

MSLA:SF/G.9/2005-x0277

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28th July 2005

Inquiry into the Cost of Supplying Bulk Potable
Water to Kalgoorlie - Boulder
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000

Dear Sir/Madam

SUBMISSION: DRAFT REPORT

I refer to the draft report into the Cost of Supplying Bulk Potable Water to Kalgoorlie – Boulder, and the opportunity to lodge a submission in response to the draft findings of the report.

Firstly, let me say that the Shire and community of Esperance keenly await the final outcomes and the Government's response to the Inquiry, given that the provision of potable water to Kalgoorlie – Boulder has significant social and economic implications for the South – Eastern and Goldfields region of Western Australia.

I must say that the Shire is disappointed in the draft findings from a number of perspectives. It is considered that the assessment of the benefits/disbenefits of the United Utilities Australia (UUA) proposal should have included the economic and social development opportunities that would be derived from the provision of good quality water to the region. In this respect, it is the Shires view that the report does not provide a fair assessment due to its narrow focus.

Economic Development

It is understood that UUA proposal would provide the following economic development opportunities:

- Agribusiness opportunities will increase along the pipeline by providing the potential for intensive feedlots and high quality irrigated cropping, due to the facility to reticulate/irrigate. The soils in the mallee area adjacent to Salmon Gums are far superior to those on the coastal plains around Esperance where there is high rainfall. The provision of a water supply in the mallee would provide the potential for farmers and other commercial enterprises to try new crops or diversify their operations. For example, the lack of disease and good soils provide the ideal opportunity to grow seed potato, carrots and other similar crops. An additional benefit is the region's closer proximity to Eastern States, which provides better access to these markets than the traditional growing areas located on the Western coastal plain.

- Drought proofing through the provision of high quality water for use in crop sprays, protection against livestock losses and eliminating the need to truck water to communities and farms during periods of drought. It should be noted that several areas in the northern part of the Shire, as recent as last year, have been declared water deficient, with water carting necessary in these areas. This would not have been necessary under the UUA proposal.
- UUA propose to spend approximately \$26 million a year on operating the Desalination Plant. It is estimated that 90% of this expenditure will be captured by local businesses in the region, which would have a significant effect on the local economy both directly and through the multiplier effect it would bring into play. Furthermore, it is envisaged that 15 people will be employed full time at the desalination plant, resulting in more diversity in employment opportunities in the region, together with the additional economic benefits more jobs bring.
- The provision of large volumes of high quality water to the Shark Lake Industrial Park would provide the opportunity for a diverse range of downstream processing and manufacturing. It is understood that the UUA project would be able to supply industrial water and the necessary infrastructure to supply water at costs cheaper than the Water Corporation. Currently, areas outside of the Esperance townsite, with the exception of Gibson, are not reticulated. Effectively, the current water supply arrangements are placing significant limitations on the type of commercial/industrial development that might otherwise occur if an adequate supply of water was available.
- The UUA proposal will see increased utilisation of gas transmission and generating capacity at the Burns Roe Worley gas fired power station and the possibility of providing low-pressure gas reticulation to communities north of Esperance.

Social/Domestic Benefits

It is understood that consumers will not pay any more for water under the UUA proposal and, in actual fact, some may pay less. In this respect, there are significant benefits to domestic consumers in terms of:

- Increasing the lifespan of domestic appliances such as water heaters, kettles, dishwashers and washing machines etc. Anecdotal evidence suggests that the average storage hot-water system in Esperance currently requires replacement approximately every four to five years due to the poor quality and harshness of water.
- The additional costs of treating water by utilising water softening processes would be avoided. For example, a household that utilises water softening processes to minimise damage to domestic appliances amounts to approximately:
 - \$1,900 for the cost of purchasing and installing the unit



- \$420 per annum salt (4bags per month @ \$8.82)
- \$150 per annum additional water (bi-weekly backwash of system)
- \$80 per annum servicing and maintenance (piston head assembly)
- Removing the additional cost of obtaining alternative sources of drinking water, as the current hardness of Esperance mains water makes it unpalatable to drink. This cost could be quantified in terms of the cost of installing rain-water storage tanks, water filtration systems or purchasing bottled water.
- The reduction in the calcification of taps, shower fittings, reticulated watering systems and the build up of calcium residue on buildings, windows and internal wet areas (bathrooms/laundry/toilet).
- A freshwater pipeline through our region would have social benefits for the farming families as well as towns along its length where water is often in short supply or of poor quality for domestic use. Limited water supply means poor quality facilities in outlying communities for amenities such as school sporting fields or parks and gardens. In particular, Salmon Gums has always suffered from water shortages, with the major part of its water supply coming from a disused quarry. A water pipeline would go some way towards drought-proofing these areas.

The Shire of Esperance also believes that the Economic Regulation Authority (ERA) should have taken into consideration the fact that the Water Corporation continues to rely on the bore-field west of Esperance as its sole source of water for the town. The bore field is in close proximity to town and inhibits the expansion of residential areas into otherwise suitable locations. Esperance suffers a shortage of suitable land for future urban subdivision due to the close proximity of the RAMSAR listed wetlands. The UUA proposal obviates the need to use the bore-field and would make land close to existing residential areas available for development, which is currently restricted due to being classified as P2 water priority areas. In saying this, the Shire recognises the need to retain the bore-field as a complimentary water supply and any future development proposal would need to take this into account in terms of satisfying environmental and statutory requirements. The UUA proposal is also complimentary to the State Water Strategy in terms of diversification into rainfall independence and sustainability.

Importantly, the Water Corporation has yet to make a commitment to resolve the water hardness issues in Esperance. This is a significant issue for both domestic and commercial consumers in Esperance for the reasons already stated. Whilst the Corporation is currently undertaking an assessment of the cost of resolving aesthetic water quality in regional towns, there is no funding commitment from Government. In this respect, it is unlikely that this issue will be addressed in the near future.

I would also like to make the point that the cost benefit analysis undertaken by the ERA in no way addresses the visionary aspects of such a project. Had previous large-scale capital projects, ironically, such as the Goldfields Pipeline, been assessed on the same basis as stipulated under the terms of reference for the ERA's report, none of these projects would have occurred and Western Australia would not have developed the way it has.

In closing, the Shire of Esperance firmly believes that the provision of this alternative source of water for the Goldfields is of strategic importance to the State of Western Australia as it would reduce the vulnerability of the State to a failure of the Goldfields pipeline, provide significant economic benefits to the region as well as allow the retention of more water from western coastal sources for the Metropolitan area. On this basis, it is strongly suggested that these considerations be included in any further assessments undertaken by the ERA.

Yours faithfully

Michael S L Archer
CHIEF EXECUTIVE OFFICER