now has increased so that where once you might have expected a fire season like that every 10 years, here we have had it once every 3, so it does make sense to keep some of those firebreak lines rather than rebuild them every time you have a fire.

**Mr PAKULA** — You mentioned in your presentation the recycling program at Qenos, which as you know I am well aware of, but there was also I recall in the presentation mention of Australian Vinyls. I am assuming that is the Laverton facility, which is also in my electorate. I am just keen to hear some of the detail of that particular project.

**Mr THWAITES** — This is another important project. In the budget we provide funding towards the project at Australian Vinyls' Laverton plant. That will save about 300 megalitres a year in addition to about 1.4 gegalitres, 1400 megalitres, that Qenos will save. Essentially, what they will be doing is reusing water on site, so it will be a reuse on site project. The budget has provided funding for that as part of the \$4.3 million towards recycling in the Altona area.

Australian Vinyls has already managed to reduce its water consumption by 29 per cent, despite the fact that they have increased their production, so again it is an example of industry reducing its water use, which is part of our plan that we implemented when we came into government. This will provide additional water savings for Australian Vinyls of some 300 megalitres a year. The other benefit of course is that it reduces the outflow to the bay as well. So you get reduced outflows, more water available for households and more efficient use by industry — good project, good local member!

**Mr BARBER** — This one is in relation to the valuation of commercial native forests on DSE's accounts. In 2003 they were worth 258 million, today they are worth 78 million. My question in relation to the estimates is: are we likely to see any more write-downs this year? You and I know what is going on. A lot of them went up in smoke. There has been massive over-cutting for years, and you continue to reassess downwards the amount of

forest that is actually out there that is available and suitable for logging. In previous reports — and you now do one a year on sawlog yield — you have already flagged further reductions to sustainable yield due to the 02–03 fires. Are you able to tell me in relation to this year's accounts whether there will be any further reductions to sustainable yield and any further write-downs in the valuation of these forests?

**Mr THWAITES** — As you indicate, there have been some major changes since 2003, the figure that you first gave. First there was Our Forests Our Future. Under Our Forests Our Future we reduced the amount of sawlogging in the state by over one third, so that obviously writes down the value. That was a program that was aimed at ensuring that we had much more sustainable forestry in this state. I would agree with you that prior to that time the level of forestry was greater than was sustainable. That is why the government implemented Our Forests Our Future, why we funded it with around \$90 million to assist workers and industry in the transition, and why we reduced the total amount of forest.

In addition to that we have had the fires of 2003 and the more recent fires. The area that is affected by the fires is still being precisely ascertained, so we cannot give you a specific answer as to how much less forest there will be available. We know that the total area affected was more than 1 million hectares, but of that only a portion was part of the area that would be subject to forestry. We are now doing quite a sophisticated mapping of the whole area to determine what part of that forest that has been damaged by fire should be subject to salvage logging, what cannot be logged at all and what would be logged in the future. So there is a sophisticated mapping process that has been under way. That was actually funded by the bushfire recovery task force. In addition to that, during the election we announced a further reduction in forestry in East Gippsland and some of the major old growth areas we took out of the area to be logged. So essentially the point you make is right; the total amount of area subject to logging is being reduced, and that will have an effect on the total asset value.

**Mr BARBER** — So in a qualitative and quantitative sense can your CFO here give us an explanation of where those forests went?

**Mr THWAITES** — No, I have just given it. I answered the questions — —

**Mr BARBER** — In terms of dollars. Because three-quarters of them have gone in the last three years. It is now worth \$70 million. I could just about buy them off you if I got the right backers. That would be the end of all our problems for logging, right?

**Mr THWAITES** — I am not sure what your income levels are, I will leave that to you. But obviously if you take an area of forest out of the area that is subject to logging, which we did — no more than 30 per cent — then that will have a substantial effect. You then — —

**Mr BARBER** — There will be further cuts to sustainable yield; that is my point.

**Mr THWAITES** — No, I am saying what has happened. You have said, 'How is it reduced?'. We have then substantially lost areas through two major fires. That obviously has a net effect.

**Mr SCOTT** — Minister, my question relates to national parks, which there is reference to in budget paper 3 on pages 23 and 270. What is the government doing to increase tourism in our national parks?

**Mr THWAITES** — Our national parks are obviously fantastic places for tourism. If you look at places like the Grampians, the Great Ocean Road — all of these areas — they are really some of the most important places in terms of tourism for Victoria. In 2006 the government committed nearly \$50 million over six years to renew park assets and to upgrade and improve our parks. In this budget we provided additional funding for a range of upgrades to national parks, such as Port Campbell, Wilsons Promontory, the Grampians and the Alpine National Park. All of them will receive additional funding — things like the Lochard Gorge, the Twelve Apostles, Tidal River and the Grampians National Park. That is in terms of infrastructure in those places. As well as that, there are additional funds for park rangers in the national parks. We are also introducing a new junior ranger program to encourage young people to get involved in national parks. There is funding for the Otways, because we will be getting out of all logging in the Otways in 2008; there is funding to assist workers in that transition. We also announced in the election that we would be creating a new national park, the Cobboboonee national park, and a forest park outside Portland. In the future that is another initiative that I am sure will be very popular.

**Mr RICH-PHILLIPS** — Minister, the budget for 07–08 provides just under \$10 million for water recycling projects. There is Altona, at \$5 million, the Frankston sports facilities project at 2.2, Australian Vinyls and Qenos at 2.1, and stormwater and urban recycling at half a million.

**The CHAIR** — This is water recycling you are talking about?

**Mr RICH-PHILLIPS** — Yes, totalling 9.8 million. Last September the Auditor-General produced a report on government advertising and he commented on the Our Water Our Future campaign, which was the one where the Premier flew over a reservoir in a helicopter, told couples to shower together, told little old ladies to cart buckets to their gardens — —

**Mr THWAITES** — Really? You keep making statements that are just completely wrong.

**Mr RICH-PHILLIPS** — According to the Auditor-General, the cost of that campaign to May 2006 was \$12.9 million, so my question is: why is the government spending more on advertising about water recycling than on actual water recycling projects this year?

**The CHAIR** — In respect of the estimates, not in respect of past activities.

**Mr THWAITES** — The member has made a number of statements that are completely incorrect. In terms of water recycling, the government and water authorities are investing very substantial funds in water recycling projects — for example, the Werribee water recycling project, which has required an investment of around \$160 million in upgrading the western treatment plant. The result of the — —

**Mr RICH-PHILLIPS** — Nothing in 07–08.

**Mr THWAITES** — In your question you were using information that had nothing to do with 07–08; you were talking about the past and why people were talking about recycling and I am indicating the investments that have been made.

**The CHAIR** — And also into the future, please.

**Mr THWAITES** — The Werribee recycling project is a very substantial project. Without that recycling the farmers at Werribee would have very little water at all this year to irrigate their crops. This year in excess of 6000 megalitres of water is being recycled for farmers down there. As I indicated, that required a very substantial investment in the Werribee treatment plant. I think it is around \$160 million in upgrading that, as well as the cost of the particular recycling scheme. To the east of Melbourne you have the eastern irrigation scheme, which is now also recycling more than 5000 megalitres and delivering for the first time recycled water to homes. That also has involved very — —

**Mr RICH-PHILLIPS** — Yes, but there is nothing in 07–08.

**Mr THWAITES** — Because the investment has already been made in that and the majority part of that investment is made by the water authorities, which is obviously part of their job, in recycling. They receive some assistance from government in some cases, but the majority of the expenditure on recycling, as all infrastructure in the water area, is that of the water authorities. So you have the eastern recycling scheme — more than 5000 megalitres. It is now recycling to homes; it is recycling to industry as well. That is a very positive scheme. If you look around the whole of Melbourne, under our government we have increased recycling from a few per cent under the previous government to now in excess of 14 per cent of our water being recycled — more than, once again, other places like Brisbane and other cities around the country because we got in early and started that recycling. So it is important. It is important that we continue to do it. In relation to the behaviour change campaign that you referred to and the Auditor-General, if you recall, the Auditor-General actually supported that campaign in his report. He said it was the sort of thing that funds should go towards because it changes people's behaviour and — —

**Mr RICH-PHILLIPS** — That is not what he said.

**Mr THWAITES** — It changes people's behaviour and changes their attitude to water. The advertising campaign was directed at doing the very thing that I think Mr Barber was talking about before, which was changing

people's attitudes, including attitudes inside the home. So in fact the Auditor-General backed that campaign. It is sensible. It does mean that we — —

**Mr DALLA-RIVA** — He just said it met the guidelines. There is a big difference.

**Mr THWAITES** — You have purported to argue — —

**Mr RICH-PHILLIPS** — You spent more on that campaign than you are spending on recycling this year.

**Mr THWAITES** — Hang on. You have made a whole lot of statements. I am just pointing out — —

**Mr RICH-PHILLIPS** — You spent more on that campaign than you spent on recycling in 07–08.

**Mr THWAITES** — I am just pointing out the fact which you find somewhat — —

**Mr PAKULA** — A lot better than spending 55 million on IR.

**Mr THWAITES** — The fact that you find a little bit concerning is that the Auditor-General actually supported that campaign and said it was the sort of thing that — —

**Mr DALLA-RIVA** — Met the guidelines.

**Mr THWAITES** — He said more than that.

**Mr RICH-PHILLIPS** — It cost more than you are spending this year on recycling.

**Mr THWAITES** — Anyway, but can I emphasise — —

**The CHAIR** — Minister, conclude the answer, please.

**Mr THWAITES** — I will conclude it. That a sensible thing to do — to have a behaviour change campaign, and we will continue to do that.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3, page 333, and to 'asset initiatives', table A.18 — —

**Mr THWAITES** — Sorry, where is this?

**Mr DALLA-RIVA** — Budget paper 3, 333. In relation in particular to the Continue Werribee Vision, the \$10 million TEI project for additional recycled water being supplied to the Werribee irrigation district, I note in some previous correspondence or in news items in particular the concerns about the yellowing lettuce, the wilted lettuce and the like. Given the recent news report, as I have sort of indicated, on the yellowing and stunted growth of vegetable crops from the trial scheme, does this allocation of funding mean that it has been concluded safe to be continued?

**Mr THWAITES** — Sorry, I missed the last part of your question.

**Mr DALLA-RIVA** — Minister, in respect of that particular line item, does this allocation of funding, the \$10 million over the four years and given the recent news reports on the yellowing and stunted growth of vegetable crops from the trial scheme, mean that it has been now concluded safe to be continued and therefore the funding or the allocation of moneys is going to be put forward?

**Mr THWAITES** — Certainly the government supports the Werribee irrigation recycling scheme. Without it, as I indicated, there would be very few, if any, lettuces at all that could be grown in a year like this. It has been the saviour for many of the farmers there. We certainly support the continuation of the recycling scheme. That recycling scheme is overseen by Southern Rural Water. It works with the farmers to ensure that it is efficient and profitable for the farmers, and we will continue to do that.

**Mr DALLA-RIVA** — The recent new reports, I guess, have been dealt with so that the \$10 million that is allocated will be money well spent, given those concerns about the stunted crops that have been reported?

**Mr THWAITES** — The money will be spent. It is an important thing to do, not only to provide the water but also to reduce the amount of outfalls into the bay. It is a project that is very important, and we would want to continue with it.

**The CHAIR** — Thank you, Minister. On the same page, which is budget paper 3, page 333, in regard to Solar Panels at Schools, which is a new initiative: can you tell us a bit more about this particular initiative, which obviously seems to be a highly commendable one, and I know that it will be very popular with schools in my electorate and, I am sure, in Benalla and elsewhere.

**Mr THWAITES** — I thank the Chair for his question. This project will install solar panels in 500 schools and community buildings. The budget provides some \$5 million TEI to support 500 schools and community facilities to install the photovoltaic power systems and also to provide education around that. Part of the idea is to try to use this not just for saving energy but also use it as an educational tool and potentially encourage other families to install photovoltaics. That program is going to start on 1 July this year. Schools will be eligible to get funding of up to \$15 000. The program will be implemented by Sustainability Victoria, and we will be also able to leverage in with the commonwealth government's recent announcements on its photovoltaic rebate. We would hope this would provide a greater leverage overall. The program will be organised through Sustainability Victoria, and it will be able to link in with the schools and make sure that we get the best program.

**The CHAIR** — I hope in doing that it is well organised in respect of the people who install them. I certainly have a concern over the federal government water tank one, where there seem to be quite extensive costs in regard to the installation of this over and above the actual cost of the tanks. I think that is something that you really need to look at so that there is no sort of price gouging in terms of the installation costs of those solar panels.

**Mr BARBER** — Reconnected?

**Mr THWAITES** — Yes, that would be the idea, and I will certainly follow that up.

**The CHAIR** — Thanks very much.

**Mr WELLS** — How much in the way of dividends will be paid by water authorities over the forward estimates period, and will the dividends being paid by the water authorities be going into consolidated revenue or into major water infrastructure projects?

**Mr THWAITES** — I thank the Deputy Chair for that question and indicate first, dividends are a matter for the Treasurer. In the budget papers, overall dividends are allocated through Treasury — so that is the first point; they are collected altogether. So the actual dividend will depend upon the circumstances at the time and under the Council of Australian Governments rules there are rules for how dividends generally would be considered. Under COAG these enterprises are meant to operate on the basis of providing a return on investment at the same time that they run efficiently. That is part of the overall rules.

Having said all that, it is worth noting that dividends have come down very substantially under our government compared to the previous government. Under the Kennett government dividends were very much greater from the water authorities than they are now under the Bracks government. Just to give an indication of that, if you look at regional and rural water authorities under the Kennett government in the last year, the total dividends were around \$11 million. Under the Bracks government last year they were less than \$2 million — that is, about an 80 per cent reduction in the dividends from the rural and regional water authorities. In relation to the Melbourne metropolitan water authorities, they came down from around \$271 million in the last year of the Kennett government to \$207 million in 2005-06 under the Bracks government. So there has been a substantial reduction in dividends under our government.

**Mr WELLS** — They go into consolidated revenue?

**Mr THWAITES** — All dividends do, but from that there is very substantial expenditure on water projects and in managing the water catchment. We have significantly boosted expenditure on water, water infrastructure and projects. Things like the Victorian Water Trust — \$320 million; the Wimmera-Mallee pipeline, a major undertaking, around \$170 million; the Ballarat super-pipe, \$70 million; the Bendigo one, \$30 million. You look around the state and there has been a major boost in water spending under our government. At the same time there has been a reduction in the amount of dividends compared to the Kennett government.

**Ms GRALEY** — Minister, I would like to refer you to budget paper 3, page 22, under the heading ‘Tackling climate change’ and also page 267 of BP 3 where you talk about the Clean Coal Authority. I wonder if you could let the committee know what initiatives are in the budget to support the development of clean coal technology in the future.

**Mr THWAITES** — Thanks for that question. For Victoria, we need to have a comprehensive approach to climate change that includes boosting renewable energy, being more energy efficient and ensuring that where we use coal and fossil fuels, that we drive down as far as possible the emissions from that. Victoria has a very substantial resource of brown coal which apart from the climate change impact is a relatively clean fuel and provides a source of jobs and prosperity for much of the state. For our government it is critical that we do invest in research and development of clean coal. This budget continues the efforts in that. We have made a commitment to provide \$7 million for a clean coal authority in the Latrobe Valley to develop new clean coal industries in Victoria and investigate carbon capture and storage technology. We have also committed substantially to innovative clean coal projects through the ETIS strategy — the energy, technology and innovation strategy — and funding has been provided to the Cooperative Research Centre for Greenhouse Gas Technologies. Through that we are doing a demonstration of carbon capture and storage in the Otway Basin. As a government, part of our overall climate change portfolio is investing in research and development for clean coal.

**Dr SYKES** — Minister, my question relates to the so-called north-south pipeline. That pipeline, if it was to eventuate, would involve transfer of wealth generation potential from the Murray–Darling Basin to Melbourne. Related to that is that part of the appeal of the national water plan is that the savings generated by the national water plan would remain within the Murray–Darling Basin. Would you care to comment on the issue of the wealth transfer? Secondly, would you care to give us an update on negotiations with the federal government in relation to the national water plan?

**Mr THWAITES** — The Treasurer, the Premier and I have indicated that we are considering that proposal. It is a proposal that was put forward by irrigators in the Goulburn region. We have indicated, and it is the fact, that we are considering it. That will be considered along with the other potential major augmentations, and we will be making an announcement about that.

In relation to the national water takeover by the federal government, we have indicated that we are certainly prepared to give the commonwealth more power over the Murray–Darling Basin but we do not support a total constitutional handover of water powers which would undermine the security of our water allocations and our water rights and would potentially undermine the environment, because there are no clear indications of what the environmental targets are under this plan. We are negotiating with the federal government now. We are also talking to other states. We put forward what we believe is a better approach, which gives the commonwealth power to better enforce caps where they have been breached, but at the same time does not destroy the best things about the system in Victoria. We are really at the stage now where we are waiting to see the commonwealth’s latest draft of legislation. They have provided some legislation. It had a number of gaps. It was not at all consistent with the sorts of objectives that we had, so it would need to be substantially changed for us to be in a position to reach some form of agreement. Certainly we are getting strong support for our position from the irrigation industry and from farmers. But we are also getting support from water experts and a number of people in the environmental movement who are saying that we should not settle on this proposal when there are so many uncertainties. It is so important that we have got to get it right.

**The CHAIR** — I think we might conclude that, Minister. I have a couple of questions I would like you to take on notice. I would like, in respect of your portfolio department, if it could take on notice a question about what resources, in terms of staffing and funding, does the department expect to spend in 2007–08 servicing this committee and its inquiries, based on experience over the last few years. Also there is a question on notice from Mr Barber in terms of what progress can we expect in regard to the native vegetation permit tracking project in the coming financial year. That concludes the consideration of the budget estimates for the portfolio of water, environment and climate change. I thank the Acting Premier, witnesses and departmental officers for their attendance today. It has been a comprehensive session. Where questions were taken on notice, the committee will follow up with you in writing at a later date. The committee requests that written responses on those matters be provided within 30 days. They will form the basis for consideration of a further report of this committee to Parliament. Thank you very much.

**Committee adjourned.**