

Australia: Victorian government covers up desalination plant costs

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27 October 2010

With the Victorian state election looming on November 27, the Labor government of Premier John Brumby is deliberately hiding the huge costs and potential social impact of its private public partnership (PPP) deal with the AquaSure consortium for a water desalination plant now under construction near the town of Wonthaggi.

The Brumby government claims that the \$5.1 billion plant—the largest in the southern hemisphere—will help make Victoria “drought proof”. The PPP deal, however, has little to do with providing adequate water supplies to local consumers. Instead, it involves the transfer of large sums of money to the private sector. AquaSure, comprising Suez Environment, Macquarie Capital and Thiess Degremont, will reap the profits from the project.

Once completed, the facility will become an integral part of the privatisation of Victoria’s water system, supplying water via a series of existing and proposed pipelines to the highest regional bidders in a future water market. With the cost of the plant blowing out, and growing concerns over environmental damage, high-running costs and predicted water price hikes, Brumby and his ministers are determined to prevent public scrutiny of the deal.

Brumby and Water Minister Tim Holding claim that the agreement with AquaSure cannot be fully revealed because of “commercial in confidence” arrangements. Such a commercial understanding conveniently protects not only the guaranteed profits of the consortium but also the political fortunes of the state government.

On October 4, Treasurer John Lenders refused to supply opposition parties with 400 requested documents and was suspended for 24 hours from the upper house of parliament, where the government lacks a majority. Among the items suppressed was

information about the lobbying and tender process for the desalination deal, and the cost per litre of desalinated water, as well as an estimate of how water bills for consumers will be affected after 2013, when current price structures end. According to some predictions, water tariffs could be almost four times more expensive within the next three years.

Figures released last week by Victoria’s auditor general revealed that the consortium could receive up to \$23.9 billion, or \$860 million per year, during the life of its 27.5-year contract with the Victorian government. The deal is so lucrative that even if AquaSure did not produce a drop of desalinated water during the life of the contract, it will still receive \$18 billion.

The project has gone ahead in defiance of election commitments. Prior to the last state election in 2006, Labor rejected the Liberal Opposition’s call for a desalination plant, claiming it was unnecessary. But a decade-long drought and increased urban water demand exposed the lack of any state investment in new water-supply storage infrastructure since 1983. The government seized on the resulting water shortages to announce the desalination project.

In line with its usual justification of PPPs—there are 21 projects recently completed or underway in Victoria—the government claimed that the desalination deal would “spread the risk” of the project to the private sector. But when AquaSure was unable to borrow money on the international money markets to finance the plant, the government stepped forward to guarantee the consortium’s borrowings and even pledged to take on the debt itself if necessary.

The government guarantee served as a bridging mechanism for corporate investors who wanted to resuscitate the lucrative PPP form of investment, which had been badly hit by the global financial crisis and the

drying up of investment capital.

The government's offer was immediately praised in international financial circles. The project won the *Banker* magazine's Global Deal of the Year and Global Public Private Partnership of the Year at the Infrastructure Journal Awards. The *Financial Times*-backed magazine declared: "The judges were impressed by the innovative structure of the deal, which used contingent Victoria state support required to underwrite the project's refinancing in the event of further financial markets dislocation.

"Not only has the deal financed the world's largest reverse osmosis desalination facility, it is also the largest public private partnership project finance deal to be syndicated since the onset of the global economic crisis, and one of the largest PPP projects completed globally in the past five years."

Other PPPs have already provided the desalinated water industry and finance capital with windfall profits. There are now plants operating in New South Wales, Queensland and Western Australia, with another to open soon in South Australia. This is part of worldwide pattern, with spending on desalination projects predicted to increase 191 percent by 2016.

The agreement with AquaSure involved an extraordinary, secret arrangement with the Victorian Police to provide the consortium with detailed information about anti-desalination community groups obtained from police spying.

According to government documents obtained under Freedom of Information, the consortium feared "civil disruption" by protestors and would not sign off on the deal unless the police provided them with "law enforcement data"—text, photos and audio and video recordings—on desalination opponents.

The Brumby government readily obliged and directed the state's Solicitors Office to formulate a spying arrangement, which was signed last year by the government, the police and AquaSure. Clause 4.6 of the secret deal envisaged the deployment of the Security Intelligence Unit—the police anti-terrorism outfit—against opponents.

This month, during the final sittings of parliament before the state election, the Labor government used its numbers to shut down a parliamentary committee established to investigate these agreements.

A local protest group, Your Water Your Say, was

bankrupted, after losing a case in the Federal Court in 2008 against the project on environmental grounds. The government pursued costs of \$200,000, forcing the organisation to fold. The police conducted surveillance against individuals involved with this group, or in touch with it, and its successor Watershed.

The Wonthaggi desalination plant is yet another demonstration that the state Labor government, like its counterparts throughout Australia, functions as a direct instrument of finance capital. Labor's determination to ride roughshod over all opposition to the project is part of a generalised assault on working people, to restore the profits of the same financial elite that caused the global economic breakdown.

Critics of the project, including Melbourne *Age* columnist Kenneth Davidson and the Greens, have raised allegations of a joint government-AquaSure coverup of the long-term prices to be charged for water, and of conflicts of interest involving senior public servants, and called for a Royal Commission investigation. These alleged practices are not simply aberrations but flow from the government's broad privatisation agenda that boosts corporate profits at the expense of ordinary people via escalating "user-pays" fees and charges.

The provision of decent, clean and cheap water and other necessities to sustain modern life is a basic social right for all, which the capitalist profit system is incapable of providing. It is a right that can be defended only in the fight for a socialist perspective, in which water, energy and all other essential resources are freed from the dictates of the capitalist market and brought under the democratic ownership and control of working people.

Click here for the coverage of the SEP Victorian election campaign

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