

Esperance Water Forum

REPORT

22 July 2005



Hosted by: Goldfields Esperance Development Commission (GEDC)

Introduction

Format of the forum

- Opening of meeting - Colin Stewart (Vice Chairman – GEDC)
 - Facilitator: Bill Witham - Manager Southern Region- Goldfields Esperance Development Commission (GEDC).
- Presentations by:
 - Dr Ursula Kretzer – Manager Projects Reference and Research Economic Regulation Authority (ERA).
 - Phil Endley – Project Manager United Utilities Australia P/L (UUA)
 - Brian Martin – Senior Consultant for ACIL Tasman
- Panel Session - Questions /Comments and Answers.

PRESENTATIONS

Dr Ursula Kretzer – Manager Projects Reference and Research Economic Regulation Authority (ERA)

Dr Kretzer outlined the Terms of Reference for the ERA Draft Report on the inquiry into the cost of supplying bulk potable water to Kalgoorlie-Boulder. She reinforced the purpose of the forum was to ensure that public are informed before making any submissions to the ERA re the Draft Report.

Dr Kretzer stressed the report is a Draft only and the ERA is receptive to evidence based submissions outlining concerns re costing or methodology used in the Draft Report.

Dr Kretzer indicated there will be another public consultation after the final report is released.

Phil Endley – Project manager United Utilities Australia Pty Ltd (UUA)

Phil expressed concern that the methodology used in the Draft Report was different to the methodology used by UUA in relation to costs incurred and costs saved.

The UUA proposed project is still in the pre feasibility stage and a conditional commitment from the government allowing the feasibility process to proceed would allow UUA to be able to demonstrate demand for supplying water to the region. At this stage there is no financial subsidy or risk required from the government.

If UUA cannot firm up demand and justify the project as a viable commercial project they will ultimately not proceed.

UUA believe that the regional development potential from this project has not been taken into account in the Draft Report.

Phil questioned the indication in the Draft Report that the Water Corporation can increase supply to 77ml/day from Perth at no additional cost. He suggested that this needed to be backed up with evidence.

Phil expressed disappointment at the negativity of the Draft Report which in turn may produce a negative public reaction.

Brian Martin – Senior Consultant

ACIL Tasman

ACIL Tasman has been engaged by UUA to provide an independent analysis of the project. Brian addressed the negative \$56 million outcome from the project outlined by the ERA in the Draft Report. He raised the following issues relating to this;

- The estimated avoided cost calculated in the Draft Report is based on a figure of \$1.89/kl and more realistically and accurately should be calculated at \$2.72 / kl.
- Water quality upgrade is not relevant to the calculations as the Water Corporation will not do this immediately they will stagger it over 10-15 years as opposed to the UUA proposal which will provide it immediately.
- Benefits to mining – UUA are estimating demand based on market research and they anticipate demand will expand not decrease as indicated in the Draft Report.
- Revenue from water sales has not been included in the figures.
- Additional royalties to the State have not been included in the figures.
- Multiplier effect across the region not just mining has not been taken into account.

If all of the above were considered in the cost benefit analysis ACIL believe that the proposed project will actually produce a net profit of \$220 million.

Brian stated that he believed that competition will also generate new ideas and even greater cost savings.

Brian reiterated that if the project were to proceed from here UUA are taking all of the risk and a feasibility study will identify more benefits.

Brian used the gas pipeline and the port extensions as examples of infrastructure creating industry and increasing revenue in the region.

PANEL SESSION

PANEL MEMBERS

- John Halden United Utilities Australia P/L
- Dr Ursula Kretzer Economic Regulation Authority
- Phil Endley – United Utilities Australia P/L
- David Hughes-Owen – Water Corporation.

1. John Ovenden: (BRW Power Generation Esperance)

John stated “surely the operational costs of the Water Corporation supplying 45ml/day and 60ml/day can not be the same.” John brought to the attention of the meeting the increased gas usage resulting from the desalination project would mean the compressing of the existing gas pipeline which would re open negotiations re cost of supply to western power resulting in significant savings. The compression of the pipeline will also mean people along the pipeline will have the same availability of gas as people living in town. John asked if the existing supply of water to the Goldfields could be increased to 77ml/day with no additional cost to infrastructure. This needs to be verified.

Response: This is currently being looked into.

2. Wendy Duncan : (Concerned citizen)

Wendy Raised two issues relating to the economic benefits to the Esperance community.

- The current bore field restricts urban development e.g. the Pink Lake Golf Course is on part of the bore field and as a result they are unable to water the course for fear of contamination of the bore field. Development on the existing bore field would have significant economic benefit to the region.
- Quality of Esperance water – currently the water is not palatable most consumers buy rain water tanks or bottled water. Appliances need replacing much more regularly than in other parts of the state. People are not using solar hot water systems as they corrode too quickly for them to be an economically sound option.

Wendy stated that there is a need to quantify the above effects.

Response:

- Phil Endley from UUA stated they had put evidence of these issues in their report to ERA. UUA proposed project will mean high quality water will be available to the Esperance town site immediately.

3. Ian Mickel (Esperance Shire President)

Ian suggested that the lowest cost option is not really reflecting the vision for potential development in the region.

Ian brought to the attention of the panel that the risk of the water supply to Kalgoorlie is very high (vulnerable). There is a need to look for an additional option for this reason if nothing else. ERA is looking for insurance that the project will be profitable; maybe the focus should be assurance of a water supply to the Goldfields no matter what.

Ian questioned why the project can not proceed as there is no risk or financial subsidy required of the Government. He suggested that in fact it could save the Government money.

Response: See question 4's response.

4. Dr Graham Jacobs (MLA)

Dr Jacobs reiterated Ian Mickel's question. If there is no cost or risk to the Government why can't the proposed project proceed to the next stage?

The Water Corp has a policy "Security through diversity" – surely the proposed project is in keeping with this policy.

Dr Jacobs asked "How do we put a cost on making Esperance existing water supply palatable."

Response: David Hughes-Owen – the Water Corporation is releasing a report in December which will answer this question.

5. Ian Hay (Esperance Seaside Apartments)

Ian asked the question "What will happen to the quality of water in Esperance if the United Utilities proposal does proceed?"

Response: Phil Endley – it will be up to the Water Corporation if they decide to purchase water for the town supply from UUA or not.

Additional Points:

State wide benefits of this proposal need to be looked at as well both in terms of water supply and economic growth.

Dick Thorpe (Thorpe Realty)

Dick made the comparison of the proposed project with the gas pipeline to Esperance. The gas pipeline was deemed to be an economically unviable project but within twelve months of its completion it is economically viable.

Brett Thorpe (Thorpe Realty)

Thorpe Realty manages a large number of rental properties. The average lifespan of an electric hot water system in a town property is from three (3) to five (5) years. The hot water systems in rental properties on farm-lets just out of town using rainwater last a minimum of fifteen (15) years. This is indicative of the corrosive qualities of the existing town water supply.

Bill Witham thanked everyone for attending and indicated that GEDC staff are available if anyone needs support in accessing information from the ERA Draft Report.

In Attendance:

Brian	Martin	ACIL Tasman (contracted to UUA)
John	Ovenden	BRW Power Generation (Esperance) Pty Ltd
Brett	Thorp	Chair - Port Development Consultative Committee
Dr Ray	Wills	Chamber of Commerce and Industry
Ian	Hay	Chamber of Commerce & Industry
Dr Ursula	Kretzer	Economic Regulation Authority
Bob	Hockey	Esperance Bay Yacht Club
Louise	Bettison	Esperance Express
Megan	Anwyl	Esperance Port Authority
Richard	Grant	Esperance Port Authority
Dick	Nulsen	Esperance Port Authority
Colin	Stewart	Esperance Port Authority
Betty	Shirras	Goldfields Esperance Development Commission
Bill	Witham	Goldfields Esperance Development Commission
Jody	Carlisle	Goldfields Esperance Development Commission
Wendy	Duncan	Graziers (Nationals WA)
John	Halden	Halden Burns
Chris	Brien	Life Saving Club
Max	Hall	Shire of Dundas
Pattie	Robertson	Shire of Dundas
Shayne	Flanagan	Shire Of Esperance
Ian	Mickel	Shire of Esperance President
Ted	English	South East Forest Foundation
Dick	Thorp	Thorp Realty
Stan	Boath	United Utilities
Phil	Endley	United Utilities
Mike	Andrews	United Utilities
David	Hughes-Owen	Water Corporation
Dr Graham	Jacobs	MLA - Member for Roe