



MEDIA STATEMENT

Enlarged Cotter Dam: Draft Commission Report Gives Preliminary Endorsement to Cost Estimates

STRICTLY EMBARGOED UNTIL 11.00AM FRIDAY, 30 APRIL 2010

'The Independent Competition and Regulatory Commission has released a Draft Report on the enlargement of the Cotter Dam in which it has given its preliminary endorsement to the revised \$363 million costing, and to the alliance arrangements put in place to deliver the project', Paul Baxter, Senior Commissioner, said today.

The Draft Report was prepared in response to terms of reference issued by the Attorney General, Simon Corbell, in November 2009. The reference requires the Commission to report on a number of matters relating to the Enlarged Cotter Dam (ECD) water security project being undertaken by ACTEW Corporation.

'The Commission has had access to all the relevant data and reports from ACTEW that relate to the decision to proceed with the ECD and has had the full cooperation of ACTEW senior management and staff,' Mr Baxter said.

'The Commission is satisfied that the revised costing of the dam project released in August 2009 represents a realistic and efficient cost estimate of the project and now includes the owner costs, contractor overheads and margins, and current estimates of materials costs that were omitted or underestimated in the cost estimate released in 2007.

'Furthermore, the Commission, having examined in detail the procedures adopted and the final contractual arrangements, is satisfied that the process whereby ACTEW has entered into an alliance arrangement for the construction of the dam and the allocation of risks and potential cost adjustments under that contract, are in accord with industry standards and represent a fair allocation of risk and reward between the contracting parties and the ACT community', Mr Baxter said.

Mr Baxter stated that in conducting its review of the ECD project, the Commission has been required to consider whether the costs of the project are prudent and efficient in terms of meeting the water security standards required of ACTEW.

'The Commission has endorsed the use of a net economic benefits (NEB) methodology used by ACTEW to consider the various options available to address the water security issues facing the ACT', Mr Baxter said.

'ACTEW's NEB analysis supports the adoption of the ECD option at the higher cost of \$363 million', Mr Baxter noted.

'However, there are some concerns with the application of this methodology, and in particular with some of the assumptions that have been included in the analysis undertaken which may have influenced decisions about the assessment, timing and ordering of options to ensure the future water security of the ACT', Mr Baxter said.

Mr Baxter said that, particularly in the light of strong evidence of a major shift in climate conditions affecting the water catchment and storage infrastructure historically serving the ACT, a 'do nothing' approach was not an option for ACTEW in meeting the Government's stated objective of limiting temporary water restrictions to one year in 20.

The Commission concluded that the suite of new investments being undertaken which includes the ECD, the Murrumbidgee to Googong pipeline and access to water held in Tantangara Dam, will more than meet the Government's water security target in the event the 2030 worst case climate change scenario projected by CSIRO occurs.

'In this sense, ACTEW's ECD investment decision is an application of the precautionary principle which may not have been fully supported by NEB analysis had more moderate estimates of costs and benefits been relied on,' Mr Baxter said.

The Commission's Draft Report has been released together with a report from Halcrow Pacific Pty Ltd which was prepared for the Commission to assist in the conduct of the investigation. These reports provide extensive detail on the analyses undertaken by ACTEW in developing its recommendations in support of the ECD project, the derivation of the ECD costs estimates, a reconciliation of the 2009 cost estimate with the 2007 cost estimate, and the process used by the Commission to prepare its Draft Report.

Submissions are now invited on the Draft Report prior to the finalisation of the Commission's investigation. Written submissions should be lodged with the Commission no later than Friday, 28 May 2010.

A public hearing on the Draft Report will be held on Monday, 24 May 2010 commencing at 10.00 am. Persons who wish to appear before the Commission at the public hearing should register with the Commission no later than Wednesday, 19 May 2010 by phone (02) 6205 0799 or by email on icrc@act.gov.au.

The Commission will provide a Final Report of the investigation to the Attorney General on 30 June 2010.

The Draft Report will be available on the Commission's website at www.icrc.act.gov.au.

STATEMENT ENDS 30/04/10

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