

CHAPTER 11: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Transcript of evidence

11.1 Environment and Climate Change portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 23 May 2008

Members

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

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

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr G. Jennings, Minister for Environment and Climate Change,
Mr P. Harris Secretary, and
Mr D. Hill, Chief Finance Officer, Department of Sustainability and Environment.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2008-09 budget estimates for the portfolios of Environment and Climate Change and Innovation. On behalf of the committee I welcome Mr Gavin Jennings, Minister for Environment and Climate Change and Minister for Innovation; Mr Peter Harris, secretary; and Mr Des Hill, chief finance officer. Departmental officers, members of the public and the media are also welcome. In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his 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 will be provided with proof versions of the transcript and 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, along with any other documents which are tabled, will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off. I invite the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of environment and climate change.

Overheads shown.

Mr JENNINGS — Thank you, Chair, for the opportunity to run through an overview of the important priorities within my responsibilities. In this instance I will be dealing with environment and climate change responsibilities, and subsequently will be dealing with innovation in an hour or so. In the first context we are dealing with budget matters that fall within my responsibility and that have been funded through the budget papers and identified in the Department of Sustainability and Environment. We might immediately go to the pie chart which indicates the program output areas that we will be referring to this afternoon.

I will start with what I am not responsible for, but for completeness that chart shows the output summary for the whole department. The area of healthy and productive water systems is part of that pie chart, and obviously part of the responsibility of the department. The ministerial responsibilities are undertaken by my colleague the Minister for Water, so I will not be addressing matters that relate to outputs and programs within that area.

In terms of what I will be talking about, I will be talking about the programs under healthy and productive land; healthy, productive and accessible marine coastal life and estuarine systems; and flourishing biodiversity in healthy ecosystems. For those of you who are well versed in environmental matters and conservation ethic, please be aware many of our programs support land values and environmental values, and the biodiversity of Victoria are covered within that program area.

Another program area of significance is less waste, less pollution and clean air and livable climate. They deal with, as you would expect, some of the major challenges confronting our community in relation to climate change. We are trying to make sure that we use our resources wisely, that we reduce waste and that we adapt to the climatic conditions that prevail within Victoria and, if we can, mitigate the adverse impacts.

In the area of land administration, it is important for the committee to understand that I am charged with responsibility for various matters relating to land titles, mapping and other forms of land information systems. That is a significant part of my responsibilities.

In terms of having a look at what climate change is in the Victorian context, for the committee's benefit I demonstrated the most recent CSIRO and Bureau of Meteorology projections that go forward about what the impacts of climate change may be. The map of Victoria on the left relates to what the CSIRO suggests is the best-case scenario going forward for the next 50 years in terms of what the climatic variation may be in the state of

Victoria. The legend at the bottom indicates the degree of climate change variation that may occur. On the left it indicates that somewhere between 1.5 to 2 degrees Celsius is what is currently projected, given the state of greenhouse gases within the atmosphere. And the worst case scenario on the information that is available — may lead to somewhere between a 3 to 4 degree Celsius change across the state of Victoria.

The CHAIR — Do you have any copies of this, Minister?

Mr JENNINGS — I would be happy to subsequently provide copies to the committee about this. It builds on what has been an historical trend in Victoria. It is important for the committee to understand that since 1950 there has been an increase of somewhere between 0.8 and 1 degree in both the average minimum and average maximum temperature that occurs in the state. That has already been established, and what the projections are going forward is that we may put added pressure on our natural environment.

In terms of what that might mean, some of the pressures that come on that we have to be responsible for to manage — and the next slide relates to one of those key instances, which is the prevalence of fire and the importance for us to mitigate against the threat of fire. This map of Victoria demonstrates that — in fact, the legend is impossible for members of the committee to determine.

What I can tell you is that the red and orange areas on that map of Victoria are where there is significant fuel load across the state that constitutes a threat in terms of a propensity and the intensity of fires. The green areas are in fact where that load has been reduced. I am very sorry to share with the committee that the primary reason that those areas are green is because of the significant fires that actually took place across Victoria within the last few years, which include the 06–07 fires, which burnt more than 1.2 million hectares across Victoria.

The good news in terms of our fire management regime — and the graph on the right side indicates that in this most recent fire season, the number of outbreaks of fires continued to be, right throughout the season to be in excess of what the 30-year average was. So close to 700 fires started in Victoria in the last summer season. But our cumulative effect of our mitigation effort and our first issue response in terms of repelling fires meant that 32 000 hectares of Victoria were burnt last summer. So even though the propensity of fires were more, the climatic conditions remained, acute efforts — —

Dr SYKES — Wait on, there was serious summer rain in December and January, which had a dampening-down effect, didn't it?

Mr JENNINGS — Are you using my 5 minutes, or am I?

The CHAIR — Continue, please. Get onto the estimates, Minister, because it is meant to be for 5 minutes.

Mr JENNINGS — Thanks, Chair, for assisting us both. I will move forward in relation to what is going forward. Well it is significant for us to understand what we have actually been doing in relation to protecting the environment. In relation to fire and floods significant effort has been undertaken by the Victorian government supporting the community in the last reporting period, which is in fact something that you might be interested in.

In the forward estimates in relation to the programs going forward, we will skip forward to those, we wanted to make sure that the committee is aware of climate change initiatives which have been designed to assist households in reducing their greenhouse gas emissions. We see this as a significant program to support the ecological footprint of our communities. Significant investment has gone into regional areas, even those represented by the National Party, to make sure that members of the community are encouraged to install solar hot water rebates. So we have provided a significant stimulus to members in our regional communities. Those of course who do not have a reticulated gas supply will have extreme benefits from this program. We have also rolled out a program to try to make sure that we have plumbers in regional areas to install these hot water systems.

There are other significant programs designed to assist in measuring what the impacts of climate change may be on our coastal management, in terms of the mapping of coastal areas to know what risks there might be in terms of accounting for them going forward, to make sure that we have better coastal management. And, indeed, adaptation is a feature of this budget because we want to make sure that we know, we have the scientific knowledge about how our community can adapt.

In relation to land and biodiversity, that is a very important area in terms of climate change. We have issued a green paper which is currently undergoing extensive consultation, which is designed to lead programmatic changes going forward. We have invested significantly in programs to support land and catchment management activities, and I would be happy to talk to the committee about those during the course of the hearing.

The last issue I draw attention to is the significant support we have provided to our parks and reserves systems to managing our very important natural environment, to make sure that we invest wisely to protect access to those locations and make sure that we can protect them through fire activity and hopefully increase access for the Victorian community into our parks and indeed into our marine environments. There have been significant investments in the budget to allow for that.

The CHAIR — Thank you very much, Minister, for that presentation. We would appreciate a copy, as you have promised. To begin, Minister, as I have done with other ministers, the committee is interested in getting a full picture of revenue forgone, any subsidies, both explicit and implicit, and also any concessions which may be funded through the estimates into the future, and also whether there have been any significant changes in that regard in this budget. I would appreciate it if you would do that in regard to your department.

Mr JENNINGS — As you would be aware, Chair, the substantive part of this question has been addressed in terms of the questionnaire but I guess for the committee's benefit I could — —

The CHAIR — Maybe you will be able to summarise it and then maybe add some stuff, if you have had further reflection.

Mr JENNINGS — Certainly. With what I am responsible for, there are 1600 fees and charges that are administered via the department, and they will be amended in accordance with the Monetary Units Act 2004. In relation to concessions, we offer a range of concessions for licensees and permits, for instance under the wildlife game regulation act, and concession rates are available for game licences. These concessions and the examples that I have provided, of which we say that there are about 500 concessions provided, the revenue foregone we estimate to be in the order of \$300 000, and those concessions are proportionate to the fees and charges that apply across the department.

The CHAIR — I assume it is the minister for energy who is responsible for the concessions in regard to solar tariffs and things like that.

Mr WELLS — Minister, just to clarify, that photo you had up at the start of your presentation, was that Crown land? Was that a photo of Crown land?

Mr JENNINGS — We will go back and have a look at it.

The CHAIR — I am not sure this is about the estimates.

Mr WELLS — No, it is just to clarify. Is that of Crown land? It is just like it does not look like it has got any weeds on it. It does not look like Crown land.

The CHAIR — Is this your question?

Mr WELLS — No, I am just clarifying. I think you should just ignore that one, Minister.

Mr JENNINGS — I hope you have a fine eye for detail.

Dr SYKES — It has probably been digitally enhanced.

The CHAIR — Can I remind all members of the committee that it makes Hansard's task very difficult if you keep talking over each other. Can we just go: question and then answer? Thank you.

Mr WELLS — Question and then answer?

The CHAIR — Correct. Get on with the question.

Mr WELLS — Minister, budget paper 3, page 242 is in regards to the Environment Policy and Climate Change output, and I note that Labor's 2002 election policy *A Sustainable State — Labor's Plan for a Greener*

Victoria has a goal of reducing greenhouse gas emissions by up to 8.3 million tonnes of carbon dioxide by 2010. However, between 2002 and 2005, Victoria's greenhouse gas emissions have actually increased by almost 7 million tonnes. So given the government's greenhouse strategy has failed to date, how will the government reduce Victoria's greenhouse gas emissions by over 15 million tonnes between 06–10 in order to achieve the election promise from 2002?

Mr JENNINGS — As a starting point, Mr Wells, I understand you are a member of the Victorian Parliament which has actually passed a number of pieces of legislation which will assist in achieving the outcome, so in part you know the answer is that schemes — —

Mr WELLS — I just would not mind if you could just recap what the answer is and the way in which you will achieve that objective.

The CHAIR — Let the minister answer.

Mr JENNINGS — The way in which we will achieve the objective is the cumulative effect of programs we have in place, the cumulative effect of programs that you have passed in the Victorian Parliament that assist in achieving that. So as a measure of that commitment, there is a range of programs that the government has already embarked upon, some of which I have referred to today, relating to the programs designed to assist our citizens in reducing their environmental load by purchasing programs that are designed to ensure that the Victorian government, and indeed the Victorian Parliament, becomes a leader in the adoption of green power through the cumulative effect of programs such as the VRET scheme, which has been endorsed by the Parliament and which is designed to achieve significant greenhouse gas abatement by driving investment in renewable energy, and significant investment has already been made and has already been earmarked to be delivered within Victoria. Indeed, Victoria is the leading jurisdiction in relation to setting that pace.

In terms of the most recent legislative-based program, that is the Victorian energy efficiency target which in its own right has the potential to make a significant contribution to that outcome, and that is the piece of legislation that has been recently passed by the Parliament, within the last six months, to facilitate that program. We are very confident that the cumulative effect of these programs will be able to make significant inroads to meeting our target, and I am very pleased to say that our efforts are now augmented by a commitment by a federal Labor government to achieve those outcomes, and that we are actually working within an agreed policy framework as distinct from a contested one. So we are confident that, in fact, we will make significant trajectory towards that target.

In terms of your question, in relation to whether the profile of emissions continue to increase or then start to be reduced, this is actually something that confronts this jurisdiction, confronts the nation, and in fact it confronts the world, and it is very important for you to be mindful of the trajectory that we inherited as government. That trajectory saw a significant increase in the emissions coming from Victoria. That trajectory has been slowed and indeed has started to be reversed. If that is something that is achieved by the Victorian government in terms of our jurisdiction, our nation and indeed the world, then we will be in a much better place.

Mr WELLS — Just to clarify — —

The CHAIR — Quickly, please.

Mr WELLS — Minister, do you still stand by your 2002 election promise that you will cut emissions by up to 8.3 million tonne?

Mr JENNINGS — Absolutely.

Mr PAKULA — Minister, on page 353 of budget paper 3, you have got a program called the Natural Resources Investment Program, and it talks about addressing key environmental issues, including — I will not go through it all — species and habit loss, salinity and water quality. I am interested in the program, and particularly in regard to those elements I have referred to I am wondering if you could expand on it for the benefit of the committee.

Mr JENNINGS — This is an area where there has been great collaboration, so I will contrast my answer to this question with my last answer. There had been a high degree of collaboration between the Victorian government and the last commonwealth government in relation to providing certainty for programs under the

natural heritage trust and the national program for action on salinity and water quality. The program you have referred to is the matching element from Victoria in terms of trying to make sure we support the great effort that takes place in catchment management areas across Victoria, the great contribution that catchment management authorities make professionally and by calling on community volunteer activity in relation to shoring up land values for the viability of habitat, actions to make sure that we protect threatened species, that we revegetate and restore the integrity of stream sides not only for their natural values but also to support the productive capacity of those lands. That has been a very successful program in Victoria; in terms of collaboration, it has been far more successful than other jurisdictions across the country, and there has been a higher degree of effect in those programs, delivering results to the Victorian environment.

The reason I draw attention to that is because at this point in time in terms of the matching arrangements for this program we are currently doing a lot of work with the incoming federal government to try to make sure we provide certainty for the program going forward, because it is a significant program, delivering great results for the environment and great benefits to community participation in land catchment management activities and in, as I said, protecting biodiversity. Because of a shift in commonwealth priorities we are going to be in a contested environment for access to some of those funds, and you may have heard me talk about this in Parliament. It is an issue that the state of Victoria is acutely mindful of in making sure that we provide for a smooth transition within the combined state funding-commonwealth money going forward and that we do not lose the effort that has been undertaken because we are very pleased with that effort. I will give you a couple of examples of what that means.

The projects that we have been able to provide through this program and we would like to go forward include providing salinity solutions and protecting biodiversity, as I have indicated; re-establishing native vegetation and saline soils; ensuring the survival of the Snowy River rainforest plantings and indigenous seed collection; recovery programs for a number of endangered and native species, both flora and fauna. One of the measures of that is the protection for sea grasses across Victoria, which has been very important, and generally for us to deal with biodiversity and salinity concerns. We are very confident and congratulate the work being undertaken by catchment management authorities, and we are working very assiduously to protect the ongoing role going forward.

Mr RICH-PHILLIPS — I would like to ask you about the cost of the Statutory Activities and Environment Protection output group on page 243 of budget paper 3. You will see that the total output cost for 2006–07 lists an actual cost of \$91.2 million. Last year, when the budget was produced the estimated cost for 06–07 was listed as \$102.8 million, some 11.6 million more than is now being reported. I wonder if you could tell the committee why there has been that 11.6 million variation between the estimated and the actual outcome?

The CHAIR — Are you talking about 2006–07 or 2008–09?

Mr RICH-PHILLIPS — 2006–07.

The CHAIR — I think that is more of an outcomes question. Can you rephrase the question so that it deals with expected outcomes and targets in the estimates going forward?

Mr RICH-PHILLIPS — I think the minister is getting some information.

The CHAIR — I think we will take that one on notice.

Mr JENNINGS — I am happy — I can take it on notice.

The CHAIR — It is really not a part of our hearing to deal with 2006–07.

Mr RICH-PHILLIPS — The issue is, Minister, that between publishing the estimates in May there has been a big variation between the estimate and the actual, which only occurs eight weeks later. What I would like to know is why there was that large variation and the impact that has on how reliable the estimates are for this year.

Mr JENNINGS — In terms of the comparison you are after, it is not in the budget paper that you are referring to, is it?

Mr RICH-PHILLIPS — No, it is not — —

Mr JENNINGS — No, it is not.

The CHAIR — Maybe you could comment on the target for 2007–08 and the target for 2006–07 and the expected outcome, which is lower. It is a similar question.

Mr RICH-PHILLIPS — That is not the question. The question is about the variation between the 2006–07 actual and the 2006–07 estimate.

The CHAIR — I am happy to take it on notice, Mr Rich-Phillips. Have you got another question?

Mr RICH-PHILLIPS — Has the minister got any information about it?

Mr JENNINGS — You have just confirmed, Mr Rich-Phillips, that the question you asked me does not relate to the budget papers before us.

Mr RICH-PHILLIPS — Yes, it does; it is in the fourth column on page 243.

Mr JENNINGS — In terms of the comparison, it does not.

The CHAIR — Mr Rich-Phillips, we have taken this one on notice. It does not actually deal with the estimates. I am happy for you to ask another question.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the government's reporting of government environmental performance. What does the government collect and report with respect to whole-of-government environmental outcomes — that is carbon footprint? If the government is setting carbon reduction targets, what information does it collect and report with respect to whole-of-government performance as to carbon footprint; specifically, why is that not reported in the output groups?

Mr JENNINGS — Because, again, Mr Rich-Phillips, you actually sit in the Parliament with me when I give answers about a whole variety of things, you are aware that the commissioner for sustainability actually does provide reports on the whole-of-government performance in relation to environmental outcomes.

Mr RICH-PHILLIPS — That is not something you put in the output groups as a measure.

Mr JENNINGS — Because he is a statutory officer of Parliament and does so.

Mr RICH-PHILLIPS — It is not something you put in?

Mr JENNINGS — He does so; he does that.

Mr RICH-PHILLIPS — But not in the output groups?

Mr JENNINGS — He is a statutory officer of the Parliament and he accounts for those matters to the Parliament. I have an interest in what he reports on, but in fact in relation to my budget that I am responsible for, this is actually something that we do not purport to measure in relation to what I am coming here to the Public Accounts and Estimates Committee to report on. The commissioner publishes a report that is available to all members of Parliament, and that is the place where whole-of-government reporting occurs.

Mr RICH-PHILLIPS — But you as Minister for Environment and Climate Change do not see yourself as having a role in overseeing whole-of-government environmental outcomes and therefore reporting that in your output groups as one of your performance measures?

Mr JENNINGS — The Parliament of Victoria, whether you like it or not, in its wisdom made a determination that a statutory officer who was connected to government, including having a good working relationship with me, was the body that was responsible for reporting on the matter that you are now asking me to report on.

Mr RICH-PHILLIPS — I am asking you to take responsibility for your measure and your output groups.

Mr JENNINGS — The Parliament has taken the responsibility by commissioning a statutory officer to do so.

Mr RICH-PHILLIPS — Which legislation is that?

Mr JENNINGS — It might be my legislation, Mr Rich-Phillips, but it is not my budget output group.

The CHAIR — I think you will find in terms of the budget papers that we do get whole-of-government in terms of Growing Victoria Together; that comes in the early part of the service delivery budget paper. And also you do find some government-wide initiatives.

Mr WELLS — But that is not an output group — —

The CHAIR — But the output groups do relate to the individual departments.

Ms MUNT — Page 352 of budget paper under ‘Output initiatives — sustainability and environment’ has a line item called ‘Bays and maritime initiative’. That is expanded on a little more on page 355 under the heading ‘Bays and maritime capital works program’, where it states:

This initiative will upgrade piers, jetties and other assets around Port Phillip Bay to enhance community access and improve environmental outcomes.

As my brother is a lifelong, dedicated, fanatical fisherman, I wonder if you could expand on that a bit. There is not a pier he will not stand on!

Mr JENNINGS — I am sorry in advance if I do not actually account for the issues that are of concern to your brother. But beyond that I know he is in good company, because Victorians have visited about 40 million times our bays and piers every year. It is a very popular part of the Victorian environment. It is very essential for the goodwill and the connection between our citizens and the marine environment. So part of what I outlined in my presentation at the beginning — and I am pleased you have picked up this — is the significant commitment we have made in this year’s budget to specifically try to enhance the access to the bays and maritime environment. The \$5 million that has been allocated in this budget builds on the \$10 million that was allocated in previous years to upgrade piers and jetties in Port Phillip and Western Port bays. This \$5 million allocation is designed not only to build some new infrastructure, but to create a case for the way in which we should better plan for development into the future, which will incorporate both public and private investment, and see the development of hubs for making sure that we deal with access to bays in a more considered and more regulated way, rather than in a deregulated, chaotic way, which sometimes is a feature of people trying to get access to our waterways. Specifically there will be some investments, and some of them may end up not being too far from you, Ms Munt, or your brother.

Ms MUNT — Blinds Bight.

Mr JENNINGS — So certainly we are investing at Patterson River. Over a million dollars will be provided, plus additional support from the Marine Safety Victoria boating safety facilities program, to upgrade that facility at Patterson River. At Mordialloc pier there will be a half-million dollar upgrade — —

Mr BARBER — Along with the toxic dump again.

The CHAIR — Just questions and answers.

Mr JENNINGS — To be spent on undertaking repairs and a pier structure upgrade for boat facilities and amenities. At Williamstown — there is a bit of a recurring theme among PAEC members in relation to this — \$100 000 will be invested to improve boat mooring facilities, and similarly at Kerferd Road \$400 000 will be spent to undertake repairs on that pier. Beyond that, in terms of general assistance to those who are on our bays, there will be additional navigational aids for recreational boating. So significant investment will be undertaken to support an additional 130 navigational aids to hopefully enable people to get safely around Port Phillip Bay.

Dr SYKES — My question relates to the food bowl project and, more importantly, the associated north–south pipeline. What are the expected environmental impacts of the proposed north–south pipeline, in particular the restoration of vegetation damaged or destroyed in the construction of the pipeline through several kilometres of the Toolangi State Forest, noting that one householder in the Murrindindi shire had to plant 900 trees to replace 7 trees removed in order to access electricity; secondly, the environmental impacts of the greenhouse gas emissions produced when the water is pumped over the Great Divide, which one estimate says will be the equivalent of 130 000 tonnes of CO₂ emission equivalents per year; and finally, what are the budgetary implications of the pipeline complying with the cultural heritage act, which is being applied with great vigour on projects as little as a small extension to the Yarck hall?

Mr JENNINGS — I am pleased to know there is a united game plan by those people who represent the opposition, in that they have asked a succession of questions that are not necessarily related to the budget papers before us.

Dr SYKES — It relates to climate change, which does.

Mr JENNINGS — You are on a theme, on a roll.

Dr SYKES — But you spoke about climate change, Minister.

Mr WELLS — Are we going to get him to answer?

The CHAIR — Yes. Answer, please.

Mr JENNINGS — I am answering.

Mr WELLS — We are not sure about it.

Mr JENNINGS — I can give long or short answers.

Dr SYKES — Just a straight answer, Minister.

Mr JENNINGS — I am very happy to give you an answer to the question. The matters that you have raised in terms of the environmental dimensions of this project are currently being reviewed. I am not quite sure whether the report that details those issues is in the hands of the Minister for Planning, but in fact they have been collated to be considered by the Minister for Planning who will then make recommendations to other parts of government about the way in which those issues should be dealt with. It is the intention for us to deal with any environmental matters and environmental considerations appropriately. Certainly within my responsibility I will be particularly mindful of any — any! — responsibility that I actually have in terms of either statutory or programmatic issues that will be drawn to my attention to respond to. There are a lot of other matters that were embedded in your question that may fall outside my responsibility, but I assure you that I will account to the Parliament in full about any matters that fall within my responsibility.

Dr SYKES — On the figure for the estimated greenhouse gas emissions for pumping the water across the Great Divide, in your role as environment minister and with a concern about meeting our greenhouse gas targets, have you any indication of what the estimated emissions will be and how that will impact on our ability to meet the government's targets?

The CHAIR — If you like, you can answer it, but it did not seem to be a clarification of your previous question, that's all. You can take it on notice.

Dr SYKES — It was in the question.

Mr SCOTT — Minister, my question relates to climate change and the low-income home retrofit program, which is referred to on page 297 of budget paper 3. What is the government doing to help low-income households to reduce their energy bills and greenhouse gas emissions?

Mr JENNINGS — Certainly in relation to the estimates, Chair, this is something that is actually covered going forward in relation to a significant part of the 294 million that was allocated in this budget going forward, to deal with these matters. Indeed, Mr Scott's question is about part of the output group. It appears on page 290 and deals with \$33 million that has been allocated to a program to encourage members of regional communities to change their hot-water services to solar-powered hot water. That applies to both gas and electric solar hot-water systems. A significant rebate will be available to Victorians in those areas: \$2500 rebates will be available for people to replace their systems, which will probably reduce their out-of-pocket expenses to about \$500 to \$800 to replace a gas system, and for an electric system the replacement cost will be around \$1000. We actually think that there will be significant take-up of this opportunity, because people who want to replace their hot-water systems will realise that these will lead to out-of-pocket expenses for their energy consumption being reduced by somewhere in the order of \$245 a year, and, in terms of the environmental impact, it will be reduced significantly because over the life of these systems they will save somewhere between 42 to 61 tonnes of CO₂.

A cumulative total of 25 kilotonnes will be achieved through this program by 2010, which is our intention. The equivalent environmental load of each system will be reduced by about 462 tonnes over the life of the system. So there will be benefits to consumers and to the environment. Part of the \$33 million has been allocated, as I indicated, to train about 1400 plumbers to be able to undertake this work across Victoria.

Mr BARBER — Minister, this time last year your predecessor reported on the progress towards a native vegetation clearing permit tracking system, which I think was set up by a grant from or under an agreement with the federal government. Can you tell us if that permit tracking system is now in place and give me an idea of whether it is yielding the kind of data that might indicate how much native vegetation clearing has occurred and whether in fact a net gain in the quality and quantity of vegetation has been achieved, and is that the sort of data that Parliament might be interested in accessing?

Mr JENNINGS — My colleague Mr Harris is about to share with me where in the budget papers we have reported on it. I am assuming that a very astute reader of budget papers like you, Mr Barber, knows the answer to the question that you have asked in relation to the result. That answer is on page 401, and it not the story that you or I would like. I volunteer that to you: it is not the answer that you and I want.

In terms of our ability to plot these changes as they go forward, it continues to be an issue that is of concern to many members of the community such as yourself who worry about the net loss of vegetation. We have actually been trying to remedy that decline and we have not achieved the results that we would actually hope for. In terms of our ability to track those, to actually add to our ability to have offsets in place and a variety of ways in which offsets can be achieved, either through additions to the public estate or by placing covenants or by entering into programs like BushBroker and indeed the establishment of ecomarkets, these cumulative programs we actually would hope would reverse what has been a sorry story in relation to this for some time. I would like to be in a position to be able to report on a positive result. It was my intention to do that, but I am not at liberty to do so today.

Mr BARBER — Just in terms of the tracking system, if you could perhaps provide us — —

The CHAIR — This is the new one you are talking about, which will come into operation mid this year?

Mr BARBER — Maybe a little bit more data about the progress of it and how it will operate — that is, how do I access the data from it?

The CHAIR — Minister, on the native vegetation tracking system.

Mr JENNINGS — I am happy to share on a regular basis within the Parliament how we progress in relation to rolling out the system and rolling out the effectiveness of our programs.

Mr NOONAN — Minister, I want to ask you about the bridge replacement program, which is a new investment over the four-year period commencing in 08–09 and ask you to elaborate on the importance of this initiative, particularly in the area of fire protection.

Mr JENNINGS — Thanks for the opportunity to talk about a significant element of our program. In the budget papers there are about \$232 million worth of programs going forward designed to try and support our natural environment in terms of building infrastructure, and trying to make sure that we improve access for Victorians to go into our natural environment in a safe and secure way. That is obviously very important in the context of fire, which was in your question. So a significant program has been undertaken to improve the quality of our bridges, the infrastructure of our bridges on public land and stream crossings to try and make sure that we establish a number of priority projects that will make that our firefighting effort is actually undertaken with a degree of safety. In terms of that program going forward, \$60 million has been identified to replace the 300 bridges and stream crossings. Priority programs have been established by DSE and Parks Victoria in collaboration with local communities, and I can identify a number of them for the sake of the committee. For instance, the junction of the Timbarra and Tambo rivers in Gippsland, Gunbower Island up in the north-west, at Corryong in the north-east and indeed in the Grampians area, all of which have been — not necessarily all of which, many of those areas have been subjected to threats of fire and instances of fire in the last two years, and our ability to provide for that certainty is very important.

Of course this builds on our efforts in terms of an issue that I raced over in relation to my presentation, which is the commitment that we have actually made to providing additional resources to our firefighting effort; \$27 million

was allocated to increase that effort coming up to the last summer. Notwithstanding the fact that it rained once or twice in summer, we actually had a fantastic array of resources that were available for the firefighting effort. We had more aircraft, more bulldozers and more water tanks than we have ever had before. The cumulative effect of our fire mitigation program in terms of fuel reduction burnings has now meant that we have had an effort that has never been seen before in Victoria. We are very pleased to be able to provide that support going forward.

Mr DALLA-RIVA — Minister, in the budget overview on pages 30 and 31 there is quite a substantial amount of literature by the government on tackling climate change. Part of that has a number of commitments by the government on reducing greenhouse gas emissions from households. I reference the service delivery budget paper, pages 352 and 353, and I am just curious because in previous questions that were asked relating to the issue of climate change it seemed to be an issue that was not of your concern. I raise the issue about the *New Residential Zones for Victoria* discussion paper. This paper by the Department of Planning and Community Development makes no reference to greenhouse nor reference made to the implications of massive clearing of existing vegetation and its contribution to the livability of an area nor its environmental or diversity impact. It is actually talking about mass buildings in Melbourne and regional Victoria. With the light of the \$3.6 million initiative that is outlined on the pages I referenced, what are the greenhouse implications that you see will happen as a result of the moonscaping of parts of metropolitan Melbourne under this substantially changed zone plan, and is that part of the reason there are no metropolitan or regional city biodiversity measures in the biodiversity output on page 236 of budget paper 3?

The CHAIR — Minister, insofar as it relates to your portfolio and the estimates.

Mr JENNINGS — I think it was an extremely tortuous path that Mr Dalla-Riva went on to get to the question.

Mr DALLA-RIVA — You are the minister for climate change.

Mr JENNINGS — Too right. The program that you actually pinged in relation to what I am directly responsible for is the land and biodiversity green paper-white paper process. That is at the heart of your question that relates to me. That paper does actually consider impacts upon land and biodiversity within the peri-urban areas and indeed other parts of the metropolitan area where those values are maintained and need to be preserved. So in terms of good work, you might have got to an area that in fact we are actually being very mindful of trying to assess and trying to deliver on in terms of making sure that we protect biodiversity, which is the prime driver of this piece of work that you have referred to. In a general context these need to be protected through a variety of mechanisms, which include the appropriate integration with the planning scheme and the way in which planning approvals are made and urban development occurs, particularly at the edges of the urban area.

So in terms of the ability for us to incorporate those considerations within the program that I am responsible for, they are not mutually exclusive propositions; they are able to be considered, and I will be particularly mindful of any analysis or any recommendations that come through a very extensive community collaboration on those matters.

Ms MUNT — I would like to speak about the black balloons campaign. I think most households now are very aware of their carbon emissions and try to do their best to help out and minimise their carbon emissions. I notice on page 290 there is 5 million in 2008–09 for the black balloons campaign, and it is followed up on page 297 with a bit of an explanation on reducing greenhouse gas emissions for households. What is included in that \$5 million; what initiatives are planned with that funding?

Mr JENNINGS — The most significant issue will be to maintain the high-profile nature of the black balloons campaign, which has resonated extremely well with not only the Victorian unity but as a model it has been seen around the world as being one of the best applications of an advertising campaign designed to lead to households changing their energy use and being mindful of their environmental obligations and indeed undertaking it in a way which ultimately saves their income as well, because in fact they are reducing their expenditure. The way in which we will build on the pre-existing program through the black balloons campaign You have the Power. Save energy will be continued going forward. The success of that can be measured in a variety of ways. The advertising campaign, in terms of recognition, has one of the highest recognition rates of any campaign that has been undertaken in Australia in relation to environmental outcomes.

Mr BARBER — What about measured behaviour change?

Mr JENNINGS — There is a bit of behaviour change measurement. That can be measured in a variety of ways, which include the fact that Victoria has the highest take-up rate of green power in the country.

Mr BARBER — Is that what the ad tells them to do, though?

Mr JENNINGS — It is consistent with the approach that the government has funded. It is the cumulative effect of a range of programs, going back to Mr Wells's first terrific question, which provided me with the opportunity to outline a range of measures which we are undertaking. The VRET scheme that went through Parliament, which might have been forgotten but not forgotten by the Victorian government, is designed to ensure that there are mechanisms put in place to improve the energy efficiency — the profile of energy consumption — of Victorian households. It has been designed to reduce greenhouse gases by 2.7 million tonnes.

Mr BARBER — It has not started yet.

Dr SYKES — Do not worry about that!

Mr JENNINGS — It is on the way.

The CHAIR — Minister, on the question, please.

Mr JENNINGS — I have not strayed from the question, Chair.

The CHAIR — Ignore the interjections.

Mr JENNINGS — Yes. There are significant programs by the government to do energy audits and to retrofit a range of households in terms of their energy profiles. The cumulative effect of these programs has been designed to support the government's commitment to reduce household consumption by 10 per cent by 2010. The longer we sit in this parliamentary setting, with a bit of luck, I might have an opportunity to come back and report on how well we are travelling in relation to that, if that is an ongoing interest of PAEC. We think Victorians are doing their bit, because they are responding very positively to this campaign and the associated programs that the government has introduced.

Mr BARBER — Chair, maybe since the government has raised this question the minister could take on notice and provide us the evaluation of the black balloons campaign where it has led to behaviour change. I know these ad campaigns are rigorously evaluated.

The CHAIR — We are waiting for a government response to our recommendations in our last report, which said there should be evaluations of all advertising campaigns. So in that context, Minister, you can take that on notice.

Mr RICH-PHILLIPS — Minister, you spoke earlier about the government's emission reduction targets and also your solar hot-water program. What impact is the commonwealth's decision to slash the rebate for solar power going to have on the take-up of the solar hot-water program and on the government's emissions reduction target?

Mr JENNINGS — First of all, the issue about the — that is not the question that you hoped to have asked me, Mr Rich-Phillips, because it will not make any impact at all in relation to the take-up of the solar hot-water system rebate program that I have indicated. The commonwealth actions in the budget may assist, because in fact they are providing 200 000 Australian households with low-interest loans to assist them to improve the environmental performance of their houses — so solar hot-water systems and not the basis of the change to the rebate, which related to the installation of photovoltaic cells on people's roofs.

Mr RICH-PHILLIPS — It is not the government's view that there is less incentive to take up solar hot water given they cannot take up solar power under the existing scheme?

Mr JENNINGS — I think it is a long bow.

Mr RICH-PHILLIPS — And the impact on your emissions targets?

Mr JENNINGS — The impact upon the emissions targets is that both the Victorian government and the commonwealth government are committed to a range of outcomes in terms of changing the renewable energy profile of Australia in going forward. Victoria started off with a 15 per cent reduction or 16 per cent reduction by 2015, and the commonwealth has actually subsequently come in with a commitment to 20 per cent by 2020.

The impacts upon those renewable energy targets are currently being implemented in Victoria's case and are soon to be implemented and reactivated in the commonwealth's case. There will be a need for us to harmonise our approach through these schemes going forward, and not only will the harmonisation be very important but also how they will hopefully augment the mechanisms to transform our generation capacity going forward under a national emissions trading scheme. This is one of the great policy areas that will involve a lot of quality thinking in the next couple of years as we introduce a national emissions trading scheme over that period of time.

Mr RICH-PHILLIPS — Just to clarify: is the removal of that rebate going to impact on your 2015 target or not?

Mr JENNINGS — We have no reason to believe that it would adversely impact upon reaching that target.

The CHAIR — Minister, there are a number of questions on notice we have here which you could address, particularly from Dr Sykes in regard to the north–south pipeline. I will not read them out, but I will hand them to the secretariat to send to you. They are also in regard to bushfire risk management and of course Lake Mokoan. Thank you, Minister.

Witnesses withdrew.

Transcript of evidence

11.2 Water portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 3 June 2008

Members

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

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

Staff

Executive Officer: Ms V. Cheong

Witnesses

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

The CHAIR — I welcome Peter Harris, the Secretary of the Department of Sustainability and Environment, and Des Hill, the chief finance officer of the Department of Sustainability and Environment.

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

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

Overheads shown.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr BARBER — Yes.

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

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

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

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

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

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

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

Mr PAKULA — Such as what, for example?

The CHAIR — Just one at a time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The CHAIR — Just answer the question, Minister.

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

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

Dr SYKES — Please do.

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

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

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

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

The CHAIR — For 15 seconds.

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

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

Dr SYKES — No, that is not the question.

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

Dr SYKES — Would you answer the question?

The CHAIR — Okay. I think we — —

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

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

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

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

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

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

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

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

The CHAIR — Right. Okay.

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

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

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

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

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

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

The CHAIR — Different capacities to save, of course.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The CHAIR — Very quickly.

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

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

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

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

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

The CHAIR — Okay.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The CHAIR — Let the minister answer, please.

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

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

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

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

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

The CHAIR — No, the minister to answer.

Mr HOLDING — Do you want to ask a question?

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

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

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

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

Mr HOLDING — It fluctuated over — —

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

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

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

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

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

Dr SYKES — What would be the impact — —

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

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

Mr WELLS — It is a straightforward question.

The CHAIR — One at a time.

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

The CHAIR — I did suggest that.

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

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

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

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

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

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

Dr Sykes — Big Buffalo? Big?

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

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

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

The CHAIR — Thank you, Minister. Mr Wells?

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

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

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

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

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

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

Mr WELLS — Would he like to seek clarification?

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

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

Mr WELLS — So what is it?

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

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

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

Dr SYKES — What price is it, Minister?

Mr WELLS — You said it is very easy.

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

Mr PAKULA — It's a cute debating trick!

Mr WELLS — You just said — —

Mr HOLDING — One thousand — —

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

Mr WELLS — Well, can we get an answer?

The CHAIR — The Minister has given us some figures.

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

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

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

The CHAIR — This is your question, I assume?

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

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

The CHAIR — The minister has actually answered that one.

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

The CHAIR — Well, if you cannot divide — —

Mr WELLS — What is the cost of the asset?

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

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

Mr PAKULA — You just failed Finance. Sorry.

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

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

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

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

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

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

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

Mr WELLS — Per?

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

Mr WELLS — Okay. No operating costs?

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

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

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

Mr WELLS — Are there any operating costs?

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

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

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

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

Mr PAKULA — Grow up!

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

Mr WELLS — No, no, none at all — —

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

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

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

Mr WELLS — Well, what are the operating costs?

Mr HOLDING — We can move on.

Mr WELLS — What are the operating costs, then?

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

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

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

Mr HOLDING — He has had about eight questions.

The CHAIR — He has given you the capital costs.

Mr WELLS — What are the operating costs?

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

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

Mr PAKULA — I thought he had two questions!

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

Ms MUNT — It is a different question.

Mr WELLS — You are refusing to answer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr HOLDING — You could approach the water authorities.

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

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

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

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

The CHAIR — Are you just asking for clarification?

Mr NOONAN — It was part of my original question.

Mr HOLDING — Sorry, I missed that.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr HOLDING — I do.

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

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

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

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

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

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

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

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

The CHAIR — You did; you meant?

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

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

Witnesses withdrew.