

Wednesday, 5 December 2007

DESALINATION PLANT FOR ADELAIDE

Port Stanvac has been identified as the preferred site for a new desalination plant as part of a \$1.4 billion investment in water infrastructure to secure South Australia's water supply.

The State Government today released the summary report of the Desalination Working Group, and a new water pricing structure to fund this major infrastructure investment.

New pricing will mean an increase of less than \$1-a-week for 60 percent of households, and the State Government is increasing concessions for water bills, and extending them to eligible low-income tenants.

"Today's announcement is the culmination of months of planning and consideration to secure our water supply in the face of the current extreme drought and record low inflows into the River Murray," Premier Mike Rann said.

The Desalination Working Group was formed in March this year, and examined the impact of the drought on water supply, the feasibility of desalination, the preferred size and location, integration into the existing supply network, and cost implications.

"The Desalination Working Group recommended Port Stanvac as the most suitable site for a reverse osmosis plant because of relatively deep seawater, marine dispersion characteristics, better access to water supply network, suitable land availability and lower construction costs," Minister for Water Security Karlene Maywald said.

Final site confirmation is dependent on environmental considerations.

Discussions have begun with Mobil, and the Government will continue to assess the options with them for a proposed plant at Port Stanvac over the coming months.

"With completion planned for 2012, water from the plant will be reticulated to the domestic water supply," Mrs Maywald said.

"A \$304 million inter-connector pipeline, to be completed in 2014, will connect reservoirs in the North and South of Adelaide, providing greater flexibility in managing Adelaide's water distribution system.

"The first step is to set-up a \$10 million desalination pilot plant in 2008 to test filtration and pre-treatment technology.

"Detailed design work will now begin on the \$1.1 billion plant and a project manager will be appointed to oversee development of plans.

"Full environmental and planning approvals for the plant will be sought as work continues.

“A \$3 million environmental baseline study for the Gulf St Vincent is already well under way which will provide data for a full environmental assessment, once the design is complete.

“It’s part of our four-way strategy to secure our water supply, which also includes doubling storage in the Mount Lofty ranges, increasing recycling and reducing use,” Mrs Maywald said

“Building a desalination plant is an extremely complex and expensive undertaking and we must now focus on paying for this important investment in securing our water supply into the future,” Mr Rann said.

“To offset this massive investment, we’re announcing a new water pricing structure which will see water prices rise in real terms by 12.7 percent on average from July 1 next year.

“Under the new pricing arrangements, South Australia will move from a two tiered to a three tiered system to ensure high water use is properly costed.

“This increase is a responsible first step, and further price increases will be required in the future to fund the desalination project as construction work commences and large costs are incurred.

“The extent of future increases can only be determined once the financial contribution from the Rudd Federal Government is negotiated and actual costs are known when construction contracts are let.

“We will also appoint an independent consultant to assess SA Water’s pricing model, and help determine future pricing needs to fund this vital infrastructure,” Mr Rann said.

The additional revenue generated by this increase will fund the desalination project. The State Budget will not receive any extra benefit from the additional revenue collected from this increase.

“We’re also increasing the concession to 20 percent of the total bill, to a maximum of \$200 for owner-occupiers,” Mr Rann said.

“We’re also including tenants for the first time, subject to eligibility criteria, and all Commonwealth Low Income Health Care Card holders will also be included.”

The increase in water charges, and the expansion of the concession to tenants, will coincide with Housing SA starting to charge tenants for the water they use, a decision outlined in the 2006-07 budget.

“Our new structure and prices compare favorably with other States. They are responsible and go some way to recouping the increased costs of supplying water,” Mrs Maywald said.

“While this pricing structure will invest in critical water infrastructure for our future, it will also encourage high water users to be more water wise.”

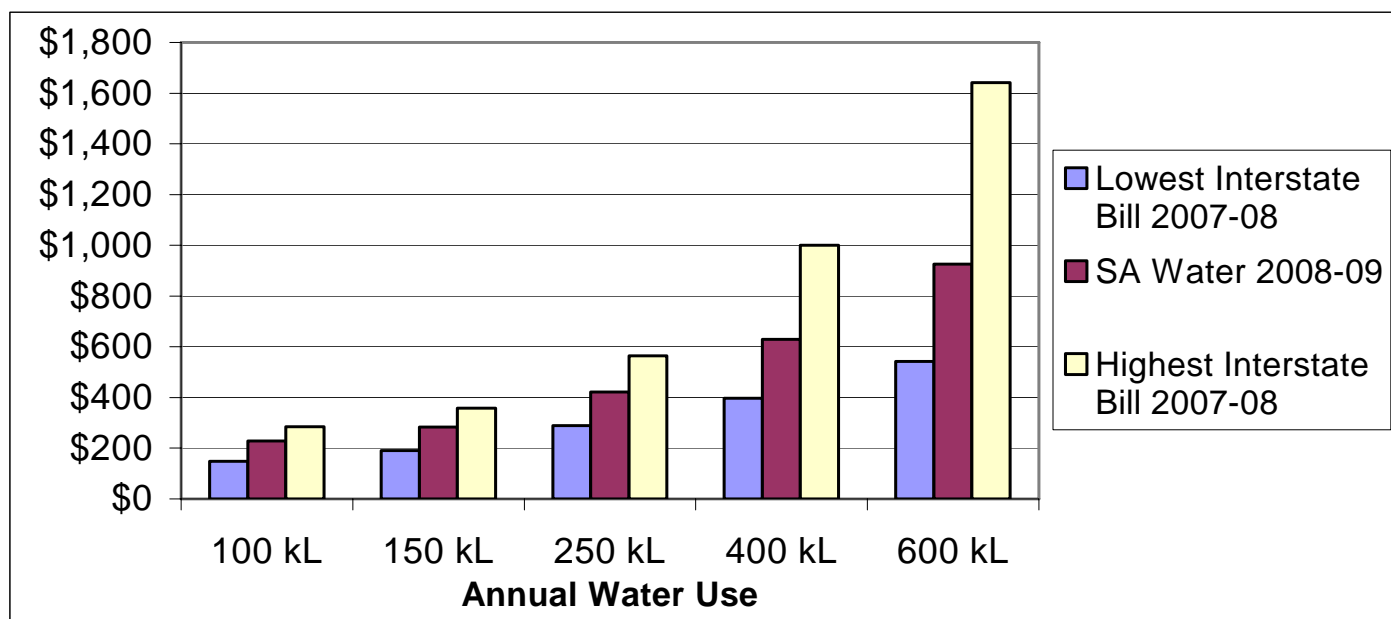
The new prices are in line with principles outlined in the National Water Initiative and adopted by COAG.

FACTS ON WATER PRICING

- South Australia will move to a new three-tier pricing structure in 2008-09 and water prices will increase on average by 12.7 percent in real terms.
- The current two-tier structure for 2007-08 includes:
 - \$0.50/kL for water use from 0-125 kL
 - \$1.16/kL for water use above 125 kL.
- The new three tier structure for 2008-9 is:
 - \$0.71/kL for water use from 0-120 kL.
 - \$1.38/kL for water use from 120-520 kL.
 - \$1.65/kL for water use above 520 kL.
- The average Adelaide household uses about 250 kilolitres of water per year.
- Concessions available to assist pensioners and low-income earners with payments have been expanded to 20 percent of the total bill a year, up to a maximum \$200.

Comparison - SA proposed prices with lowest & highest current interstate prices

(Comparisons are with 2007-08 bills for major water authorities in Australia)



* Subject to prices for 2008-09

ENDORSEMENT FOR DESALINATION AND WATER PRICING REVIEW

WATER PRICING

Martin Hamilton-Smith, State Opposition leader & Mitch Williams, State Opposition Water spokesman:

“South Australia needs to ensure that water prices recoup the full costs of supplying water.”
Waterproofing South Australia – A Framework for action – August 2007

Martin Hamilton-Smith, State Opposition leader:

“Water pricing is part of the solution and if you waste water, if you waste water, you should pay more.”
Channel 10 News - 29 August 2007

Mike Young, University of Adelaide water economist:

“There’s a lot less water and we’ve got to find a way to manage the scarcity and clearly price has got to be part of that, we’ve got to price the scarcity.”
5AA - 29 August 2007

“When things become scarcer, the price goes up. If it’s good enough for rural people to see the price of water go up three or four times, it should also be the same in urban areas.”
Channel 9 News - 6 November 2006

“We need to put the price up so that everybody saves water without subsidies. The right way to do it is to put the price up so everybody is actually told through the hip pocket that water is valuable and needs to be conserved.”
ABC Radio News - 22 October 2007

Christopher Pyne, Federal Member for Sturt:

“The water pricing structure needs to reflect use because at the moment, we have a system which does not reward wise users.”
5AA - 4 September 2007

DESALINATION

Martin Hamilton-Smith, State Opposition Leader:

“What we need is a desalination plant.”
ABC Stateline - 14 September 2007

Mitch Williams, State Opposition Water spokesman:

“We would build a desalination plant, we would provide water, it will cost a little bit more but you won’t have water restrictions.”
5AA - 4 July 2007

Professor Peter Cullen, Wentworth Group of Concerned Scientists:

“Desalination of seawater is part of the mix and it’s part of the ways that we can secure the water supply to a city.”

5AA - 9 July 2007

Hon Malcolm Turnbull, Former Federal Liberal Water Minister:

“We support desalination in South Australia. It’s the driest State, it needs an alternative source of water for Adelaide.”

5AA - 12 September 2007