



**Access to Pipes Denied
22 November 2007**

Member for Flinders Liz Penfold has questioned in parliament what she believes is a serious constraint of trade by the state government and SA Water.

Mrs Penfold told parliament that she is taking her concerns to the Australian Competition & Consumer Commission (ACCC).

The Government and SA Water continue to promote the BHP desalination project at Whyalla over other proposals denying access to taxpayer's pipelines she said.

"I have taken my concerns to the ACCC requesting that action be taken to force the state government and SA Water to allow Cynergy at Ceduna and Acquasol at Port Augusta to access SA Water pipelines to deliver desalinated water to regional people," she said.

"Both companies could provide competitively priced water if access was given to SA Water pipelines."

"The \$6 billion of pipelines belong to South Australian taxpayers who urgently need the water. Desalinated water would reduce the take from the depleted River Murray by up to 30 million litres per day according to Mike Rann's press release of the 17th February 2006."

Mrs Penfold said the Acquasol project could provide environmentally friendly water to Upper Spencer Gulf cities thus taking them off the over stressed River Murray.

The Cynergy proposal at Ceduna could also be in place sooner and is also "greener" utilising solar power with Cheetham Salt using the by product however the company and Ceduna District council have met with nil cooperation from the Government.

The government is only supporting its own joint proposal with BHP Billiton despite other projects being able to come on stream sooner and to be environmentally more friendly.

"Farmers on upper Eyre Peninsula, already in drought, should not have to contend with the huge cost in time and money fixing their calcified pipes caused by the very poor quality water currently being provided."

"And River Murray irrigators badly need the water currently being sent west now."

"The people of South Australia should be angry that the government and SA Water are not looking after their best interests.

Action must be taken to enable privately desalinated water into our pipes immediately" Mrs Penfold said.

ENDS

Attached Speech:

HOUSE OF ASSEMBLY
SA WATER
21 November 2007

Mrs PENFOLD (Flinders): I put on record what I perceive to be a serious constraint of trade by SA Water and the state government that is negatively affecting the development of our state. I refer to the promotion of the BHP desalination project at Whyalla over other private developments at Ceduna, Port Augusta and elsewhere.

I drew these issues to the attention of the National Competition Council, which referred them to the National Water Commission. In particular, the issue of access to the pipelines by private desalination companies is still not being facilitated, while the water situation continues to deteriorate in regional South Australia.

I intend, therefore, to complain to the Australian Competition and Consumer Commission, asking it to mount a court action under section 46 of the Trade Practices Act 1974, arguing that SA Water is misusing its market power. I will raise this issue with the ACCC, because I know the negative impact that the SA Water monopoly is having by preventing these developments, and I believe that private companies do not have the time, resources or powers to fully investigate and successfully litigate against this state-owned entity.

Also, SA Water and the state government are so powerful that, despite living in a democracy, I believe that small companies would be frightened to complain for fear of covert retaliation. Accordingly, I have not sought their cooperation in advance in the hope that the ACCC might be able to guarantee them some protection from possible victimisation.

Herewith are some of the concerns that I have raised with the NCC. My electorate of Flinders, like much of regional Australia, is suffering from a severe drought. The need for new water is critical for many communities to survive, let alone do the value-adding and diversification that is so necessary to drought proof them in the future. Last year, the state government appropriated \$300 million from SA Water into general revenue, thus restricting critical infrastructure upgrades and expansion.

SA Water does not allow private companies to access their pipes, thereby preventing private companies from providing desalinated water to regional communities. Two projects—Cynergy at Ceduna and Acquasol at Port Augusta—illustrate the problem. Both companies could provide desalinated water at about the same estimated cost per kilolitre as is charged by SA Water—and at much less than the cost of piping water from the River Murray—but have been unable to gain access to SA Water pipes, despite trying for a number of years. The Cynergy desalination project would replace much of the virtually undrinkable, foul water that is presently reaching this area and clogging pipes solid with calcium. That is costing people thousands of dollars. Stock troughs have to be checked daily in hot weather to ensure that water is getting through, which is another huge cost in fuel and time. It is also keeping people from finding off-farm work, as they cannot leave their properties.

The Acquasol project could take the Upper Spencer Gulf towns of Whyalla, Port Augusta, Port Pirie, and also Kimba, off River Murray water. According to the press release by the Premier of South Australia, Mike Rann, on 17 February 2006, supporting the BHP project, this would 'see vast quantities of water returned to the River Murray—as much as 30 million litres a day'. The Acquasol project offered to provide two gigalitres of water free to the government for two years, yet it was rejected. It could have provided all the water needed. SA Water will not put in a desalination plant itself, nor allow others to do so, except for the desalination plant proposed by BHP at Whyalla, which, even if it gains all the necessary approvals, will not be built until around 2012.

Private projects would already have been built by now if approvals had been forthcoming. The Yorke Peninsula council project at Marion Bay, which did not require access to SA Water pipes, is already up and running. It has been so successful that another one is proposed at Price.

I believe that there is a significant constraint of trade issue in the government's supporting the BHP proposal,

complete with confidential MOU, when other more environmentally friendly projects are not being supported. The Minister for Water Security, Karlene Maywald, is quoted in the West Coast Sentinel of 27 September this year as saying:

Our priorities are the [BHP Billiton] desalination project for the top end of the Spencer Gulf, which we have committed to, and the Iron Knob pipeline to bring water from the Murray River to the Eyre Peninsula. We believe those projects are the best placed to provide water to the communities on the peninsula. We are not prepared to put other projects ahead of those, but if they [Cynergy] can make it more attractive for the state then we might reassess the timetable.

Cynergy is asking for nothing more for than access to the pipes, so how can it make it more attractive for the state? This project is totally environmentally friendly, being powered by solar power, with saline waste being used by Cheetham Salt. Cynergy is not asking for funding from the government, nor for it to buy the water.

The SPEAKER: Order!

Mrs PENFOLD: —just to allow it access to the pipes, and it will find its own customers.

Time expired.

RANN WATER RIP OFF 17 February 2006

Eyre Peninsula gets its water from a depleted underground resource. It does not yet receive water from the River Murray, as reported on the front page of The Advertiser on Friday 17 February.

However the government is spending \$48.5 million to bring 1.4 gigalitres a year from the River Murray to Kimba, possibly rising to 2.3 gigalitres in the future, with additional expense required to reticulate the water beyond Kimba.

Member for Flinders Liz Penfold said Eyre Peninsula needs at least an extra 10 gigalitres a year above current usage for proposed mining, processing and housing developments.

“A desalination plant at Ceduna would provide more water for much less cost than this proposal that is sacrificing Eyre Peninsula.

“Rann and Foley are doing it again – bringing the state to its knees by gimmick spending that will not increase our export industries or long term employment in the State.

“Trams and tram lines, opening bridges, retro fitting public buildings with solar panels and the like should only be undertaken after we have brought our kids home from interstate and overseas where they now have to go for employment,” she said.

Mrs Penfold quoted Michael Hickinbotham, Chairman of the Australian Population Institute, who recently reported that last year South Australia lost 3700 people to other states with the majority in the 25 to 39 age group.

“All indicators point to the Labor government running down the State owned SA Water,” she said.

Mrs Penfold said SA Water is being forced to contribute 95% of after tax profit to government coffers as a dividend, leaving almost nothing to service existing water and sewerage infrastructure, let alone replace ageing infrastructure or provide new infrastructure for future generations. This is despite water being acknowledged as a critical issue for the State.

“The Auditor’s Report reveals that the Rann-Foley government is asking for 95% of SA Water’s net profit after tax to be returned to the government as a dividend.” Mrs Penfold said.

“SA Water’s core business of providing water and sewerage services to the people of the State is being spurned.

“Worse still, this crippling ‘dividend’ is after the state has already received the income tax that would normally go to the federal government but which under a State-Federal agreement for Corporatised State Businesses also goes into state coffers,” she said.

She said rising property values had given the state government windfall profits on sewerage charges paid by ordinary citizens.

“An augmentation fee of \$5,500 is being charged on top of these fees in numerous country towns.”

Mrs Penfold said that, in addition to augmentation fees, higher sewerage rates, the lack of repairs, maintenance and new infrastructure, ordinary people are also paying the ‘River Murray levy’ and the yet to be unveiled ‘natural resource management levy’.

“This government is scrounging money from the people wherever it can, despite receiving \$2.3 billion more than the Liberal government received in its last term,” she said.

Mrs Penfold has appealed to the National Competition Council (NCC) to investigate the state government and SA Water in an attempt to stop what she sees as a major disaster for South Australia.

“All South Australians rightly expect to be able to access plentiful, good quality water and sewerage services but the SA Water department is being forced to be a revenue raiser for the Labor government.

“At the same time, South Australians are obliged to pay dearly, in many instances, for inadequate water supply and sewerage services.

“Constituents complain regularly of burst pipes and poor water quality,” she said.

She said governments have a Community Service Obligation to supply basic water services to all South Australians.

“However even Community Service Obligation funding is up for review by the Labor government and we have no idea what may be put in place.

“This alone is a matter for serious concern,” Mrs Penfold said.

Mrs Penfold said that what is happening is affecting all South Australians by holding back development, job growth, economic activity and population increase and is calling for funding to be put back into water services.

“Eyre Peninsula is similar in size to Tasmania and has similar potential that will not be realised until there is sufficient water.

“Just as 170 years ago when Port Lincoln was rejected as the site for the capital of South Australia because of inadequate water, we are still missing out.

“With our small population we cannot get the infrastructure we need until funding is provided by the government through our taxes and charges, unlike Adelaide which has already been set up.

“As the driest state in the driest nation in the world, water is basic to our survival and we are being sucked dry

by an unscrupulous government.

“We can not afford to decimate our water resources and its delivery any longer,” she said. ENDS