

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2022-23 Budget Estimates**

Melbourne—Wednesday, 18 May 2022

### **MEMBERS**

Ms Lizzie Blandthorn—Chair

Mr Danny O'Brien—Deputy Chair

Mr Rodney Barton

Mr Sam Hibbins

Mr Gary Maas

Mrs Beverley McArthur

Mr James Newbury

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor



**WITNESSES**

Ms Lisa Neville MP, Minister for Water,

Mr John Bradley, Secretary,

Ms Helen Vaughan, Deputy Secretary, Water and Catchments,

Mr Andrew Fennessy, Executive Director, Statewide Infrastructure and Rural Strategy,

Ms Alieta Donald, Executive Director, Water Resources Strategy,

Ms Kessia Thomson, Executive Director, Partnerships and Sector Performance,

Ms Deb Brown, Executive Director, Catchments, Waterways, Cities and Towns,

Mr Mark Briglia, Acting Chief Financial Officer, and

Mr Graeme Emonson, Deputy Secretary, Corporate Services, Department of Environment, Land, Water and Planning.

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2022–23 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

We welcome back Minister Neville, this time as Minister for Water, as well as officers of your department. We invite you to make an opening statement, and this will be followed by questions from the committee.

**Visual presentation.**

**Ms NEVILLE:** How long is the statement?

**The CHAIR:** Ten minutes.

**Ms NEVILLE:** Ten minutes. Great. Thank you, Chair.

**Mr D O'BRIEN:** If you can do it in five, we will love you even more.

**Ms NEVILLE:** It is water. Sorry, Danny. Okay, if we go to slide 1—Alieta hopefully has got it under control there—this really gives you a sense of where our storages are currently sitting. Melbourne, although it says on there 84 per cent, is actually sitting at 83.9 per cent this morning. Most of our storages are in good condition due to some of the wetter conditions. Conditions have been closer to average, and some below average, in most of the south and the west. There has been quite a bit of variation over recent months. In January we were 91 per cent above average for that period, the eighth wettest January on record. But in contrast December and February were 34 per cent and 56 per cent below their averages. So you are seeing these different parts of the state impacted differently as well as very much different months and not in any usual pattern.

In our irrigation areas in the north, we saw that the final 2021–22 seasonal determinations were announced on 1 April with no changes. That means the Murray, Goulburn, Loddon, Campaspe, Broken and Bullarook are all at 100 per cent high-reliability water shares, and the Broken, Bullarook and Murray are 100 per cent low-reliability as well as their 100 per cent high-reliability. So that is good news for the north, and it sort of really gives a buffer of a couple of years up there. You know, I am not allowed to say it will happen, but it is highly likely that those 100 per cent allocations will continue into the next season, which were announced in October. So that gives some comfort for those irrigators in the north of the state. However, while the conditions in the north have been really good, in the west, with inflows for 2021–22 to date around 42 per cent below average allocation, the Wimmera-Mallee pipeline product is sitting at 59 per cent. So again the Glenelg-Wimmera area particularly continues to show areas of struggle—and has for a period of time—and very little recovery in that area.

If we go to the next slide, it gives you a pretty stark contrast of what our storages would look like without the desalination in there. We are sitting at, as I said, 83.9 per cent today, but without desal in our system we would actually be at about 58 to 59 per cent. So it has made a massive contribution over the time that we have been using the desal to actually keep our storages at a good level. And we know during the millennium drought that we saw a decline of 20 per cent in our storages in one year, so it can happen, and it can happen very quickly just in terms of drying conditions. We have only placed a small order this year, given where we are, of 15 gigalitres. There is capacity in Cardinia to take both the remaining current delivery as well as that with no issues there. In terms of the advice that I received in relation to the desal, it has no impact on any risk of spill, other than it would be rainfall that would have a risk of spill but not the issue of desal. Whether it had been zero or 15 gigalitres, it would have no impact at all.

If we can go to the next slide, just in terms of some of our longer term water security challenges, yes, we have had a good year. That is great. It has set up in some parts of the state a hopefully good couple of years, a bit of a buffer, and we need to have that. We know that, as our population grows, population growth itself has increased demand for water by about 10.7 per cent. We are currently using about 50 to 70 gigalitres more than we receive into our system—50 this year. It has actually been more at 70 over the last decade, but because of the rainfall it has been more at the 50 per cent end rather than the 70 per cent. But it is a significant issue that we are using more than we receive. If you have a look at this chart, it shows you, based on different population scenarios and based on different climate change scenarios, that we need more water in our system—and it is not going to come from rainfall, basically. That is probably what I would say. I would say a medium climate change scenario is probably likely, but probably a high climate change scenario is actually even more likely. Under either of those scenarios we will not get enough rainfall to fill our storages and keep our city and our regions going just to meet urban needs, let alone irrigation, let alone parks, sporting grounds, business, industry, growth et cetera.

Slide 5 takes you through, obviously, Water for Victoria, which is our overarching strategy. It takes you through what are we doing about water security from the desal, better use of the water grid, how we provide better security for greater Melbourne, Geelong and South Gippsland through the desal pipe and our work that we have been doing on the Central and Gippsland region sustainable water strategy; what we are doing in terms of urban water—and I will talk a bit more about this—with integrated water management, how we are offsetting potable water use with stormwater and recycled, what projects we are putting in place and what water efficiency measures we are putting in place; how we are working in terms of the Murray-Darling Basin and our commitments under that to deliver water back to the environment; and how we are improving the quality of water and the water quality of our waterways for our communities. We are in the process also of a road map for Aboriginal water, having returned already the first lot of a number of gigalitres of water back to traditional owners, and how we will do that further.

Just very quickly—I am not doing too badly actually—

**Mr D O'BRIEN:** Five minutes.

**Ms NEVILLE:** The environmental contribution investment, which is what largely funds what we do in the water sector—sometimes you will get above EC in terms of appropriations for particular projects. Bendigo is one of those where we have got a bit of EC and a bit of appropriations. But what you will see is that during our period in government what we have collected we have spent. We have still got another period of time to go. We have got a small amount left in the EC which will be spent in the next budget, but basically all our projects are

tested, they have got a business case around them, they fit the criteria of the environment contribution and everything that comes in is going out back into the projects that matter to our community.

Just finally, to bring you back to the investment we have made since 2020–21, this is EC5, so this is the last tranche. It takes us to 2024–25; \$774 million has been invested. So there are a number of components that go over the four years—water health, waterway health, all of those do that. This budget provides a number of new and ongoing programs, one being particularly about how we implement the Central and Gippsland region sustainable water strategy, which is our security plan, so how we are going to do that—we will get that final. That is out for consultation now. There is more money into integrated water management and the recycled and stormwater projects, more money into waterway and catchment health projects and money to unlock some more benefits for Geelong in terms of the desalination plant, so looking at expanding the pipeline.

There is a significant investment in the Bendigo Deborah goldmine. This was almost one of my first issues as water minister. It came up, and we put in a temporary measure to try and keep that mine open, as pretty poor quality mine-affected groundwater kept flooding there and was being stored, causing significant environmental and health issues for the community. So this is \$51.8 million for a long-term plan to remediate and for a new treatment plant that will deal with that and keep the mine open, which is a major tourism [inaudible], and \$3.9 million to continue our investment in Aboriginal water. This will be both around how we expand access to water but also around leadership opportunities, so training and leadership development to get more traditional owners on our water sector boards.

**The CHAIR:** Thank you, Minister. Mr O'Brien.

**Mr D O'BRIEN:** Thank you, Chair. Good afternoon again, Minister. You mentioned in your presentation Victoria's obligations under the Murray Darling Basin plan, and as I am sure you are very well aware, both the Greens and federal Labor intend to take more water from consumptive users to meet the 450-gig commitment. Do you see any way this can be achieved other than through buybacks?

**Ms NEVILLE:** Well, I will firstly say I have been very consistent on the Victorian government's position on this.

**Mr D O'BRIEN:** I should say that it is a unity ticket on this from the coalition and you on the 450 in particular.

**Ms NEVILLE:** Firstly, I have got issues on both sides at the moment around who will not extend the time lines on our sustainable diversion limit projects as well as on the Labor Party's side in relation to some of their comments in regard to the basin plan. But I would say the recent comments that Terri Butler, the shadow minister, made, which were that they would not be getting rid of the socio-economic criteria, were positive, because as you will recall, we agreed as a ministerial council. Under the legislation you cannot achieve the 450 through buybacks; you are not allowed to. It has got to be done by efficiency projects. What we have been able to do is put in place socio-economic criteria over the top of that 450 so that we do not have, basically, buybacks, which is willing sellers, and it is our advice and my strong view that it would require the full ministerial council to change those criteria. We will certainly not be, and I am pretty confident New South Wales certainly will not be, supporting the change of those criteria.

**Mr D O'BRIEN:** You mentioned Terri Butler. She actually said:

We don't want to do buybacks ... But if we have to, then that will be an option that will have to be pursued.

Have you had that conversation with her and said, 'We're just not doing it'.

**Ms NEVILLE:** I have been really clear. In fact I have been more clear in the public realm. I have not had these conversations quietly; I have had them publicly in radio interviews and in opinion pieces. Our position has not changed. We cannot afford more buybacks. We have delivered over 800 gigs of our 1026. The rest will be done through our diversion projects. There are two concerns. What if we do not meet the 605 gigs that we need to recover? My view is that Victoria has done its heavy lifting and it should not be done by buybacks. Under the legislation you cannot buy back. If I have to stand on the farm gates and stop it, I will, but with the buybacks, we know the socio-economic impact. This is supposed to be a balanced plan about the environment and about the economy and the social cohesion of our communities, and taking more water out of productive use through buybacks is not going to be the way to achieve a balanced plan.

**Mr D O'BRIEN:** So does the Victorian government believe the 450 can be achieved without buybacks?

**Ms NEVILLE:** Well, I think 450 will be hard to achieve. If you look back on the plan that was signed, it is 'up to 450'. We are already contributing. Once we reached the sustainable diversion limit projects we had to then deliver, I think, 62 gigs across each of the states towards the 42, and already we have got projects of up to 15.6 gigs, which we will contribute. We will contribute towards the 450, and these are water efficiency projects—there is one up in the Shepparton region—so they are saving water basically. The legislation says 'up to 450'. Do I think we can get to 450? I think that is very unlikely.

**Mr D O'BRIEN:** Okay. So is Terri Butler then misleading people, saying that we can go back into the market and buy water?

**Ms NEVILLE:** Look, can I say Keith Pitt said the same thing—he has said we are delivering the 450—so he is not walking away from it either.

**Mr D O'BRIEN:** But he has not said through buybacks, though.

**Ms NEVILLE:** Yes.

**Mr D O'BRIEN:** I guess effectively the challenge is with the election this weekend—

**Ms NEVILLE:** I just think that right at the moment, my interest is—I do not want to be in the middle of it. My interest is that whoever wins government, it will be the same thing. We will deliver what we can without a socio-economic impact. We will not change the criteria around socio-economic; we are not changing our view on that. And we need a decision on those projects to extend the date.

**Mr D O'BRIEN:** Thank you.

**The CHAIR:** Thank you, Minister. Mr Maas.

**Mr MAAS:** Thanks, Chair. And thanks, Minister and team, for your attendance today. In your presentation, Minister, you made reference to the integrated water management projects, at slides 5 and 7. I was hoping you would be able to provide the committee with some more detail on those infrastructure projects that have been done so far to secure water supplies with changing demands and climate change across the state.

**Ms NEVILLE:** Thank you, Mr Maas, for the question. This is a really important part of what we talk about in both the Our Water, Our Future water strategy but also—I keep going to say sustainable diversion—the SWS, the sustainable water strategy, to have a look at how we can better support the development and fit-for-purpose use of recycled and stormwater. Really what you want to ultimately see is that the only use of potable water is for drinking and environmental water, and everything else as much as possible—the park, the school grounds and industry, if we can—is using recycled and stormwater. We have established the integrated water management program. This is in each of the sort of regions. It involves water corporations, it involves businesses and it involves irrigators, environmental, traditional owners. This is about of developing in each community sustainable projects that we can hopefully support.

I released a report recently on what we had already been doing, and there was \$22 million of co-investment for 106 projects that we have supported. More than 1 billion litres in drinking water has been saved every year so far from those projects, and more than 18 billion litres of recycled water for agriculture. And we leveraged about \$60 million in commonwealth investment as well for some of these projects. The projects will supply water to things like 15 sporting ovals, three golf courses, 21 parks and open public spaces, nine schools and colleges, conservation parklands and the Werribee Open Range Zoo. I did not know if you saw the story today, but they are moving the elephants out there. They have got their hippos. The western irrigation recycled project will have a pipe to Werribee Open Range Zoo, and they will be using the recycled water. So it is a really significant investment in a number of key projects. But it is also testing as well what works and what makes a difference, because one of the things around recycled water when it rains a lot or when you have got a lot of water is that the cheapest water still remains the water we get from the sky, because we have got a pretty good system in Victoria. We have good, cheap water, but we need people to replace that and keep that and really value that water for the purposes that it has to be used for whilst moving their product to more recycled and stormwater.

**Mr MAAS:** Great. Thank you. Would you be able to provide the committee more detail on the long-term solution for mine-impacted groundwater in Bendigo and how that project will protect the environment but also create jobs in Bendigo?

**Ms NEVILLE:** Yes. As I was saying in my slides, there is \$52 million to manage—over decades now. Once we get the project completed, we will be able to manage this issue of mine-affected groundwater. The long-term approach builds on 30 studies and reports that we have been doing over the last seven years on top of the temporary measures that we put in place. We know the goldmine is a really key tourist attraction in Bendigo. It is worth something like \$483 million, that whole sort of history of Bendigo—that goldmining history of Bendigo. Unfortunately it has left a bad legacy as well in terms of poor-quality water and groundwater, so the new approach will see us pump water from Central Deborah Gold Mine to a new purpose-built treatment facility. The treatment plant will remove arsenic, other materials and odour before discharging treated water back into the Bendigo Creek. We are very confident that it will be EPA approved and quality water will be back in there. The preferred site at the moment is a Kangaroo Flat site, so a large area of land.

**Mr MAAS:** Excellent. Thanks, Minister. Thanks, Chair.

**The CHAIR:** Thank you. Mr Hibbins.

**Mr HIBBINS:** Thank you, Chair. Thank you, Minister and team, for appearing today. I want to ask: in your presentation you referred to \$10 million for waterway and catchment health projects. I understand that on the budget that is in lower Latrobe, Maffra, Moorabool and Werribee. Can you give some specifics about what that exactly is for and what that will entail?

**Ms NEVILLE:** Yes. These are to particularly back up the work that we have been doing through the Yarra strategic plan, the *Waterways of the West* and the Barwon River action plan. These are to implement from weeding to amenities along the rivers and waterways. It is to implement what the community have said they wanted done in relation to improvements of waterway health there.

**Mr HIBBINS:** Yes. Okay, thank you. Then also the \$6 million in regard to protecting the water sector from the harsh effects of climate change—again, specifically, what is that funding going to be used for?

**Ms NEVILLE:** I might get Kessia to—

**Ms THOMSON:** Yes.

**Ms NEVILLE:** just take you through, because it is a particular project. We established a sort of specialist area in relation to understanding climate change and its impact on water, but if you wanted to just talk specifically, Kessia.

**Ms THOMSON:** Yes. The climate change adaptation action plan—sorry, there are too many letters in there—was released earlier this year as part of the broader climate change adaptation action plans. There is a water sector-specific one. The \$6 million in particular looks at a range of adaptation programs to kickstart the sector on that. There is a specific one looking at the changes to the circular economy—how they can take up and use less energy. There are some specific ones looking at research into blue-green algae and the impact that that is having across our catchments, and some broader programs looking at how we can support them in reducing their emissions.

**Mr HIBBINS:** Okay. Terrific. Thank you. On the sustainable water strategy, I am advised that the document actually relies very heavily on Victoria making more manufactured water to meet the needs of our population and the environment. Does that mean we are going to get a second desalination plant? Is any planning being done in regard to a second desal plant in Victoria?

**Ms NEVILLE:** Firstly, it is out for consultation. This is about trying to get ahead. You would absolutely know that all our waterways have less water than they need and our irrigators have less water than they need. The strategy is about trying to develop an orderly transition to manufactured water. I talk about that in the context of desal, and we are using it. You can see the impact it has. The current plant—whether that needs to be extended—can go to an extra 50 gigs. Is that what you do or would you do something else, differently? We are looking at the pipeline from Geelong to Melbourne. Is that the best solution for Geelong? We are also looking

at recycled and stormwater. I cannot yet say, but it is a very clear document that says we cannot keep doing what we are doing now. We cannot keep growing irrigation, we cannot keep meeting any of the needs of our waterways, without manufactured water included in the system.

**Mr HIBBINS:** Okay. Thank you. One of the important opportunities Victoria will have to return water to the environment in the coming years is when the Latrobe Valley coalmines cease to operate and their water licences expire. What is the government planning for when this happens?

**Ms NEVILLE:** Well, yes. It is a lot of competing, I am sure. I was thinking that Mr O'Brien might ask this question as well. It is a complex issue. We are going to have these mine voids, and we need to look at how we make them safe and secure. There are different water licences. What I can say, what we have said, is that as a minimum we are not allowing and cannot allow taking of any current entitlement holder's water—whether that is environment, agriculture water, or anyone—to assist with dealing with these mine voids. At the moment all water there is fully allocated. There is no unallocated water in the Latrobe area, so it is a big challenge, and there is going to be competing demand for that water.

**Mr HIBBINS:** Okay. Thank you. You are on a unity ticket with The Nationals on water policy. Would that be agreed on?

**Mr D O'BRIEN:** Let us not go too far, Mr Hibbins.

**The CHAIR:** Your time has expired, Mr Hibbins. Ms Richards.

**Ms NEVILLE:** I think I've gone much better and further.

**The CHAIR:** Ms Richards has the call.

**Ms RICHARDS:** Thank you, Minister and officials, for your time. I would like to continue to explore the integrated water management issues and perhaps ask if you can give some examples of some of the recycled water projects that have been delivered by the government. I am interested as well of course in how recycled water supports jobs.

**Ms NEVILLE:** Yes. Well, that is a really important part of all of this as well. For me, if you think about water, water is absolutely critical to our future and our ability to grow. Whether it is population growth, whether it is jobs, industry, agriculture, whether it is good waterways, all of those things water is central to. And so anything that we invest in water is not only just creating jobs in that particular capital investment but actually setting Victoria's economy up for the future as well and offering people the opportunity to invest in Victoria on the basis that there is good, solid water security that we can provide.

But just in terms of some of the projects, recently I was in my electorate at one of the great wineries down there, where we celebrated the completion of stage 2 of the Bellarine recycled water project. This is a \$2 million expansion. There has been one that has operated. This enables another large group of both wineries but other agriculture industries to be part of the recycled water scheme down there. This is on top of an announcement I made, which is a joint commonwealth and state project for stage 3 of the project, which will see more money to have stronger filtration systems to make this water higher than the current class C water. What it means is that there are a number of agribusinesses who cannot currently use the water because it is too high in saline. So that project is well and truly underway, and as I said, we have completed stage 2.

The other really important project is \$116 million that we have going into the western irrigation network. I mentioned a moment ago the zoo. Well, that is what the zoo money is going to come out of—the zoo pipeline is part of that. But it is about a new reliable water supply to local farmers, and water is now flowing into the recently completed recycled storage dam in Melton. It is a 1.1-gigalitre storage dam, and it is going to be used to irrigate thousands of hectares of farmland—and combined with the existing storages it will be part of a network supplying about 18.3 gigalitres of recycled water by 2050. So it is a really significant project, because recycled water can be expensive. But I think this will actually secure in that western region, which is a great vegetable-growing area, their future there—so, local farming communities, economic growth in those areas and jobs in those areas as well. It is a 50-kilometre pipeline and another 40 jobs just within an hour of Melbourne, which is also really important.

**Ms RICHARDS:** Okay. You have given us some really interesting data there on those integrated water management projects that have been completed. Can you perhaps give the committee some understanding about projects that are underway?

**Ms NEVILLE:** Yes. So aside from the ones I have already mentioned, we have got Melbourne Ballpark playing fields in Altona being droughtproofed by using stormwater for irrigation, a project to save up to about 10 million litres of drinking water each year. Other projects are recycled water to the Royal Botanic Gardens in Cranbourne, again another really important investment and one that will have really long-term benefits for the gardens as well as for our water security; recycled water for Whittlesea community farm; irrigating the Western Park ovals in Warragul with treated stormwater; and reimagining Arnolds Creek in Melbourne's west for a space for better community amenity. They are just some of the projects. As I have said before, as our population grows and as our climate dries and when we talk about needing manufactured water, these are the sorts of projects we need to be investing in and making part of the day to day of how we live using recycled and stormwater.

**Ms RICHARDS:** Thank you, Minister. I do not have enough time left, but the friends of the Cranbourne gardens are absolutely delighted.

**The CHAIR:** Mr O'Brien.

**Mr D O'BRIEN:** Thank you, Chair. Minister, you have mentioned desalination. I note that budget paper 5, page 82, notes an increase in payments to the desalination project. With, as we saw there, Thomson Dam above 90 per cent, Melbourne's storages in particular are very high. Is it not true that you could have delivered substantially greater savings to water consumers by not placing additional desal orders?

**Ms NEVILLE:** Well, the cost of this particular desalination order, because it is only for 15 gigalitres, is about \$11 million. The budget paper actually reflects as if we had ordered 150, and that is because when we have to submit the data for the budget papers, we do not know what the order will be. So what is reflected in—

**Mr D O'BRIEN:** Surely you knew you were not going to order 150—unless the budget papers were prepared two years ago.

**Ms NEVILLE:** It is normal practice, and it has been practice for however many budget papers we have had that have the desal cost involved, that you put in 150, and then it is reflected in next year's budget that we did not order 150. Last year's is less than what we predicted the year before.

**Mr D O'BRIEN:** On that, on page 88 it reflects there is \$35 million extra going to the desalination plant. What is that for?

**Ms NEVILLE:** For this particular—

**Mr D O'BRIEN:** Sorry, in addition to this year. So for next year it is—

**Ms NEVILLE:** As I just said, it is calculating as if we had put in an order for 150 gigs. So the cost of desal, what will turn out to be the cost of desal, which includes the water and the ongoing operating costs, will be \$571 million.

**Mr D O'BRIEN:** Okay. Does the government have a threshold for the storages? I mean, is there any level of storage that we would be at where you would not order some water from the desal plant?

**Ms NEVILLE:** We can put in a zero order if that is the advice. I do not have a policy setting that says 'this is how we do it'. Our water authorities do an independent assessment of whether we are keeping our storages at stable levels and how we make sure we do not have fluctuations in price. We could sit back and let, in a year, the desal go back—so we have a dry year, which we did in 2006, where they dropped by 20 per cent, our storages. At the moment without it we would be at 58. We would be in really big trouble if we had not used it. From 83 down to 63—that would be a big drop, and you would then have to order a significant order. Putting in a small amount makes sure that you can keep prices down and low for customers. So there are a lot of factors that are taken into account, including whether there is likely to be a spill. In fact for the order that they recommended last year they had predicted our storages would get to about 77 per cent, and they are at 83, so they actually were not that far off.

**Mr D O'BRIEN:** It goes both ways, though. You have indicated a non-binding forecast of 75 gigs. If we get the forecast wet winter, and we have got a forecast for a pretty good winter, will you rule out going ahead with that purchase?

**Ms NEVILLE:** I will take my advice from the people that do the assessments on it.

**Mr D O'BRIEN:** Okay. Can I move on: budget paper 4, page 170, shows North East Water investing just \$19 million in new or upgraded infrastructure. Contrast that with Goulburn Valley Water, which is spending \$185 million. I am sure you would be aware of the housing affordability and availability issues across the state but certainly in the north-east. It was estimated at a meeting reported on by the *Wangaratta Chronicle* a couple of months ago that \$200 million is required to upgrade water infrastructure to allow housing to proceed. Why isn't there a significant investment by the government and North East Water to address the constraints provided by water and sewerage that are actually holding back housing availability?

**Ms NEVILLE:** Well, as I am sure you are aware, we have a user-pays system in relation to—and that is including with irrigation as well—

**Mr D O'BRIEN:** We have a what, sorry?

**Ms NEVILLE:** We have a user-pays system when you try and put reticulated sewerage and water systems into communities. And in those communities we have got large distances, we have got large properties; it is not an inexpensive program, and you need to weigh up the cost benefits. You need to talk to communities about what they are willing to pay. Also, with North East Water, they go through an ESC process, but they also need to weigh up—because they would be taking on some of that cost as well—how they share that across their customer base and is it fair and reasonable that they do so. That is the process that they go through in terms of what is happening in the north-east or in any areas, whether it is in some parts of the Yarra Valley—all of those things are weighed up. Sometimes those things just do not stack up—the business case does not stack up, people are not willing to pay, or for North East Water it is not a fair and reasonable outcome for them and their broader customer base—and sometimes it does. And sometimes it is only a little bit that you need government to put in, and that is what business cases do. Where we have extended, whether it is Macalister or whether it is Wedderburn, there has been a business case where it is of value for all of the community—because they have all got to pay—for the customers themselves who are willing to pay, and if it just needs a small amount from government then that is what we do.

**The CHAIR:** Thank you. Ms Taylor.

**Ms TAYLOR:** For the benefit of the committee I was wanting to explore water security further, so if I could refer you to budget paper 3, page 26, could you please explain how the *Central and Gippsland Region Sustainable Water Strategy* will further support water security in Victoria?

**Ms NEVILLE:** One of the slides obviously touched on the sort of scenario planning that we are doing, and doing these sustainable water strategies is required under the legislation. They are about trying to understand where our systems are at, where we have got rivers that are stressed, where we have got demand for extra agriculture water, what other pressures are in the system, what have the stream inflows been like over a period of time and what is the prediction. So a sustainable water strategy is about actually trying to get a handle on that, and this covers the central area, so that includes Geelong, Melbourne and the Gippsland region. Well, firstly, this gives us an opportunity to have that conversation with the community about, 'Well, what's happening in your region?'. It is pretty hard to have that conversation when you have got a lot of rainfall, but as I said, in 16 of the last 20 years we have been well below average rainfall, and that is going to continue. You might get these one-off wet years, but over time our system is still well below where it was traditionally. So we are committing \$57 million towards the strategy and the implementation of the strategy once it is completed with the final consultation.

We are looking at the feedback. There has been a lot of interest—about 2000 people have visited the Engage website and downloaded the strategy. We will be looking at all that feedback. There will be people who want to see more water for different river systems, want to see more water for this, water not for that. There will be competing demands, and what we need to do is try and work our way through how we protect current entitlement holders. It is quite a significant process to take water off people who are currently entitlement holders. You do not do it lightly, so that is why the plan also then looks at what else we need to be doing in

terms of manufactured water, what else we need to be doing in terms of efficiency programs, upgrading farming areas for better efficiency and better use of water, how we use alternative sources, like stormwater et cetera, and keeping our focus on water efficiencies like our school program and like Target 155. We are currently running at about 159, and that is probably a little bit higher than it was last year—the year before—because of COVID, more people at home. So all of those measures are measures that we are looking at in terms of the strategy. But it does give you an ability to have an orderly transition if you do need to make any significant changes in terms of water allocations. Or if you need to, you need to understand that you have got rivers that are already stressed. What do we need to do to get more water in there in the current climate, and how do we invest the money in the correct way to get the outcomes that we need?

**Ms TAYLOR:** Thank you. Noting there has already been a fair bit of discussion about the desal plant, I am just wondering how the government has used the desal plant to secure Melbourne's water supplies while keeping bills low as well—that delicate balance.

**Ms NEVILLE:** As I said, we are sitting at I think about 83.9 per cent in our storages as at today in Melbourne, which is good. It is probably the highest it has been for quite a while. But 24 per cent of that is desal water, so we would actually be under 60 per cent. So despite the rainfall that we have had, without it we would actually be under 60 per cent. As I said, we saw in 2006 our storages drop from 60 to 40 in one year, so that 60 is not a great space to be in. And that is with all the rainfall that we saw. I mentioned we have had inflows averaging below average for 16 of the last 20 years. We use about 50 to 70 gigs more than we receive into our system each year, so we start always with a deficit, and the desal is making up for that.

**The CHAIR:** Thank you, Ms Taylor. Mr O'Brien.

**Mr D O'BRIEN:** Thank you. Can I go back to that line of questioning on North East Water in particular, Minister. I understand your point about business cases stacking up and the like, but we have got new housing estates in the area—Tangambalanga and Kiewa I am sure you have probably heard about—where residents cannot turn the sprinklers on or even have a shower without actually installing their own pumps to increase the pressure. We have got reports that developments in the north-east have been told they need to wait three or four years before they can proceed because the systems are not up to scratch, unless they are prepared to upgrade the public systems themselves. How can it be that there is not any significant investment to ensure that these housing developments can go ahead?

**Ms NEVILLE:** Look, I do appreciate the point that you are making that, as I have said, water is critical for growth et cetera. But the way that water pricing works is that it is determined by the Essential Services Commission. They have got an eight-year pricing determination. The next one is due in 2025, so there is an opportunity between now and then to be looking at this issue again in more detail. But the things that need to be taken into account, as I said, and what the ESC takes into account are 'What's the cost to the whole of North East Water's customer base if they were to spend it on individuals?' and 'What's the willingness of the individuals to pay?'—how much they would contribute towards that. They would need to contribute as well as North East Water customers generally. And they take all of that into account and determine whether they are the key priorities for capital expenditure.

**Mr D O'BRIEN:** I get that, Minister, but are you aware that Kellogg Brown & Root prepared a report in 2005 that clearly identified the extent of water servicing that was going to be required in coming years? Is it just a fact that government has not prepared for the growth?

**Ms NEVILLE:** Well, I would not accept that as the reason. Water authorities are required by the ESC to try and keep downward pressure on prices for the whole customer base. There is an opportunity over the next three years to, leading into the North East Water pricing submission, have a look at this in detail. I would encourage that and support that. As I said, I understand the point you make, but it is, again, a balancing act. There are developers who want to grow communities and councils who want to, but we have got to get the capital right to do that. In water it is not just a matter of North East Water or government going, 'Here's \$100 million to do it'; there is a process and it is a hands-on process.

**Mr D O'BRIEN:** I get that. Can I now move to Latrobe Valley mines? You will be aware that there is 25 000 gigs a year that sits in the Blue Rock Lake that was allocated to Loy Yang 3/4 bench, which was a power station that was never built, so it is literally unused water sitting there. I am conscious, as you indicated

before, that there is significant stress on the Latrobe River system's water availability, but can you guarantee that none of that 3/4 bench water will end up going into the bottom of a mine for rehabilitation?

**Ms NEVILLE:** Firstly, right now it is water that actually sits under the environment minister, not under me.

**Mr D O'BRIEN:** I actually think it sits under the Assistant Treasurer.

**Ms NEVILLE:** Okay, sorry. So I would say, 'Maybe ask him', but he was a while ago. But I will give you what I can on it.

**Mr D O'BRIEN:** Interestingly enough, he has told me that it is currently part of an EOI process for sale, which is a bit bizarre too. But anyway, go on. I am looking for some—

**Ms NEVILLE:** Okay. Well, no, I do not think that is the case.

**Mr D O'BRIEN:** That was literally the answer.

**Ms NEVILLE:** Firstly, it is set aside for future generation, which of course is unlikely to happen, although there are—

**Mr D O'BRIEN:** Alternates.

**Ms NEVILLE:** alternates, right. So there is an entitlement held for that at the moment. The sustainable water strategy does have a look at this issue and talks about exploring how it can be better utilised for social, economic and environmental purposes.

**Mr D O'BRIEN:** And the draft strategy says all that. It does not mention rehabilitation. I just want an assurance from you that there is no intention to use it for rehabilitation.

**Ms NEVILLE:** There is no intention of using it for rehab, putting that bit of water in there, but that 3/4 bench might be a critical component of delivering around the mines and what we need to do there as well as more agriculture and better environmental outcomes.

**Mr D O'BRIEN:** We will continue this conversation. Thanks, Minister.

**The CHAIR:** Thank you. Mr Richardson.

**Mr RICHARDSON:** Thank you, Chair. Thank you, Minister and department officials, for joining us this afternoon. Minister, I want to take you to the issue of traditional owner access to water and the government's work to support Aboriginal values of water. In budget paper 3, page 7, 'Water access and ownership for Traditional Owners' outlines \$3.9 million of new funding for an Aboriginal access to water road map and building the pipeline of emerging traditional owner talent for water boards. Are you able to explain the importance of this work for the committee?

**Ms NEVILLE:** Thanks, Mr Richardson. This is work that started back in 2016 and was really a new part of our water strategy; it is certainly the first time in Australia, and it has only really been since we have had a look at valuing traditional owners' relationship with water that other states and the commonwealth now as well, in the Murray-Darling basin, have started to talk about it. Recognising First Peoples was critical. We have done so through the water and catchment legislation changes we made as well. So for the first time we enacted that legislation to recognise the relationship between traditional owners and water and their right to access, and that enshrines their water values into law. So we have been doing a number of things, and there has been investment that has gone along with that over a period of time. We have been driving improvements in Aboriginal involvement in our water sector: we got our first traditional owner as a chair of a water board, but I think there are now 13 traditional owners who are part of water boards or CMAs, which from a zero starting point has been a really important thing to achieve—I can talk a bit more about this as we go through this discussion; improving access to water ownership—and we have had some allocations to traditional owner groups of water, again for the first time; and supporting economic development through water as well.

When we talk about, I suppose, cultural values, that includes economic, social, cultural reasons for use of water, and it is not our determination how that is spent or how that water is used but the traditional owners'. The new

funding—what it will enable us to do is most of it will go towards how we increase cultural benefits from the storage, delivery and use of water. So we are doing the road map. It will be used to sort of start delivering the road map, which is out with consultation with traditional owners—developed in conjunction with and now out for consultation with traditional owners—and it will also build the pipeline of that Aboriginal talent for water boards going forward. There is no question that there are some talented people, traditional owner group members, who should be and can be on our boards and on our CMAs, and providing that pathway and that leadership and talent development is a really important part of it.

At the moment we estimate about 0.1 per cent of Victorian water entitlements are held by traditional owner groups—a pretty tiny per cent—so as I said, we are committed to increasing that, and that is what the road map is about. The road map is also important to help others to understand what we mean by traditional owner access to water, and it is also—I know that some of the farming groups were concerned around who pays for storage and that—so that there will not be irrigators paying for storage of traditional owner water, for example. So it does some clarifying and helping the broader community understand what is meant by those entitlements.

In terms of what we have already allocated, in 2020 I announced the return of 2 gigalitres of water in the Mitchell River in East Gippsland to traditional owners. The Gunaikurnai Land and Waters Aboriginal Corporation has a licence to use that water for whatever purpose they see fit, cultural and economic. That was the first step I suppose along the journey of these small amounts but really significant amounts—and the first time. We have also put—I announced the other day actually—1.4 gigalitres of water licence in the Yarra River to the Wurundjeri.

**Mr RICHARDSON:** Thank you.

**Mr BARTON:** Thank you, Chair. Thank you, Minister. Minister, you mentioned Flagship Waterways. Can you give the committee some more details on this program?

**Ms NEVILLE:** Yes. Thank you, Mr Barton. I actually thought I might have got something from Mr Hibbins on this one, actually.

**Mr BARTON:** We did say I was going into his wheelhouse today.

**Ms NEVILLE:** Last year we released the *Rivers and Riparian Action Plan*. We had had a previous riparian action plan that had been completed and had been quite successful. So a new *Rivers and Riparian Action Plan* was released last year, and it sets out our priorities between the 2021, 2022 and 2023 budgets. I did talk a little bit about this before, about the \$10 million waterway health complementary measures, which include new construction of a fishway at Maffra Weir to improve the abundance and diversity of native fish species in the Macalister River and broader Gippsland catchment. Often these investments are great for the health of the river as well as for our native species, and for those who love to fish there is a lot of benefit in investing in these.

On top of other previous budget announcements of \$248 million in this space, we have done things like flagship waterway sites, including Kings Billabong, Mitchell River and the lower Wimmera River, plus other on-ground works across regional Victoria; improved fish passage at priority waterways, including the removal of Bromfield weir on the Merri River in western Victoria and the Buchan river fishway in Gippsland; and efficient and effective management of Victoria's environmental water and waterway health programs. This is things like the river detectives—river detectives are schoolkids that do a great job, particularly along the Yarra—Waterwatch, EstuaryWatch and platypus DNA, really important programs that are citizen science programs, basically, which play a really big role in waterway monitoring. We have got seven new regional catchment strategies that have been approved, and they have been in development with key sector partners, traditional owners and the broader community. We are investing \$16.5 million into our internationally renowned Ramsar sites. We delivered over 650 gigalitres of water for the environment in 2021—we did that—and this year we expect 800 gigalitres, so there is significant investment there.

A lot of work has gone on on the ground—12 000 hectares of waterway vegetation works to improve the health and resilience of waterways. Ninety per cent of our waterway and catchment health projects involve all of our community and sector partners. You know, we work with farmers, for example, to try and put fencing around their waterways to stop cattle and sheep getting into the waterways and causing waterway health issues and potentially blue-green algae events as well, so a lot of the riparian action plan deals with that.

We are also continuing the Gippsland Lakes Coordinating Committee. We have got a new term for them, with \$7.5 million for works there. It is really important to tourists but also as an environmental asset in Victoria.

We are continuing our long-term fish monitoring in seven rivers and our vegetation monitoring across 18 wetlands, and there is bird monitoring as well. They are the sorts of projects we do in terms of healthy waterways.

**Mr BARTON:** Thank you, Minister. I have got 54 seconds. I am going to throw these questions away. I am going to go back. I used to have a small farm, and I used to be an irrigator, so I have a real interest in this. Can I ask you about on-farm efficiency and what the state government is doing to help smaller farmers around irrigation?

**Ms NEVILLE:** We have a particular program—

**Mr BARTON:** Mrs McArthur is laughing at me.

**Ms NEVILLE:** We have a particular program that does assist with on-farm efficiencies. What I would say, and this is the sort of debate we were having before about the Murray-Darling Basin as well, is that on-farm efficiencies are good. We absolutely need to do that. In the case of the Murray-Darling Basin, where there is always a debate about, ‘Why aren’t you supporting on-farm efficiencies?’. Well, we are if the water is not taken out away from the farmer, which is a lot of what has happened under the connections, which is fine, but we cannot afford to take more water out of use. We have got a particular program where we fund and support individual initiatives on farm.

**The CHAIR:** Thank you, Mr Barton, and thank you, Minister. That concludes the time we have set aside for consideration of the water portfolio estimates with you.

Thank you for appearing before the committee in this capacity today. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee’s request.

The committee will now take a short 15-minute break before moving to the crime prevention portfolio.

I declare this hearing adjourned.

**Witnesses withdrew.**