



PRIME MINISTER

AUSTRALIAN WATER FUND PROJECTS

Today I have approved funding from the Australian Government Water Fund of more than \$220 million for projects that will improve Australia's water infrastructure and the management of Australia's scarce water resources.

Appropriate arrangements will be made for the joint announcement of projects with the relevant states and territories.

In recent days claims have been made by the states regarding insufficient attention by the Commonwealth in response to funding requests submitted by the states for large projects.

I attach an information sheet outlining the status of these projects.

The Commonwealth remains ready to assess these projects on their merits as soon as all appropriate information has been provided.

24 January 2007

STATUS OF LARGE WATER PROJECTS

New South Wales

The New South Wales Government originally submitted seven projects to round two of Water Smart Australia on 15 June 2006.

Following the Prime Minister's call for states and territories to nominate one or two transformative projects of national significance on 25 July 2006, the Premier wrote to the Prime Minister on 24 August 2006 reconfirming the *NSW Rivers Environmental Restoration Program* (seeking \$105 million) and the *Recycling in Western Sydney* (seeking up to \$155 million) as high priority projects and nominating three additional projects:

- Prospect Area industrial Roof Water Harvesting (preliminary request for \$30 million)
- Central Coast Water Recycling Proposal (funding request to be confirmed)
- Newnes Plateau Mine Water Recycling Scheme (funding request to be confirmed)

The Premier's letter of 24 August states:

"I noted in my letter of 15 June that project and cost information relevant to the National Water Commission's assessment of the Recycling in Western Sydney project remains incomplete. As indicated in the project proposal, the NSW Government will provide additional cost and project information as tender processes are completed and project components are more clearly defined"

The Hon Malcolm Turnbull MP met on 8 November with the NSW Minister for Water Utilities, the Hon David Campbell, and separately with the Minister for the Environment, the Hon Bob Debus. Mr Turnbull requested that the financial details for the projects be provided. Following the meeting Mr Turnbull wrote to Mr Campbell on 13 November again outlining the further information required to finalise the assessment of the proposals.

The New South Wales Government wrote on 17 January 2007 providing additional details for the *NSW Rivers Environmental Restoration* project, and the *Recycled Water in Western Sydney* project. No further details on the other projects were provided. The information on the *Recycled Water in Western Sydney* project notes that cashflows are uncertain, and final costs are dependent on tenders from the private sector expected to be received in mid 2007.

The assessment of the *NSW Rivers Environmental Restoration* project has been completed and the NSW Premier will be advised of the decision shortly.

Queensland

SEQ Water originally submitted a proposal seeking \$184 million for the Western Corridor Recycled Water Scheme to the National Water Commission in June 2006 for funding under Water Smart Australia round two. The National Water Commission requested a copy of the business case in order to complete its assessment of the proposal.

Mr Turnbull met with the Deputy Premier the Hon Anna Bligh on 9 November 2006. At that meeting the Deputy Premier indicated that the Queensland Government was now seeking \$500 million. At that meeting, and in a following letter, Mr Turnbull requested the business case and financial model for the project.

The Queensland Government has not provided the requested information (business case, financial model). Queensland Government officials have indicated that it will not be available before the end of January 2007.

Victoria

The Victorian Government sought funding for projects to secure the water supply for Bendigo (\$25 million) and Ballarat (\$90 million) by pipelines connecting to the Goulburn Murray system, and a recycling project in Geelong (\$19 million).

Mr Turnbull met with the Minister for Water, Environment and Climate Change, the Hon John Thwaites, on 26 October 2006 and requested advice on the assumptions behind the costs of the pipelines, information on the tariff impacts of the proposals on water consumers, and the capacity of the Central Highlands Water Authority to provide a higher contribution to the overall cost of the 'Superpipe project' (the submission proposes the water users of Ballarat should bear only a little more than 10% of the capital cost of a \$180 million project designed to deliver water to their city). Mr Turnbull requested that the financial model for the Geelong project be amended to include the revenues from the sale of water.

Minister Thwaites provided a supplementary submission on 3 January 2007 with some of the requested information. The Victorian Government did not consider it appropriate to include revenue from the sale of water in the financial model for the Geelong project. Mr Turnbull responded on 5 January noting that the financial information provided does not permit any kind of detailed analysis of the pricing scenarios in each city.

Mr Thwaites has agreed to a request from Mr Turnbull for a further meeting with state officials to work through the financial models. A meeting has been scheduled for 30 January 2007.

South Australia

The South Australian Government submitted a proposal seeking a \$160 million contribution from the Australian Government to the cost of a Desalination plant and associated infrastructure to supply water to the Upper Spencer Gulf and Eyre Peninsula.

Mr Turnbull met with the Deputy Premier on 13 November 2006 and wrote following the meeting seeking a full financial model for the project. The South Australian Government subsequently provided a financial model for the project. However, the financial model included all of the costs but none of the revenues from the sale of water by SA Water to consumers. As the South Australian Government does not consider it appropriate to include revenues in the financial model, the National Water Commission is preparing a financial model including revenues, to identify the level of external funding required to make the project commercially viable.

Western Australia

The Western Australian Government has sought funding of \$356 million for the South West Yarragadee borefield and pipeline, and proposal at a concept stage for the redevelopment of the Wellington Dam (indicative costings only).

Mr Turnbull met with the Deputy Premier and the Minister for Water Resources on 21 November 2006 and further information was received on 22 December 2006. These projects will be considered at the next meeting of the National Water Commission on 7 February 2007.

Northern Territory

The Northern Territory Government sought an extension of time to submit proposals, and two proposals were submitted on 10 October 2006. Arrangements are being made for a mutually convenient meeting date.

Tasmania and ACT

The Tasmanian Government and ACT Government have not yet submitted formal proposals.