



**House of Assembly
3 May 2007
Address In Reply 2007 (EP Water)**

Mrs PENFOLD (Flinders): The sesquicentenary opening of parliament, as stated in the speech by the Deputy Governor Mr Bruno Krumins, 'affords an opportunity for us to look back at the achievements of not just this institution but of the people of this state overall'. In my view there are three pillars on which our nation—and therefore our state—is built: environmental, social and economic. It has been proven around the world that if the economic pillar is not successful, then the social and environmental pillars crumble and the people and the environment are not well looked after. It is surprising to me, therefore, that the blame for society's ills is so often laid at the feet of capitalism when it is this system that has provided us with the democracy and freedom to create successful competing businesses that employ lots of people, make profits and pay the taxes. Taxes are used by governments—often very ineffectively and inefficiently—to undertake public works, provide necessary infrastructure, make laws and to help to provide for people and the environment where they are not adequately being provided for. Public works and funding to provide necessary infrastructure to expand jobs and opportunities is, and always has been, in my view, the job of government and a legitimate use of taxes, but when it becomes viable for businesses in competition with one another to provide services at an affordable price using infrastructure, then government should leave the arena and just collect the taxes from these entrepreneurs, their businesses and their employees, and let them take the risks and responsibility of doing the work.

Infrastructure is the business on which our wealth and our quality of life are built. Imagine South Australia as it was when European settlers arrived to live here permanently, when there were no jetties, no roads, no hospitals, no schools, no stored water, no cultivated food production, no homes, no businesses and no services. These foundations were put there by government and they enabled people to build their lives and businesses around them. The same opportunities must be provided now. User pays and population-based funding policies of this government cannot continue to be used to stifle growth in low populated regional areas.

The Liberals have recognised the importance of infrastructure—even when we had to cope with a state bankrupted by Labor incompetence. ETSA had been run down to the level that it could not provide the necessary power infrastructure to allow the state to recover. ETSA was leased to private companies that could provide the necessary power, and the profits used to pay some of the huge debts. As a result of the way in which the government is mishandling the state's finances we appear to be well on the way to a repeat performance. The current SA Water fiasco is reminiscent of exactly what happened with ETSA, where it is being bled dry to pay for this Labor government's whims and not looking after its core business of providing water for the people of the state. It is compounding this disaster by not allowing private enterprise to fill the gap by providing desalination plants to communities with inadequate or insufficient water, even recently proposing to compete in the plumbing business with private companies.

In protest to what I perceive is a major problem within SA Water that is not being addressed and is holding back the development of our state, on 10 February 2006 I put in a submission to the National Competition Council, which forwarded it on to the National Water Commission for its attention. On 11 January this year, I followed it up with a letter to the Water Reform Group within the National Water Commission, and I eagerly await its response.

The regional areas and businesses, most of them small, create much of the wealth that enables us to maintain our quality of life, and it hurts me to see their quality of life eroded by the funding policies of this Labor government. I use the issue of water, which is so critical to our state, to show up the government's inadequate planning and neglectful lack of action on infrastructure that is affecting both our capital, Adelaide, and the regions. With the ridiculous and poorly costed weir option for the River Murray that the government announced as the solution at a minimal cost of \$20 million, that became, under scrutiny, a very poor option at a cost of \$110 million with an additional over \$25 million to remove it about three years after what many have said would have been an

environmental disaster. There has been a lack of commitment to a desalination plant for Adelaide where, again, the government's lack of economic acumen was brought to our attention when, in response to the Liberal announcement, it stated that a desalination plant as we proposed would cost over \$1 billion, when one of a similar size in Perth actually came in under our estimated cost at about half of that cost.

However, it is my region of Eyre Peninsula that I use as my main examples. Following the practice set by the Liberal state government, Labor has been holding community forums in regional centres, a recent one having been held in Port Lincoln last February. Water was quickly identified as an issue. The government response: hold a summit! But, just such a summit was held more than four years ago, on 5 April 2002 at Wudinna. How many more times do the same people have to tell this government the same story about Eyre Peninsula before it listens and takes action? In addition, SA Water, a state government instrumentality, has commissioned numerous studies on Eyre Peninsula's water supply over the years. The PPK Eyre Peninsula Water Supply Master Plan is the most extensive and recent of these.

A few months after the Wudinna summit in September 2002, a Rann government cabinet meeting held on Eyre Peninsula gave a commitment to 'address Eyre Peninsula's escalating water supply problems'. Minister Jay Weatherill said that funding to provide a desalination plant at Port Lincoln was 'written in blood' which, despite an expensive trial costing over \$300 000, has never happened. For reasons known only to SA Water, they built a 90 kilometre pipeline at a cost of \$48.5 million from Iron Knob to Kimba to link Eyre Peninsula's stand-alone reticulation system into the overdrawn River Murray more than 600 kilometres away in order to pump 1.4 gigalitres of highly chlorinated water to the region. This small amount of water, at a lifetime estimated cost of \$9 billion, will not allow for the removal of any water restrictions, let alone provide for the development, mining, industry and housing currently being held up through the lack of water.

The pipeline is not a solution to Eyre Peninsula's critical water issues even if it is increased to the 2.3 gigalitres proposed when and if a desalination plant is built at Whyalla. In today's *Eyre Peninsula Tribune* an article entitled 'Desal plant prompts conservation concerns' outlines the deep concern for the sea life in the Spencer Gulf put to me by numerous people since the BHP Whyalla proposal was first mooted. The member for Giles states:

I see no other options for water for our future. We cannot continue to draw from the Great Artesian Basin or the River Murray. This is not new or untried technology, and only 3 per cent of the world's water is fresh water. It must work! I believe the objections being raised from a number of sources are more concerned with stopping the mine rather than looking at a viable, sensible, alternative water source.

There have been lots of options offered and there are more to come, but only the BHP proposal at Whyalla seems to be the one being considered. Why, when there is so much at risk? People I speak with certainly do not want to stop the mine.

As with other private desalination plants proposed around the state, a desalination plant at Ceduna has received no support. In order to provide plenty of good quality water at a reasonable cost to a new marina development and for the expansion of mining operations in the area, Ceduna council has signed a memorandum of understanding with Cynergy Pty Ltd. This company has undertaken to provide water by the mechanical vapour compression technique using solar power and graphite block technology, with the waste saline water being used by Cheetham Salt for commercial salt production. The graphite block technology is one of five new methods of storing renewable energy that has received development funding through the Australian federal government's \$17.6 million Advanced Electricity Storage Technologies program that the federal minister announced yesterday.

SA Water and the government are not cooperating on this and other similar projects. Cynergy's letter to SA Water in March 2006 was not answered, despite the state Minister for Water Security saying that it was still being considered. Federal grant opportunities have been passing by. The need is becoming more urgent daily, particularly in the light of the problems in the basins and supply at Streaky Bay. The Cynergy proposal for 'new' water could remove 3 000 people from the present system, thus quickly alleviating some of the pressures on the southern basins. They have, in fact, been obstructed. I quote from the message of the Mayor of Ceduna, Allan Suter, to the people in an article appearing in *The Sentinel* on 26 April (last Thursday):

As many of you will know, council has been supporting a proposed desalination plant to be located in Penong. This potentially could supply 2.5 million litres of drinking quality water per day at a cost similar to the SA Water, price of \$1.09 per kilolitre. This represents about 10 per cent of the Eyre Peninsula's total water requirements and would be of much higher quality than we now receive. It would enable the township of Penong to receive mains water. It could also supply all the Ceduna district's water requirements. This proposed desalination plant would be powered

by renewable energy, would not dispose of concentrated brine into the ocean and would entail zero waste emissions into the environment.

Furthermore, it does not require SA Water to provide any funding. All SA Water needs to do to allow this proposal to proceed is to grant permission for their pipes in Ceduna to be utilised to distribute the water in Ceduna. In March 2006, a letter was posted to SA Water asking them to confirm whether their pipes could be used. To our amazement and disappointment, after a wait of over a year, SA water has not even had the courtesy to send an acknowledgment, let alone a response.

At a time of crippling water shortages, it would have been expected that both SA Water and the South Australian government would have been excited and enthusiastic about this special proposition. While the whole state suffers water restrictions and shortages, this simple proposal seems to be too difficult. In a press release on 18 April, SA Water's chief operating officer, John Ringham, said: 'SA Water is awaiting the outcome of the BHP Billiton desalination proposal for Upper Spencer Gulf prior to determining the merits of a desalination plant at Ceduna.'

What a disgraceful duck-shove. If it proceeds—it is subject to an environmental impact statement process—the BHP proposal is years away. In any event, only a portion of the water may be used for Eyre Peninsula—approximately 10 per cent of our needs at best. Our proposed system at Penong could be operating in about two years. In the meantime, an exceptionally good opportunity goes begging because of the inability of Adelaide-based bodies to think outside the narrow little square. This is simply a shameful cop-out. We hope that SA Water will think again.

Today I received an email which stated:

. . . still battling with SA Water, but discussions with John Ringham are becoming a little more cordial.

Perhaps there is still hope that this project will not be lost to our state because of problems with our monopoly water supplier and the state government's attitude to private enterprise. The Aquasol proposal at Port Augusta has run into similar problems with approvals, and I was interested to note in an interview yesterday (2 May) that the managing director, Michael Fieldon, stated that they are still in discussion with SA Water about access to the Morgan to Whyalla pipeline. It is years since I first spoke with this company about their project, which is essentially a power project with desalinated water as part of the process, about the need for access to the pipeline. In answer to whether the price would be comparable to that of the River Murray water, he stated:

I think you would find it actually quite cheaper than what people are paying for water now.

The Aquasol proposal potentially has enough water to provide for a quarter of a million South Australians with a modular desalination system that is clean and green:

There would be very little if any discharge back into the Upper Spencer Gulf. . . It depends on the quantity of water we will be producing. . . we're not interested in producing more water than what can be accommodated on land.

Despite pressure, no adequate reason has been given as to why there is a problem with giving them access to the pipeline and saving taxpayers millions of dollars. The Aquasol company has even offered 4 gigalitres free to the government or council. I fail to understand what is happening with water in this state.

On 19 February this year I sent a submission to the First Biennial Assessment of the National Water Initiative, outlining in detail my concerns regarding water in the regions outside the River Murray catchment, and using the electorate of Flinders to provide examples. I was concerned that the river was getting all the attention and that the problems of other regions were not being heard. My submission contained substantial comments on government inaction and SA Water and government obstruction. A stated aim of the water initiative is "to restore service and ground water systems to environmentally sustainable levels". In the Flinders electorate, the underground resources have continued to be depleted to such an extent that at least five basins—the Polda, Uley/Wanilla, Uley East, Uley South and Robinson Basins—have been overdrawn.

I was incredulous when I discovered that the overdrawn southern basins are being used to recharge the overdrawn Robinson aquifer that services the township of Streaky Bay. Yes, the Liberal government approved the

connection of Streaky Bay to the pipeline from the south, but there were also plans to increase the water supply through desalination of sea water at Port Lincoln. Labor built the \$7 million pipeline to Streaky Bay but, with typical lack of vision and a refusal to think outside the square to see the wider picture, it has so far stopped efforts to augment the overdrawn basins with additional new water. The Robinson Basin has failed, and a pipeline is currently being duplicated over 10 kilometres of its length to get enough pressure to get over a small hill and augment the Robinson Basin so that there is sufficient water to service the town of Streaky Bay but not nearly enough to service the major housing developments that are being proposed in this beautiful part of the state.

Even the 10 kilometre increase was supposed to be 13 kilometres, but SA Water is providing only enough money for 10 kilometres (or 80 per cent of what is required). The whole sorry water saga leaves one speechless and with a complete lack of confidence in the competence of the government and SA Water to be able to look after our water supplies in the future. The only sustainable source of additional water that will enable the regions to develop their housing, agriculture, aquaculture, tourism, mining and value-adding industries is from desalination of the sea water that surrounds us, and it needs to be put in place now.

On Eyre Peninsula, new water should be desalinated with wind and solar energy. The two wind farms—Mount Millar and Cathedral Rocks—produce more than 120 megawatts of power, which is more power than is consumed on Eyre Peninsula, and it can be put into the grid through the more than 40 year old 132 kilovolt power line to Whyalla from Port Lincoln. This excess power is called spillage and it could be used for the desalination of sea water south of Port Lincoln to be put into the existing pipes and pumping systems instead of being wasted.

While on water access, I mention the plight of Elliston District Council, which has a rate base of only 873 full-paying ratepayers but one of the largest areas of any local government district in Australia, at 6 693 square kilometres. The Elliston council has been advised by SA Water that providing water to the small communities of Port Kenny and Venus Bay in their council area is the council's problem. The Elliston council is by no means the only council faced with a cost that is beyond its capacity and which should not be its responsibility anyway. Marion Bay on the Yorke Peninsula has a similar problem to Port Kenny and Venus Bay, with an influx of tourists in the summer, poor underground resources and a reliance on rainwater tanks that is not sustainable into the future. Fortunately, their council of Yorke Peninsula has more ratepayers and it has given approval to provide them with a desalination plant at a cost of \$450 000 which is being constructed at Osmoflo's premises in Adelaide and which will be delivered in the next few months. Venus Bay—and in fact all the Gawler Craton mineralisation that covers the whole of the Eyre Peninsula—has the additional opportunity, as outlined in the *Port Lincoln Times* today, as follows:

Venus Bay and the Gawler Craton have unrealised diamond exploration potential, according to exploration companies planning to search these areas for diamonds.

It continues:

A helicopter will carry out surveys on the central Gawler Craton and at Venus Bay this month and in June.

Every kind of mineral is found on Eyre Peninsula and it is about to boom but it is already being held back by the lack of power and water.

There are dozens of small communities around the state for which the cost is being thrown back onto ratepayers. These water costs add to the ever-increasing burden caused by other cost shifting from the state government. The natural resources management levy is proposed to be charged on all ratepayers at over \$100, and the Zero Waste levy will add yet another charge that is unfair on small regional communities, particularly when I am told that half of it will be put back into general revenue of the state. Last year over \$300 million went into general revenue of this state from ratepayers through SA Water alone.

The SA Water charter states, under Strategic Directions, that it is to 'assist in promoting economic development in South Australia'. However, the economic development of many small regional communities across South Australia, as exemplified by Elliston District Council, is being severely restricted because of lack of water. The government has no plans for the necessary infrastructure that will allow the population and wealth of the regions to rise, that would improve the quality of life of those who live in those regions, and that would increase the state's revenue base.

The predicament on Eyre Peninsula has stimulated a number of desalination plant options to be looked at to provide more and better water for particular locations. Already mentioned is Ceduna because it is more than 400 kilometres from the southern basins and receives very poor-quality reticulated water. The Ceduna District Council has undertaken the supply of water to people living west of the town by buying water from SA Water, then

pipng it to them. The pipeline was provided with grant funding. Unfortunately it did not reach the small community of Penong, but has been a great help to farmers and Aboriginal communities along the way. However, many communities west of Ceduna miss out and, on 1 March this year, I and many other members of parliament received a desperate email from the proactive small Aboriginal community of Scotdesco, which stated:

We are seeking your assistance in gaining some insight into a decision made to no longer fund our reverse osmosis (R/O) desalination plant. We are a remote Aboriginal community located 100 kilometres west of Ceduna on the Eyre Highway. There are currently 18 houses in the community, as well as an administrative centre, including TAFE and a women's group. The current population of Scotdesco community is 54 people.

The email goes on say that SA Water was engaged to look at their situation:

... and decided an 'on ground' collection facility, covering two hectares, would be the most cost effective in terms of ongoing maintenance cost.

It is a pity there is not a bit more rain. Further on it states:

To date we have not received confirmation of this, rather we have been advised verbally that FaCSIA will pay for an external contractor to cart 6 000 gallons of Tod water from Ceduna to Scotdesco as required.

Again, this is from the underground basin south of Port Lincoln. Since then I have visited the community twice to see if I can help to find a better solution to the two proposed, which I believe will not be at all suitable in the longer term. This is an excellent community located on a farm, and they hope in the future to have more sheep on their property, a larger vegetable garden and horticulture. Much of the land on Eyre Peninsula is top quality and only needs water. An American has planted vines, watered by reverse osmosis, at Nundroo west of Scotdesco, and believes that the location will be the next Napa Valley which, I understand, is one of the top wine-growing regions of the United States of America. Once again, the potential of Eyre Peninsula and its people is being severely constrained by the small thinking of governments and their departments.

I am aware of many other projects that are in a similar predicament regarding government approvals, accessing SA Water infrastructure and finding solutions to water issues. The rapidly expanding town of Coffin Bay is being charged augmentation fees, but the Coffin Bay underground water basins have still not been assessed, despite requests by myself and others over many, many years. It is now even more difficult to have the assessments done because of the protection of native vegetation in the national parks. Meanwhile, progress waits on the government and its departments, as responsibility—as the Mayor of Ceduna puts it so well—is duck shoved from one place to another. Is SA Water using a process of ignoring all private applications as long as possible to prevent any competition, and is the government protecting SA Water to protect its lucrative income stream? It would seem so.

On water pricing, SA Water maintains that all costs are 'commercial in confidence', even though it is a monopoly provider free from independent economic regulation. Stakeholders and alternative providers cannot determine the true cost of water. For about 13 years I have tried to get the cost on Eyre Peninsula from SA Water. However, its response is simply that we are heavily subsidised. I find this difficult to believe as the water from the basins is supplied to them free of cost. The pipelines on the whole were put in place many years ago and have not had significant upgrading in recent times and, I understand, are fully depreciated. The water to Ceduna was originally gravity fed—the longest gravity-fed pipeline in the world at the time. Even now limited pumping is required compared with most systems. If the desalination plants were realised, the cost of piping and pumping would be minimised as most of our communities are close to the sea water that is to be desalinated for use.

SA Water is charging augmentation fees ostensibly to provide additional water in the future on blocks of land across more than 60 regional communities across South Australia, on top of already high connection fees, thus putting up the cost of housing. The augmentation fee penalty of between \$5 000 and \$15 000 is imposed in areas that already have increased costs for home ownership due to high costs of freight and labour caused by their remote locations and the reluctance of banks to lend outside larger cities. In the case of Coffin Bay, the augmentation fees are an additional burden in spite of the underground lens not having been fully assessed to see whether future augmentation would ever be needed.

The augmentation fee goes into the profit of SA Water, not into a specific account. It is part of the \$270 million paid through SA Water into state government general revenue in 2006 as a dividend of 95 per cent of the utility's after-tax profit. This dividend was increased by the present state government from, I believe, 74 per cent to the current 95 per cent. It is in addition to the \$95 million from the 30 per cent income tax that was refunded to the state

government under an agreement from the federal government. Therefore, in my view, the augmentation fee has been charged under false pretences.

It is interesting to note that capital expenditure by SA Water has been reduced over the past year, alarmingly, presumably, because so much of SA Water's net profit was taken by the government as a dividend. SA Water has had to borrow money for capital expenditure. I was stunned to learn that the \$46 million that I thought was for a new SA Water building in Adelaide is, in fact, only for the fitting out of a building belonging to others, and rent will still have to be paid. The SA Water business in South Australia is the only one that I know of that is spending millions of taxpayers' dollars to urge customers not to use their product.

The Labor state government has proved to be a disaster to the state on infrastructure. Ministers point defensively to a tram to nowhere, inadequately-costed underpasses that become more expensive every time we turn around, opening bridges and, worst of all, water restrictions that would not be needed if we were leading the way instead of dragging the lag on water. As the driest state in the driest nation on earth, we should be leading the world in the provision of new water. Motion carried.