



The Place To Be

Media release

From the Minister for Water

Thursday, 26 November, 2009

DESALINATION PROJECT DELIVERS VALUE FOR MONEY

Delivering Victoria's Desalination Project as a Public Private Partnership will save Melbourne water users almost \$1 billion, or 14 per cent of the total cost, compared to the Victorian Government building the project.

Water Minister Tim Holding, who today tabled the project summary in Parliament and released the project contract, said the Public Sector Comparator showed the financial benefits of the private sector building and operating the plant.

"The desalination project is absolutely vital to securing Victoria's water future because it turns sea water into drinking water, delivering a rainfall independent source of water," Mr Holding said.

"It is our insurance policy to ensure that we won't run out of water during severe droughts and as our climate changes.

"This project summary shows that this is a value-for-money solution to our state's long-term water needs and a better option than continuing to rely exclusively on rainfall collected in dams."

The Victorian Government selected the AquaSure consortium consisting of Suez Environnement, Degremont, Thiess and Macquarie Capital Group as the successful tenderer.

The project includes the 150 billion litre plant at Wonthaggi, an 84-kilometre pipeline to connect to Melbourne's existing network, an underground power supply and the purchase of renewable energy to 100 per cent offset the energy requirements of the operation of the plant and pipe.

As revealed in July when AquaSure was announced as the successful consortium, the capital cost of the project is \$3.5 billion. The PPP model ensures that taxpayers do not bear the risk of capital overruns.

The total maximum net present cost to the State over the 30 year contract term of the project is \$5.7 billion which equates to a cost of \$1.37 per one thousand litres of water.

This includes construction, financing, operating costs and using 150 billion litres of water every year for the next 27.75 years (the full contract operation period).

Had the Victorian Government delivered this project it is estimated to have cost \$6.7 billion.

As the Government has complete flexibility on how much water can be ordered each year the total cost over the life of the project could be much less.

The desalination plant and the pipeline will be handed back to the State in full operating condition, at no cost, in 2039.

Mr Holding said the Government's commitment that average water prices would not more than double over the current pricing period would be met.

"Water prices in metropolitan Melbourne have traditionally been very low compared to other states and even with desalination we expect the cost of water in Victoria to remain comparable to other states in the future," he said.

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Treasurer John Lenders said the success of the PPP model being used to deliver the Victorian Desalination Project had already been demonstrated by the successful completion of financing.

“Delivering the desalination project as a PPP has ensured that water remains in public hands, delivers value for money and transfers the risk of delivering the project to the private sector,” Mr Lenders said.

“We are also securing 1700 direct jobs and as many as 3050 indirect jobs during construction in a tough global economy.

“AquaSure has now secured the funding for the project and indicated that without backing from the Victorian Government the desalination project would have struggled to get off the ground due to a tightening of the global credit market.”

Mr Holding said the Environmental Management Plan had also been released for the project which would help reduce the impact on the environment.

“Victoria has set high international standards for the project with strict environmental safeguards including the appointment of an independent reviewer and environmental auditor,” he said.

The project summary can be found at www.partnerships.vic.gov.au, the project documents can be found at www.contracts.vic.gov.au and the Environmental Management Plan www.aquasure.com.au