

The Government Owned Corporations Scrutiny Committee convened at 1.30 pm.

Mr CHAIRMAN: Good afternoon. I declare open this public hearing of the Government Owned Corporations Scrutiny Committee of the Legislative Assembly of the Northern Territory on Friday, 23 June 2006 and extend a welcome to everybody present. I table a copy of the order of the Assembly dated 13 June 2006 which appoints a committee for the purpose of examining and reporting on the activities, forms, principles and financial management of the Power and Water Corporation, a government owned corporation under the *Government Owned Corporations Act*, with reference to the Power and Water Corporation's Statement of Corporate Intent 2006-07. The order effectively uses the current membership of the Public Accounts Committee.

I should also point out that the committee, at its meeting, has agreed that the timing of this public hearing shall be 1.30 pm to 3.30 pm Friday, 23 June 2006, in accordance with paragraph 14 of the order of the Assembly. I also report that the member for Goyder has been elected Deputy Chairman of the committee in accordance with paragraph 4 of the order. As a result of a resolution of the committee, representation of the media made an application to Madam Speaker and gained approval to be present and are able to report on the broadcast proceedings of this hearing.

Before I call for questions, there is a procedural issue that I should bring to everyone's attention. Under section 19 of the Terms of Reference of this committee, questions should be put directly to the Chairman of the Board of the Power and Water Corporation and he will be provided assistance by the Managing Director and other officers as required. Although this is a public hearing, it should be noted that, under section 20 of the order of the Assembly, the chairperson and any other witnesses will advise when evidence is of a commercially sensitive nature, and that evidence will be heard *in camera* if that situation arises. As chairman of this committee, I will invite the chairman and witnesses to provide the reasons for their request. The procedures adopted by the recently completed Estimates Committee to address questions taken on notice will also be utilised through the public hearing of this Government Owned Corporations Scrutiny Committee.

To ensure completeness during the recent public hearings of the Estimates Committee, the Treasurer is available to discuss issues regarding the Community Service Obligations made to the corporation by the government, as well as dividends paid to the Treasury by the corporation.

I now table the Statement of Corporate Intent of the Power and Water Corporation. The committee will now proceed to consider the activities, performance, practice and financial management of the Power and Water Corporation. I welcome from the corporation Mr Neil Philip, Chairman, Power and Water Board of Directors; Mr Kim Wood, Managing Director; and Mr Andrew Macrides, Company Secretary. I now call on the Chairman of the Board to make an opening address.

Mr PHILIP: Mr Chairman, Mr Neil Philip, Chairman, Power and Water Board of Directors. Thank you for the opportunity to address this committee and to provide a summary of the corporation's activities throughout the past 12 months. I will also briefly outline the road ahead for the next 12 months. It has been a challenging year, both financially for the corporation in light of rising fuel costs, and operationally in responding to both the Katherine floods and Cyclone Monica. I will speak a little more about that later.

While cost containment is, and will continue to be, a key focus for the corporation, significant increases in our costs of production have necessitated increases in our non-contestable retail electricity, water and sewerage tariffs of 2.6%, in line with inflation from 1 July 2006. This is the first price increase for non-contestable electricity customers since July 2000 through the impact of the GST, and the first increase for water and sewerage customers since 2003. In fact, prior to the price increase for GST, there had been no price increase for electricity since 1998. In a world where the prices of inputs have risen steadily, not increasing prices to at least match these rises is simply unsustainable in the longer term.

The nett profit after tax for 2005-06 is forecast to be \$23.8m, which is \$6.4m below the SCI target of \$30.2m, due largely to the impact of higher energy costs. Energy costs for 2005-06 are forecast to be \$24.7m higher than originally projected, due to a combination of increased use and higher prices for distillate and gas. Whilst \$11.9m of that relates to usage in remote communities and is fully funded by the NT government, the remaining \$12.8m relates to usage in urban centres and is a direct cost to the corporation's bottom line. This has been partially offset by increased revenue. The forecast for expenditure on repairs and maintenance of \$38.6m, and capital of \$65m, is in line with the SCI projection.

In keeping with our commitment to, wherever possible buy local, the corporation has paid more than \$361m to Territory-based firms so far this year, out of a total spend of almost \$529m.

Higher than planned gas consumption will lead to the expiration of existing gas contracts earlier than anticipated. As a consequence, additional gas has been sourced from existing suppliers, and this gas has come at a higher cost than that under the existing contracts, and will impact on the corporation's operating costs from 2005-06 through to 2008-09. With existing gas contracts due to expire, predominantly in 2009, significant progress has been made in the past year in securing appropriate future gas supplies to power our major power stations. The corporation has signed a Heads of Agreement with ENI Australia to exclusively work towards negotiating a gas supply agreement to take gas from the Blacktip field from early 2009, and also with the Australian Pipeline Trust for the delivery of this gas from the onshore processing plant near Wadeye to the existing north-south gas pipeline near Adelaide River.

To help attract and retain skilled staff, Power and Water has entered into a six-year, \$18m training agreement with Charles Darwin University. The university will provide the corporation with a complete range of training services for its operational and professional staff, in addition to apprentice recruitment and training. To overcome skills shortages in our traditional trade areas, the corporation has increased its annual intakes of apprentices. This year, the intake increased from last year's record of 13 up to 16. This brings our total apprentice numbers to 46 throughout the Northern Territory.

The Utilities Commission has established minimum standards of reliability, quality and customer service for electricity supply in the Northern Territory, effective from 1 January 2006, and the corporation is bound by these standards. I am sure honourable members will recall the issues related with the training and the data conversion that the corporation experienced with the implementation of its new computerised billing system. Since reporting here last year, I am pleased to say that these issues have been overcome and the system is operating effectively.

In April this year, Tropical Cyclone Monica caused damage, some of it quite significant, to infrastructure in many remote communities along the Top End coast. Power and Water's remote operations staff worked with the local essential service operators and contractors to restore essential services.

Earlier in April, Katherine and nearby communities suffered damage from flooding, with repairs and maintenance needed to power, water and sewerage infrastructure. Consequently, an upgrade to the Katherine effluent disposal system will be undertaken in 2006-07 at an estimated cost of \$2.5m.

Construction on the \$16m Frances Bay Zone Substation is expected to be completed in 2006-07, and will provide increased reliability and security of supply for the Darwin CBD. This project will, ultimately, include a four-story structure that will house transformers, switch gear and control equipment, and is the first time in the Northern Territory that the entire substation will be completely indoors.

The 20-year project to underground power to Darwin's northern suburbs has continued. To date, boring works have been completed to all 698 properties in Nightcliff, 14.5 km of footpath has been laid, and electricity works are nearing completion to the remaining 369 properties in the second half of Nightcliff. These properties will be changed over to the new underground system by late 2006, resulting in all 698 properties being supplied by underground power in less than three years. In 2006-07, undergrounding works will commence to approximately 700 properties in Rapid Creek.

The Water Reuse in the Alice project, which commenced in 2003-04, is scheduled for completion in 2006-07. It is estimated that \$3.4m will be spent in 2006-07, bringing the total spent on the project to \$10.4m.

Under the *Renewable Energy (Electricity) Act*, the corporation is required to source 61 000 MW hours of its supplies from new renewable energy sources by 2010, and then remain at that level until 2020. A Renewable Energy Roadmap has been developed, in consultation with local industry, that identifies the corporation's renewable energy goals. Some of the projects outlined in the roadmap include the trial and implementation of solar dish concentrators, wind turbines, biodiesel and biomass.

In response to concerns raised by some customers over increased noise levels in nearby suburbs following the installation of the new Titan generator at the Ron Goodin Power Station in Alice Springs in 2005, the corporation sought advice from engineers and sound monitoring experts on possible solutions. On the advice of these experts, we have since installed sound blankets on the machine. In addition, baffles have been custom designed for fitting on to the machine's exhaust, and we are awaiting their manufacture, delivery and installation. We anticipate this will be completed in October, and further extensive sound monitoring will be undertaken following that. In the interim, this machine is only used between 6 am and 8 pm unless there is an urgent requirement for additional generator capacity.

Turning to the year ahead, for the 2006-07 financial year, the corporation's nett profit forecast is \$33.5m, and it is predicted that the corporation will pay dividends of \$16.8m and tax of \$14.4m. The corporation will embark on a capital investment program of \$87.1m in 2006-07, and is likely to spend up to \$219.8m over the next three years. In addition, our repairs and maintenance program will exceed \$128m over this three-year period. In order to undertake this capital investment program, the corporation will borrow \$47m in 2006-07 through the NT Treasury Corporation.

While educating people to use water wisely will have some effect on the current water capacity, there is also the need to meet the constantly growing demand for drinking water. An investigation is under way into the potential to raise the levels of Darwin River Dam, and early indications are that this is technically and environmentally feasible. Raising the 30 m high dam by up to 1.5 m will increase the yield by approximately 20%.

Work will commence in 2006-07 to supply and install new generating units for both Darwin and Alice Springs to meet increased demand. In Darwin, the additional unit will be commissioned at a new site near the city gas terminal station on the Channel Island road prior to the 2007 Wet Season. Tenders have already been invited for this project, which is costed at \$35m. The location of the new set for Alice Springs is yet to be determined, as previously mentioned. Power and Water is conscious of community concerns regarding noise levels at the Ron Goodin Power Station.

There has been much media coverage over recent days of the sewage outfalls into Darwin Harbour. The Darwin Sewerage Strategy, which was commenced in 1995, entails the diversion of all sewage flows from the Larrakeyah outfall to the Ludmilla Wastewater Treatment Plant for treatment. To date, \$14m has been expended on this strategy. The major works remaining to close the Larrakeyah outfall include the expansion of the Ludmilla Wastewater Treatment Plant and the final tunnel diversion of sewage from the Larrakeyah outfall. Assuming no unforeseen technical or environmental issues, the corporation is committed to completing these works in the next five years. These works are anticipated to cost in excess of \$50m.

Following the retirement of Dr Mike Vertigan and Dr Mike Sargent as directors of the corporation, we welcomed the appointments of Peter Vines and Bob Neil to the Power and Water Board. In addition to both being qualified engineers, they bring a wealth of public and private sector utilities experience to the board. I am also pleased to confirm the reappointment of Power and Water's Managing Director, Kim Wood for a further four-year term.

I finish by paying tribute to the remarkable group of people who work for Power and Water. We believe that they are unsung heroes. Thank you.

Mr CHAIRMAN: Are there any questions in regard to this statement?

Dr LIM: No, once the conversation starts, it will all be addressed in the context of everything that has been said.

Mr CHAIRMAN: The way we would like to see this run is, the shadow will ask questions, exhaust his pathway and, when he gives the nod, I will hand it over to the Independent who will then follow suit. Generally, we have been pretty good with very few interjections, so let us get the show on the road.

Dr LIM: Thank you, Mr Chairman. Mr Philip, thank you very much for your opening statement. We appreciate the information that you provide. I propose to do this very much in a conversational way. Congratulations, Mr Wood, for your contract again. It is good to see that we have some constancy. Better the person you know than the person you do not know.

I was reading through our conversation last year, Mr Philip. Coincidentally, I finished off last year - less than 12 months ago; it feels like it never stopped. We were talking about Doctor's Gully and the outfall. Perhaps the best way I should lead off is from where I finished last year. Obviously, the outfall has continued to be a difficult issue. I am wondering if you can tell me, how many litres of material is pumped out through the Larrakeyah outfall, affectionately known and labelled by many of the ministers as the 'poo shooter'? How much comes out each day in volume?

Mr PHILIP: Thank you, Dr Lim. I am unable to answer that question, but perhaps my Managing Director, Kim Wood, could have a go at it.

Mr K WOOD: I would love to, Mr Chairman, however, it is one of the facts I do not have. I am happy to take the question on notice and provide that.

Dr LIM: There is nobody monitoring our discussion that could bring it up before 3.30 this afternoon?

Mr K WOOD: Quite possibly.

Dr LIM: It would be good if you could do that. Does the flow vary from day to day and, if it does, do we have a peak and a trough through a 24-hour period?

Mr PHILIP: I will continue to leave Kim to answer these questions for the record.

Dr LIM: The normal process is that we address through the Chair and you pass it on to whoever you wish.

Mr K WOOD: Dr Lim, the flows do vary during a 24-hour period, and also during the year. They are at their highest during the Wet Season because of infiltration; also during rain events, because of the same issue. Most sewer systems have an infiltration issue, and they are at their peak when the facilities are likely to be used the most; that is, with toilets and showers.

Dr LIM: Technically speaking, I assume that every so often there would be maintenance issues, cleaning out the pipes and all that, to ensure that the flow is nice and uninterrupted. Do you clean out the system on a regular basis?

Mr K WOOD: The entire system is what we call 'scoured' on a regular basis, or jetted. We have a regular maintenance program and specific camera-based facilities that look inside the sewers, and then the teams go and jet the sewers out. The dilemma you have with sewer systems is, fundamentally, a build-up of fats which reduces the size of the pipes. So, on a regular basis, all of our sewer systems are well maintained.

Dr LIM: At that time, I assume when you say it is scoured mechanically as well as using liquid or water to flush it out, there will be bigger volume, more solids coming through the outfall?

Mr K WOOD: Yes. Sewer systems, when they are jetted or scoured, normally the fats go through the system. It is not the normal sewer waste, when we think of sewer systems, that comes out of a sewer system. Normally, it is a grey, greasy build-up of fats in the system that come typically from food wastes and washing up and dishwashers and things like that, that go through the system.

Dr LIM: My analogy would be like cholesterol plaques in our arteries.

Mr K WOOD: Exactly.

Dr LIM: There would certainly be scale and calcified fats and that sort of stuff.

Mr G WOOD: You will end up having a heart attack.

Dr LIM: I beg your pardon? Have a heart attack; well I am not sure about that. What is the condition of the pipe at the moment? The other day, watching the news, the end of the pipe did not look particularly ...

Mr K WOOD: The sewer system is in good repair in the greater Darwin area. The media showed some objects coming out of the sewers. We encourage everybody not to use sewers as waste bins. The dilemma is with stormwater drains - which we do not have control over, they are a council issue - and sewer pipes and sewer systems. People occasionally do put things down there that are not appropriate to sewers and therein lies part of the media events of the last few days.

Dr LIM: Yes, I understand that. I assume that the visual that we saw on the television, all of that comes out straight from the sewerage?

Mr K WOOD: There is some infiltration in sewer systems but that, essentially, is a water infiltration during the Wet or during rain events. The rubbish that we saw coming out of the end of the pipe would have had to have been put into the sewer system, through toilets or ...

Dr LIM: Yes, okay, so it is not rubbish or plastic bags that have washed through the stormwater drains in the CBD of Darwin that goes into that system?

Mr K WOOD: No, that is also going into the harbour but that is not an issue that Power and Water have control over.

Dr LIM: Would all the solids be filtered out at the filtration plant or the pump station before they went out into the ocean?

Mr K WOOD: No, there are screens. The dilemma with any screening process is an engineering dilemma. If you make the screens or the sieves too fine, it will block and then, all of a sudden, you will get sewer overflows along the pump stations or along the way. Typically, a sewer system is designed so that the screens are not so fine that they will easily block and, yet, fine enough to catch as much material as possible. There is an optimal engineering process that we go through. What happens in a pit where there is significant rubbish, eventually the water flow will push flimsy materials like plastic bags and those other things we saw on television through the screens.

Dr LIM: Usually the plastic bags will compress and slip through a sieve hole and all that sort of stuff?

Mr K WOOD: Eventually. Yes, so that is the dilemma with that particular type of sewer technology, which is, essentially, just macerated untreated sewage.

Dr LIM: You do not even filter out the solid faeces before it is pumped out?

Mr K WOOD: No, there is filtering there but it is insufficient to filter a lot of the objects. This is a topic that probably is not particularly pleasant to talk about but, typically, because of bacterial actions, solids degrade to some degree. By the time it gets to the outfall, there is some biological action. You could argue that some treatment has taken place in the piping system itself.

Dr LIM: I do not want to go into too much technicality, but from the moment I push the button in my home, how long does that take for that water, for that flush, to hit the harbour?

Mr K WOOD: It depends on how close the house or the business is to the sewer outfall. You could argue that the material flow is something like walking pace through the sewer system, so not overly long. It could be hours, if not a day or so.

Dr LIM: So that the biological breakdown would be minimal ...

Mr K WOOD: No, not a lot, Dr Lim, but there is some just from the hydraulic action of the pipes. There is normally some degradation of the solid material, but it does not change the biological hazard nature of the material.

Dr LIM: The solid material breaks down into suspension; that is what happens?

Mr K WOOD: Yes.

Dr LIM: Right, okay. What is the macerator?

Mr K WOOD: It is the machine that ensures that there is a maximum mixing of the material. It breaks down solids. It is a mechanical device that, essentially, crushes and chews up solids. The technical reason is so that there is maximum surface area available for biological action once the material is ejected from the pipe.

Dr LIM: After a flush, it goes through to the pumping station where the macerator actually churns it up, breaks it up even more, and creates a finer particle suspension?

Mr K WOOD: Yes, maximises the surface area for oxidation, essentially.

Dr LIM: That then gets flushed out. No chemicals are added ..

Mr K WOOD: No.

Dr LIM: ... no antiviral antiseptic, any stuff like that at all?

Mr K WOOD: No, there is no sterilisation provided.

Dr LIM: Does Power and Water ever test the sea water around the outfall?

Mr K WOOD: My understanding is that there have been a number of toxicological studies in the harbour over time. We have recently elected to fund the Chair of Civil Engineering at Charles Darwin University ...

Dr LIM: Yes, I am aware of that.

Mr K WOOD: Dr Eric Valentine, who is a well-credentialed individual from the UK, has now been in that position for about a year. We have also provided him super fast computers and computer models, and he is undertaking a significant modelling event in the harbour. We hope to access that modelling to provide us some information with our sewer strategy.

Dr LIM: He regularly tests the water? You said that there is sampling done. Who does them?

Mr K WOOD: The university and other government agencies are involved in sampling the water. That is not a requirement, as I understand it, of our discharge licence. Essentially, we are not doing toxicological surveys of the harbour on an ongoing basis.

Dr LIM: Do you receive reports as to the chemical levels and toxicity levels?

Mr K WOOD: Our water team and sewerage team are interested recipients of any of the scientific work done in the harbour. My most recent advice is we are not aware of any toxicological long-term effects of our activities in the harbour whatsoever. There are none detected. We, like the public, would rather that this sewer outfall was not discharging raw sewage, but there are many of them around Australia. Essentially, it is because of reasons of funding and competing demands for capital. However, we are not aware of any long-term toxicological effects on shellfish or fish.

Dr LIM: There are only two capital cities that are still using this technology, which is Sydney and ourselves. Is that right?

Mr K WOOD: There are many raw sewage outfalls around Australia ...

Dr LIM: Capital cities.

Mr K WOOD: In terms of capital cities, that is probably quite correct. That changes, probably on a month-to-month basis. In a brief Web search this morning, there is a lot of evidence still of raw sewage discharges around the country.

Dr LIM: Do you know which agencies actually test the water? Is there a formal process where those agencies which test the water report their findings to Power and Water?

Mr K WOOD: Dr Lim, the rigorous testing is usually on the drinking water side of the business. Right around this country, and internationally, drinking water is the area where rigorous testing is undertaken. That certainly is our responsibility. Toxicological or pathogenic studies on sewer effluent are opportunistic; they are taken from time to time regarding higher education research or as agencies are interested. I can take that question on notice and provide details of recent studies, or the most recent studies we have. However, there is not a sustained and regular process as there is in the drinking water side of our business.

Dr LIM: You do not see the need that Power and Water receives regular reports from whichever agency is doing the testing, to at least have an overview of what is happening out there, because the outfall is your responsibility at the end of the day?

Mr K WOOD: Yes, we are very interested in the environmental footprint of our business. Our water and sewer people are very interested in any studies that are going on. I have just been advised that we discharge 3 mL a day on average from the Larrakeyah outfall.

Dr LIM: Three megalitres. Do you have any peaks and troughs in terms of discharging?

Mr K WOOD: There will be. I would need to provide you a graphical representation. The flows are more of magnitude difference between the Wet and the Dry. It is 10 times higher during periods during the Wet. It is a significant hydraulic difference.

Dr LIM: That is because of the leakage?

Mr K WOOD: Infiltration, typically, yes.

Dr LIM: You do not do any testing around the outfall at all? This might be a question you cannot answer. Would Power and Water be concerned about the quality of the mud around the outfall and the impact of that mud and suspended material in the water until such time it dissipates, affecting the sea creatures that live around that area?

Mr K WOOD: I will try to explain. Power and Water is deeply interested in its environmental footprint, and our objective is to constantly try to minimise the environmental harm that we cause as a natural discharger of waste products. Around Australia, the very regular testing regime is focused on drinking water quality, because that is where the major health impacts are, not on sewage discharge. There have been studies from time to time and there will be further.

Dr LIM: I am conscious of the recreational activity that Darwin is famous for, which is ocean recreation such as fishing, crabbing and all that type of activity. The other day, somebody was scuba diving as well. Those are activities that would normally occur in the harbour, upon which the outflow will have an impact.

Mr K WOOD: I am able to announce today that we have sought and received approval from Ports to mark a 0.5 km exclusion zone around the outfall itself. I also report that Gunnamatta Beach on the south coast of Victoria has a sewer outfall and it is one of Victoria's most popular surfing beaches. Bondi has the same. There are many occasions where waste issues and the urban footprint mixes up with recreational activities. While it is not ideal, it is not uncommon.

Dr LIM: The opening of the outfall is, obviously, under the low water mark, so it is always submerged. I recall seeing some TV footage of Bondi where, at one time, the water was significantly discoloured for quite a radius around the outflow. Does that occur here in Darwin?

Mr K WOOD: From time to time, what we call a plume can be observed. There is no doubt, on days where the water is relatively clear, there will be a visual impact from the discharge - there has to be.

Dr LIM: Odour is not a problem?

Mr K WOOD: Odour normally comes from pumping stations associated with sewer plants, where there is an aerosol effect of the material. However, odour is not an obvious problem with this plant, but where we pump sewage is a constant source of complaints from nearby residents in that situation. Therefore, it is something we watch.

Dr LIM: Because the sewage does not stay in the system long enough, there is no fermentation, is what you are saying, therefore, there is less of an odour?

Mr K WOOD: What happens is, the odours really start to happen when the material goes into oxygen death. The ideal situation is where there is sufficient oxygen, so the system needs to flow relatively rapidly. That is why pumping is used from time to time; it needs to produce fine particles so there is maximum chance for oxidation, and be removed from the system as quickly as possible.

Dr LIM: Coming to the litter, or the plastic bags and whatever is there - and I am told there are condoms as well. I suppose that is an issue of litter as well. How are you going to address that? Obviously, the authority is technically breaching the *Litter Act*. How are you going to address that?

Mr K WOOD: We aim to stay within the constraints of our sewer discharge licence, which is renewed every two years. There is no doubt in my mind that the bar will be raised with our sewer discharge licences going forward. I guess the dilemma for us is the organisation's capacity to invest the capital in the required time frame when the regulator raises the bar. We have a Darwin water educational program in the can ready to go to try and minimise the water usage in this town. There is no doubt that people are putting things into toilets that are inappropriate, so it might be a complex matter to try and do some education on that issue as well.

Dr LIM: I need to get that clear. You are a government instrumentality; another instrumentality or agency gives you the permit to operate the outfall, and provides you with a set of environmental criteria within which you have to perform?

Mr K WOOD: That is right.

Dr LIM: Are you saying that it is okay for you to discharge plastic bags and other litter material, or defined litter material, because of the permit?

Mr K WOOD: Is this a moral question or a legal question?

Dr LIM: No. I am talking about the legalistic – I am no lawyer. I am saying that I see a government agency saying: 'Here is your set of criteria within which you have to perform to get the permit to run the outfall'.

Mr CHAIRMAN: Are you talking about a licence, Dr Lim?

Dr LIM: The permit.

Mr K WOOD: We strive to operate within the bounds of the licence. Sewer discharge licences vary across the country but, typically, they go to the composition of the effluent and volumes of effluent. They do not include things like items that might be thrown down the toilet. I have bought a house in Darwin; I live here. I am as concerned as any resident would be; (1) with the publicity because it goes to me am I doing my job properly; and (2) the fact that I very much enjoy this fabulous place in which we live. I can assure you that no stone will be left unturned in removing this effluent from the Larrakeyah outfall over the next five years. It is our ability, in a reasonable time frame, to fund it.

Dr LIM: I understand that. We all work within financial constraint. You have a permit that says you can have the outfall. If the permit says you are not allowed to litter the harbour and, in fact, litter then goes out, is this a breach by yourself? Or does the permit that you have from whatever government agency say yes, you are allowed to litter the harbour?

Mr K WOOD: No, it does not.

Dr LIM: I am trying to work that out.

Mr K WOOD: No, it does not. The permit is silent on matters like that, and I believe it goes to the heart of what is reasonable. If the screening was so fine that it stopped anything going through, then the screen would block and it would spill on land. It is what is a fundamental, reasonable option for sewage treatment. It is not perfect, and it is not perfect anywhere in the country. This is a fact of life as to what is a reasonable outcome.

Dr LIM: I suppose I see a contradiction in the litter laws. The litter law says that, if I walk down the street and I throw an empty can down the street, or a plastic bag, a litter enforcement officer can actually pull me up, give me an on-the-spot fine or actually give me a summons. That is exercised by the government. Yet, when litter goes out through the outfall, nobody takes responsibility. You say you do the best we can, and I appreciate that. The government says: 'Give them a permit for a reasonable frame for them to work within'. Nobody is responsible for that. Or am I responsible because I threw the plastic bag in the toilet? But no one knows I have thrown it in, anyway.

Mr K WOOD: The individual who may put rubbish in the toilet clearly should bear some responsibility. Our responsibility is to maintain our system in good working order, keep the screens in place, and to ensure that our equipment has maximum availability. By far, the biggest litterer of the harbour, if you want to use that word, is the stormwater system - orders of magnitude higher than any sewer system. You will see that most water authorities, town councils and others are bending over backwards to look at ways of screening and putting in floatable barriers. There are a whole range of issues. It is an issue that occupies all of our minds as we try and raise the bar in environmental friendliness of these organisations.

Dr LIM: I will not labour this too long. You believe that the next permit you get, which is – when does the current permit expire?

Mr K WOOD: Later this year.

Dr LIM: Later this year. Would it require that you filter the litter more? What do you think is going to happen? Has the criteria changed in the last five years?

Mr K WOOD: Dr Lim, there is no doubt that the bar we are forced to meet in terms of the quality of the effluent and, potentially, some of the items in the effluent will be more stringent on us each two-year period. There is no question that the community is demanding higher standards, and we stand ready to play a part.

Dr LIM: Let us now go back to the timing of the diversion of the outfall into the Ludmilla sewerage facility. We have talked about this over many occasions. I recall, in the 1990s when the decision was made to divert the Larrakeyah outfall to Ludmilla. Commitment was made by successive governments to have it done. Obviously, it has fallen behind a fair way. When do you think you will achieve the point of getting the diversion to Ludmilla?

Mr K WOOD: The hydraulic work to get the waste running to Ludmilla is, essentially, in place, with the exception of boring under the city, if that is the method we choose, down to the outfall point itself. Essentially, the hydraulic infrastructure is in place. Some modelling has been done out of Dr Ballantyne's department and it is due for completion in one year. We have committed to a five-year program. There are some issues though. It is achievable. It is likely to be a \$50m project for us. The hydraulic model of Darwin has changed from when the commitments were made in the mid-1990s. The infill and unit development has radically changed the hydraulic load of this town. It is a very different place than it was.

Further, we thought we had rock foundations at Ludmilla. While drilling through what we thought was rock foundation recently, it tells us, in fact, there is a floating sandstone shelf under Ludmilla and tidal mud goes down a lot further. We cannot find the rock at this stage. We are also investigating whether Ludmilla is the best place for a larger, probably two-and-a-half to five times larger, treatment plant than it is today. There will be environmental and residents' concerns about some of those things, so they have to be worked through. They can be over the next five years.

Dr LIM: You said that all the sewerage network is done?

Mr K WOOD: All of the hydraulic work except for the leg between the outfall and under the city.

Dr LIM: Okay, then, take me through the sequence. In 1998, for instance - that is eight years ago - a Lands, Planning and Environment report said:

PAWA have indicated that a new sewage pumping station associated with the rising main between Ludmilla and Larrakeyah outfall will be built at the WWTP ...

Waste water treatment plant, I suppose.

The effluent pipeline and reclaimed water pipeline route along Gilruth Avenue to Conacher Street is mostly on land within the Botanic Gardens.

Is that the route that is still planned?

Mr K WOOD: That route was, essentially, what we call the grey water return route. The rising main and that route was essential to provide grey water, or treated effluent, for the racetrack, golf course and other potential users of grey water on that route. The actual effluent will be pumped to Ludmilla, more on the other side of the Stuart Highway around Tiger Brennan, then not that far from the Ben Hammond operation centre. That is the work that is done; the grey water route has not been constructed. I guess we still remain somewhat questioning of whether that should be built; what prices should be charged; and what the microbiological implications of grey water re-use are in the tropics. There is still quite some work to go on that. However, that hydraulic work is almost complete for the primary moving of the sewage along to the treatment plant.

Dr LIM: In the Power and Water Authority Environment Report in 1999, it said:

A major element of the Darwin Sewerage Strategy is the spending of around \$25m ... to stop the discharge of chlorine-disinfected and macerated sewage to Darwin Harbour at the Larrakeyah outfall ...

Is it chlorine treated?

Mr K WOOD: Well, it depends on the nature of the volumes going through, Dr Lim. I do not believe it would provide any significant infection control of that waste.

Dr LIM: Again, from the report:

- *upgrade the Ludmilla treatment plant in two stages;*
- *upgrade the East Point outfall; and*
- *provide up to 12 megalitres of treated effluent per day for reuse.*

That reuse is not in place?

Mr K WOOD: We have spent approximately \$1m a year over the last several years on the Ludmilla plant itself. We have duplicated facilities there. There has been significant hydraulic piping work, to the tune of about \$40m, over the last several years.

Dr LIM: Again, in the environment report - this time 2003. It is quite clear, on page 8, it said:

Stage Two of the plant upgrade is required prior to transferring the Larrakeyah sewerage catchment to Ludmilla. The macerater unit at Larrakeyah will then be decommissioned, improving the quality of effluent discharged to Darwin Harbour.

Skipping one paragraph, it then says:

One condition of the licences requires Power and Water to enhance the hydrodynamic model of Darwin Harbour ...

...

It is planned to complete the model enhancement in December 2003.

Is the model complete?

Mr K WOOD: No, we expect to see the model completed at the end of 2006. Previously, some of that work was done with consultants outside the Territory. What we have done in funding the Chair of Civil Engineering is (1) it provides an opportunity for kids to study Civil Engineering in the Northern Territory where previously they had to leave; and (2) it provides an opportunity for postgraduate students and for the intellectual property to stay here. We have made a significant contribution of a number of million dollars now to the university to try to produce capacity in the Territory that way.

Dr LIM: That is an academic position that is providing research, but that is not providing the actual physical infrastructure to do the things that are planned for?

Mr K WOOD: A condition of the funding of that Chair, Dr Lim, was that we provided the computer hardware and the software, and Dr Valentine's primary focus was to proceed with that model work.

Dr LIM: I suppose that is why, in 2005, the environment report does not refer to the outfall at all, except it refers to the Civil Engineering Chair.

Mr K WOOD: Right.

Dr LIM: That is what it is. All right. I do not want to labour any more on that, I believe you have answered most of the questions about the outfall.

When somebody swims around that area and gets sick, which would appear to be the case - I am not certain, I am not a treating doctor, I do not know - that someone appeared to have become sick from exposure to water - and I accept that you are going to have a marker buoy and exclusion zone - is somebody going to help this poor fellow who became sick with his medical bills, etcetera?

Mr K WOOD: The dilemma we face whenever somebody gets sick from swimming or from drinking, I guess, is to determine what the cause was. The next question is: has the organisation responsible, or allegedly responsible, done all that is reasonable? I cannot tell you the relief it will be when that raw sewage outfall ceases. Are we responsible for sickness and illness? There is no evidence to indicate that we are at this stage - none whatsoever.

Dr LIM: Does anybody quickly go to the site and collect some water samples to ensure that it was not contaminated enough to cause the illness?

Mr K WOOD: I am not aware that anybody does. However, the effects of the degradation of the pathogens in saltwater under sunlight are well known. As a number of us know, ultraviolet has a sterilising effect on pathogens. The persistence of these things in sea water and high levels of ultraviolet light that we have up here is very sure.

Dr LIM: No, do not go down that path because, the thicker the suspension, the less penetration ultraviolet light has.

Mr K WOOD: I know, but none of the studies that we are aware of have shown any persisting pathogens at all in the harbour as a result of our activities. That appears to be the only advice we do have at this stage.

Dr LIM: I am sure the member for Nelson will have other questions to ask in that regard, and I will let him follow through in a little while.

Can I now come back to you, Mr Philip, and go back to our gas supplies. Last year, we talked about this. We were concerned as to what is going to happen with gas supplies. In your opening statement, you said that you had renegotiated a contract with our current suppliers. How long is that new contract for, or is it just in negotiation stages?

Mr PHILIP: There are two contracts, Dr Lim. The first is to meet a shortfall in gas that is expected between now and 2009. That is a contract that is completed. In addition, there is a contract that is almost completed to meet any potential shortfall if the Blacktip project is delayed. It is important to remember why the first contract is necessary. When NT Power entered the market, they took 20% of the market and 20% of the gas. When they exited the market, we were then forced to go back to the suppliers of the gas to try to negotiate a new contract to buy that 20% back. Of course, when we did that, we got hit with higher prices. That is the history of this contract.

Dr LIM: My concern is that, while you have been able to negotiate for extra supplies between now and 2009, I assume that is because of growth in demand on the electricity, and that is why you need to have the extra gas? Am I right so far?

Mr PHILIP: It is, indeed; there is growth and extra gas is required.

Dr LIM: The Blacktip gas is still very much an uncertain source. I know that you have signed a heads of agreement with ENI, and I congratulate you on that, it is a great coup. I recall that you mentioned last year that Alcan falling over with Blacktip may turn out to be a blessing for Power and Water. My understanding is also that ENI has not progressed past that stage from the signing of the heads of agreement to delivering gas by 2009 to Power and Water.

Mr PHILIP: What we did with ENI was ran a process that was as competitive as we could make it, up to 21 December, which was when we selected ENI, signed their heads of agreement. What that heads of agreement said was that, from here, we will attempt to conclude a gas sale agreement and a pipeline transportation agreement by 30 June of this year. I am pleased to say that, in fact, we are dangerously close to doing that. We have concluded all of the commercial terms of both agreements. What we are waiting on now is final approval from stakeholders, including ENI's board in Milan. We are hopeful that that approval will come through and that we will having binding contracts - and they are binding contracts. They are contracts that require ENI to deliver the first gas to us at the beginning of 2009. In terms of it not being certain, I cannot agree with that. I believe it is as certain as it has ever been, and more certain than it has ever been and, certainly, by an order of magnitude from when we were sitting here at this time last year.

Dr LIM: What you are saying is that you have a contract signed with ENI that says that when the gas from Central Australia runs out in 2009, ENI will step in with a gas supply, whether they have a pipeline or not. They are going to boat it in, or fly it in - whatever. ENI will supply you gas to keep the lights burning?

Mr PHILIP: Our contract says that ENI will spend at least \$500m putting a platform in and a gas treatment plant at Wadeye. They have agreement and sign off with the traditional owners, and they will proceed, post final approval of these agreements, which we think will be very shortly. They will proceed to make that investment and then they will be wanting to deliver us gas.

At the same time, we will be completing our pipeline agreement, which is a different agreement with APT. We expect - well, we would not be doing it if we did not expect - both contracts to come together at the end of 2008 and be ready for gas delivery in 2009.

Dr LIM: Whose responsibility is it to develop the pipeline between Wadeye and wherever it joins the departmental supply in Darwin?

Mr PHILIP: We are the sponsor of the project. APT will be the contractor.

Dr LIM: APT stands for?

Mr PHILIP: Australian Pipeline Trust. They are effectively the owner of most of the interests in the existing pipeline so they are a logical fit. We will have a corridor, down which APT will construct the pipeline, and they will charge a tariff for delivering gas to recover their costs, which we estimate at approximately \$130m. In recovering that cost, there is an agreed rate of return, and that rate of return is in line with national rates of return on other gas pipelines.

Dr LIM: Is ENI part of the consortium that owns APT?

Mr PHILIP: No.

Dr LIM: ENI says: 'We will deliver the gas to Wadeye, we fulfil our contract'. Big deal! It still does not deliver gas to the Territory. Do you follow me? It does not. The gas is sitting at Wadeye and goes nowhere. You may as well buy a boat and send it all the way to Japan and China if you wanted to, and do what ConocoPhillips is doing. The Territory still benefits nought from that contract. My concern is, are you going to be able to negotiate the corridor and have the pipeline built by 2009? That is one question.

I recall the length of time that was required for ministers of the Country Liberal Party government to negotiate for a corridor for the railway line. It took forever, and now we have a three-year buffer or less to get the pipeline completed and gas flowing. Is it achievable?

Mr PHILIP: It is absolutely achievable. That is not to say it is not easy, but it is achievable. When I sit here this time next year - well, if I am sitting here this time next year - hopefully, we will be ...

Dr LIM: You said that last year too, and you are still here.

Mr PHILIP: I did say that last year too, Dr Lim. Hopefully, we will be able to demonstrate that it is achievable. Keep in mind that the pipeline construction does not actually start until the Dry Season of 2008. It is not a technically difficult pipeline. Our discussions with the Northern Land Council regarding the corridor are going very well. We have a high level of confidence that we can reach a satisfactory conclusion on the corridor and we are proceeding on that basis. ENI, obviously, also share that level of confidence because of the commitment they have made and the agreement they have reached with the traditional owners at Wadeye. Yes, we think it is eminently achievable.

To add one further thing to that, if there were delays to getting the corridor completed, we are also discussing with ConocoPhillips the establishment of an emergency supply between the LNG plant and our power station. That is a logical thing for us to do. We have costed the pipeline between our Channel Island Power Station and the gas plant, and that will be something that we will see a lot of attention paid to in the next six to 12 months.

Dr LIM: You anticipate that the gas from ConocoPhillips, or from ENI, will supply the whole of the Territory, or is it only for Darwin?

Mr PHILIP: Sorry, Dr Lim?

Dr LIM: Do you anticipate that the gas from either ConocoPhillips or ENI supplies only Darwin or the whole of the Northern Territory?

Mr PHILIP: The gas that we are buying from ENI is to supply all of the Northern Territory. In the event that, for example, the Blacktip project was delayed, we would be looking for ConocoPhillips to provide the difference between what is still available in Central Australia and what we require. I cannot be precise on the numbers. We can get those to you, but it is in the order of 5 petajoules out of a total demand of 20 petajoules.

Dr LIM: Is there any possibility of ENI subcontracting ConocoPhillips to provide you with the gas? Would that not be a simpler way of doing it? ConocoPhillips provide you with the gas - it is only next door - and ENI can sell the gas elsewhere and replace it? That, surely, would be a way to go?

Mr PHILIP: It makes a lot of sense when you say that, Dr Lim, but that is not how things have turned out. That would be something that could only occur between ENI and ConocoPhillips first, and then they would need to come to us and say: 'We have an alternative proposition to you that makes more sense for you'. In that case, we would listen to them, of course, if it did make more sense for us. However, that was not the position we found ourselves in. You might recall, last year when I was here, that we had been disappointed that we had not got a supply offer out of ConocoPhillips. The way things turned out, we did not get a supply offer out of ConocoPhillips. When we ran with ENI at the end of the year, we were very comfortable with that decision and they have been excellent to deal with.

Dr LIM: ConocoPhillips has flagged that it is looking for a second train in Darwin. Have you impressed upon the shareholder minister, who is also the Treasurer, that they should be telling ConocoPhillips, gas for the Territory or ...

Mr PHILIP: It is not a matter for us, of course, because the second train is not a matter for the Power and Water Corporation.

Dr LIM: No, but in ...

Mr PHILIP: In terms of our views, I put this view last year, and I believe it is not improper that I put it again. When the time comes to do the second train, then there needs to be a little *quid pro quo-ing* go around. That is not saying it is an opportunity to renegotiate any arrangements we have with ENI. We are not saying that at all. We are perfectly happy with the arrangements we have reached with ENI. They are in the LNG plant; they are a good, strong company. In this environment we believe we have struck a pretty good deal with them. My sentiment remains unchanged in terms of the second train.

Dr LIM: Briefly, the Alcan source of gas is to come from Papua New Guinea. It is still on track, there is no avenue for you to plug into that source?

Mr PHILIP: I do not believe so. I actually met with some Alcan people in Brisbane a couple of weeks ago, on another matter. I met Dave Sutherland, who is with Alcan, you might recall. He had a couple of things to say. Firstly, they were pressing on with Papua New Guinea. The timetable looked likely it had pushed down a bit. The other thing was that he was taken by surprise, he said, by the speed with which we had moved forward from the heads of agreement stage towards having a contractual conclusion, particularly given the collective Woodside Alcan experience in negotiating the longer corridor over to Gove. He thought we had done a pretty good job.

Dr LIM: I was surprised myself, seriously. I have gone to the ENI website and into the Papua New Guinea gas project to have a look at the latest information from those two sources, and they match. There is not much more than what we have discussed.

I suppose my question about your gas supply is really about the cost of power to Territorians. We now know that there is going to be a 2.6% increase in price. Is this going to be a short-term thing, or are we looking at more increases in power as your gas supplies in Central Australia diminish and your supplies from ENI or wherever else do not appear?

Mr PHILIP: Well, pricing is a matter for our shareholders in terms of electricity prices. I can say that the agreement we have reached with ENI will see our gas price remain consistent with what it is now in 2005 dollar terms. There will be no price shock arising out of the contractual arrangements we have reached with ENI, therefore, you could conclude from that that there is no direct impact from the gas price on the electricity price, subject to one caveat; that is, that there is a period of time - I will just qualify that, not of the electricity price, but there is a period of time where there is a duplication of pipeline tariffs for approximately two years, from 2009 to 2011, where gas will start flowing through the new pipeline and continue. There are residual financial arrangements in the old pipeline that have to be finished off. Those arrangements were entered into in 1985, so there will be a duplication of payment for that two-year period. That is just a consequence of history, that those arrangements continue to 2011.

Dr LIM: You are not quite saying that, 'no, there will be no more increase for the foreseeable future'. My prediction is that, as we draw closer to 2009, I cannot see any option but for prices of power to go up for Territorians unless the government is prepared to put in adequate CSOs to offset that.

Looking at the financial key performance indicators on the back page of your Statement of Corporate Intent, obviously, last year you paid something like \$20m-worth of dividends to the government. For the forecast for the end of this financial year 2005-06, it has come down to something like \$12m, so it is a big drop. Can you explain what has happened there?

Mr PHILIP: I will start, if I could, Dr Lim, and then call for some support from Kim Wood. In terms of the fall in the dividends, there were a couple of events that stand out. One is the higher costs we have incurred for energy in the last financial year. We have had significantly higher costs, a consequence of a number of events. Shortfall gas is higher priced - that is the gas that NT Power had that we had to go and buy back, effectively. We have a high use of distillate because of set failures. We had the sound problems at Ron Goodin Power Station where we have not been able to run the sets often. There is a range of factors and, mostly, in terms of any increases in cost, energy seems to swamp almost everything. The other thing was that we had some higher tax payments to the government than we had seen in previous years. Kim, do you want to say anything?

Mr K WOOD: I will pass it across to Mr Macrides.

Mr MACRIDES: It is predominantly, as the chairman said, a factor of increases associated with electricity. As the chairman mentioned in his opening address, we are facing a \$24.7m increase in our energy costs in 2005-06, being driven by a combination of higher diesel pricing, higher usage and gas price increases as well. Energy represents over 50% of our entire costs, so it is a significant component.

Dr LIM: Mr Philip, when I look at EBDA and EBIT, who do you pay your tax to? Is it a Territory tax or is it a federal tax?

Mr PHILIP: It is paid to the Territory government but it is, effectively, the Commonwealth's. It is the income tax man. We are under exactly the same regime, but the tax is payable to the Northern Territory government.

Dr LIM: If you subtract EBIT from EBDA, it gives you the figure of something like \$42m tax. When you take away depreciation and amortisation, the tax you pay is - what - \$60m to the Northern Territory government?

Mr PHILIP: No, the number is not that, Dr Lim. It is a combination of interest, tax, depreciation and amortisation, so the difference, for example, in EBIT, is interest on tax, so it is not all tax. You cannot subtract 33 from 72 ., . If I could ask Andrew Macrides, he will have the exact tax number.

Mr MACRIDES: Dr Lim, the forecast of tax payment for 2005-06, which I assume is the year you are looking at, is in the order of \$2.3m. The figure that you have come up with includes, as the chairman has mentioned, depreciation and amortisation. Depreciation accounts for \$48.5m.

Dr LIM: Then, if you combine the tax with the dividend that you pay, you were paying something in the order of \$20m last year and approximately \$40m this year.

Mr PHILIP: Combined?

Dr LIM: Yes.

Mr PHILIP: No, the figure is certainly higher than that. Our dividend last year was in the order of - excuse me, Dr Lim - I am not sure which are the exact numbers. It is certainly a higher number than the combination.

Dr LIM: If I can have those figures some time through the afternoon, that would be fine. The principle I am trying to get at is: what could you do with the extra funds if you did not have to pay the dividend to government? What would you have done? Would you have put the money to shifting Alice Springs power station to Brewer Street or fixing up the outfall?

Mr PHILIP: I will refer that to Kim Wood.

Mr K WOOD: We are spending approximately a sustained level of around \$100m a year now on capital and OPEX, operating expenditure. That is about 10% of our asset base on an annual basis, which is not an unusual number in the utility sector. I guess, if there was unlimited funds, there would always be more to do. There are a couple of issues to note: (1) is the organisation's capacity just to spend an unlimited, or a

very large amount of money, and (2) the capacity of the Territory, who is our primary supplier of services and goods, to accommodate us. I certainly do not feel that this business is in the position the Queensland electricity businesses may have been in several years ago. We do not feel capital constraint. If you look at our historical OPEX and CAPEX spend, we are at strong, sustained high levels of investment in the Territory, higher in a sustained way than Power and Water has engaged in previously. We are belying up and addressing generation constraint issues, drinking water quality issues, the sewer re-use project in Alice Springs, and we have certainly got more to deal with the sewer outfall, and Darwin Sewerage Strategy work here.

Dr LIM: I refer back to the 2.6% price increase in power. That would, obviously, generate you income from which you would make a profit, from which you would pay the government a dividend. Therefore, the 2.6%, in fact, is 1.3% to the Northern Territory government's coffers. Why is this government, that is making a whole heap of money elsewhere already, imposing a greater tax on Territorians ...

Mr CHAIRMAN: Hold on. I do not think it is fair to ask him questions on policy on taxation.

Dr LIM: Let me finish the question then you can see what the question is. You said that you are spending a lot of money now in capital expenditure that probably you would not be able to spend any more than what you are spending anyway. The profit margin that you are going to make out of these increases in power prices is, in fact, a way of taxing Territorians by 1.3% plus your profit margin.

Mr K WOOD: Your question goes to the structure of the environment we operate in. We have no control over taxation regimes and things like that. It is not an unusual structure in Australia for government-owned corporations. It is not a structure that causes us or our board any great concern and it is the structure we are given.

Dr LIM: That is right, and you work within the constraint. What I am saying is that the 2.6% increase in power prices is, in fact, more money into Treasury coffers, because it is not going to make any difference to your operations, because you cannot go any bigger in capital expenditure.

Mr K WOOD: Only as that money drops to the profit line. Remember that all of our inputs are going up, at or more than CPI, so your prognosis is only true if it drops to profit. However, all of our other inputs are going up, so costs are increasing.

Mr PHILIP: Could I add to that please? When I opened, I said that, in terms of electricity, there had been one price increase when GST came in, in 2000. Before that, prices had been fixed since 1998. I cannot imagine a business in Darwin, or anywhere in the Territory, in fact - we have all had wages going up, contractors going up, supplies going up – that has kept their prices fixed since 1998. In the long term, it is unsustainable. I make that point. Pricing is a matter for the government, and it always has been. However, the 2.6%, I believe, should not be looked at as simply another profit to drop to the bottom line of Power and Water. It goes to the very heart of what the business is and the sustainability of the business. You cannot have all your costs going up and prices, effectively, going down within inflation.

Dr LIM: I would support you entirely if you were a private enterprise exclusively. However, you are, at the end of the day, a government-owned enterprise. Government owns it, you are a government-owned operation. What it is then, government owns it, government should not be making profit out of this. This should be a cost neutral thing for government. That way, all I am saying is that, if you are making a profit and you are giving dividends to government, and your dividend is 50% - in other words, you are making double that amount as a nett profit, after tax. Surely, it is a government-owned corporation, it should not be making a profit. It should make sure that you have all your expenses covered, without question ...

Mr G WOOD: And privatise essential services.

Dr LIM: ... and Territorians then would get cheap electricity.

Mr PHILIP: I am sorry, Dr Lim, I cannot agree with that. The rationale for establishing the Power and Water Corporation was to put it on a business-like footing. In terms of the dividend policy, a former member of our board, Dr Mike Vertigan, made the comment to me once that our dividend policy is one of the most benign in the whole country. There are a lot of GOCs around Australia and, in some places, they are paying 125% of profit as a dividend. They are borrowing to pay dividends. Therefore, in the scheme of things, the structure of how GOCs should operate, the dividend policy really is not an issue, it is quite benign.

Dr LIM: I just wonder whether those people interstate really understand why their power bills are so high? Obviously, if the dividends are paid to government, the government is using the GOC as a taxing instrumentality rather than actually a utility. Anyway, we will move on.

Let us now come to the noise at the Ron Goodin Power Station.

Mr CHAIRMAN: Aah!

Dr LIM: Aah, indeed.

Mr CHAIRMAN: You have kept us on tenterhooks for an hour or so.

Dr LIM: I am sure that the minister involved might have seen this. I understand he had a phone call late last night or the night before. I will read this; this was a copy of an e-mail that was sent to me. It was also sent to the media:

I write to you at 11.45 pm Thursday night. No I am not watching the soccer. Tonight at 10 pm the power house decided they were going to do maintenance at the station. My spouse and I were woken up by the almighty roar, the stink of the gas, when I got up out of bed and went to the kitchen, it was like bloody Christmas outside. The power house was shining like a [bleep] army camp had just landed.

I get on the phone to Power and Water and I am rudely told by some job oh that I am the same lady that has been ringing for years about power house noise and they are fixing switches and doing maintenance. Well I am not impressed, to say the least, their own [bleep] department don't know what is going on down here, and those [bleep] are answering phones not even knowing about the portable generator. And didn't you know I have been ringing for years!!!

And it went on. She rang me. I was up here. She said:

Lucky him. But our dear Mr Henderson is at home, I woke him up to ask him was he having a nice sleep, and to ask him, why is Power and Water doing maintenance at this hour of the night? Why is the powerhouse lit up like a Christmas tree and the generator running at full bore? The minister promptly replied, 'I'm very sorry Mrs ... I will call you in the morning and find out why this is happening. I cannot phone the power station and have them switch it off'.

Then it goes on.

Obviously, that power station has caused a lot of problems in the vicinity. You were quoted, rightly or wrongly, as saying that maybe you are thinking about shifting that to the Brewer Estate. Would you please elaborate?

Mr PHILIP: Dr Lim, I will ask the Managing Director to answer that one.

Mr K WOOD: Dr Lim, I am aware of the complaint. It was made last night. There is no question that some residents in the nearby vicinity are concerned. However, on checking the facts of the case this morning, the said noisy generator was not, in fact, running at all last night, neither was there any significant work of any unusual nature going on at Ron Goodin whatsoever. In fact, because the load was quite low last night - it got down to close to 0° - we turned off two of the generators at about that time. I believe the resident heard a change of noise, a reduction in noise, and is clearly sensitised to issues there and reacted.

Dr LIM: That family is very sensitised.

Mr K WOOD: I know, I have spoken to the individual concerned.

Dr LIM: Sorry to interrupt you, but, when you are focused on a continuing stimulus, whether it be pain, sound, light, whatever, it is like being brainwashed. After a while, the slightest flash and, bang, the stress levels just go up and it is not something you can fix in the short term.

Mr CHAIRMAN: Not distracting from the issue, Dr Lim, I just clarify that the event as they described it did not occur ...

Dr LIM: No, no ...

Mr CHAIRMAN: It does not say that they did not suffer some sort degree of - the actual event was not down to this generator.

Mr K WOOD: No, however, I would like to add a little more if I could, in that we have put a sound blanket on the Titan which is the large portable generator there. It has made some differences in the noise. We are reorienting the exhaust stack to reduce the ability of exhaust to go supersonic, so that will limit some of the high frequency components of the noise. Also, no later than October, we will have a redesigned sound baffle on the machine and a performance guarantee from the manufacturer that there will be an appreciable reduction in that noise, and further sound monitoring will take place to confirm that. Will that be sufficient for the residents in the Golf Course Estate? I do not know. I am not sure and I wonder whether it will.

As well as that, we have started investigations into the magnitude of the task of relocating at least the Titan out to the Brewer Estate. It is early days yet, and the costs have come in as not a trivial amount of money. What we would like to do is finish the sound abatement work on the Titan *in situ* and then see what the effects have been, based on objective noise measurements. That is in consultation with the residents. If there is a move required at some stage, that is a tough decision confronting us we may need to make.

Dr LIM: From the budget allocations, there was a significant amount of allocation to Power and Water. Is this for another turbine in Alice Springs? If it is, imagine the community angst that is going to be there. If one machine causes that much noise, two is going to be just absolutely unbearable.

Mr K WOOD: There is a further genset needed in around about 2008. Our initial thinking was that would be at the existing site, Sadadeen Valley Power Station. Despite what some of our customers may think, we actually do hear, and I can assure you that there will be quite a lot of thinking going into what the location is going forward. We have just demonstrated we are flexible here in Darwin. The next augmentation in Darwin will not be at the Channel Island Power Station site. For reasons of risk and a range of other things it will be elsewhere. We are open to community pressure and always conscious of costs and risks associated with putting things in other places. I have been up on the ridges, I have heard the noise and I have not liked what I have heard. There is certainly no lack of will to resolve this to everybody's satisfaction.

Dr LIM: There will be at least five homes that are constantly surrounded by the noise, and others intermittently. I would not want to buy one of those homes at all, even if they were given to me.

Mr K WOOD: I believe we have to significantly reduce the noise or move the set. I do not think there is any other solution. Expecting people to accept the situation in the long term is unacceptable.

Dr LIM: All right, I am glad to hear that you are considering that. What will it cost to improve the grid between Brewer Estate and the township?

Mr K WOOD: Initial costings - to ensure we have sufficient gas and sufficient pressure at Brewer, we have to have a transmission line capable of taking the additional 10 MW in the Titan and then there are composite controls and switch gear. The lowest ballpark price we have seen from our internal team is \$5.5m, which will let us just move the Titan. However, if we then plan to include all future generation there, the number goes up to more than \$12m. In our capital program, it is around 10% of a typical capital program over recent years. It is an unanticipated expense and it would take capital away from other projects. As a first step, we could spend that \$5.5m that is required, if it works out that way because noise baffling has not worked, and that would at least get the Titan out of Sadadeen Valley.

Dr LIM: You would have read my comments in the media as well that, in fact, every new installation is put at Brewer Estate. Over the course of time, the whole power station will be shifted at 'minimal cost', because the installation costs are going to be the same whether it is going to be Brewer or at Sadadeen, except for the grid that brings it in plus other associated costs. In the longer term, you free up real estate which you can sell and recover your capital costs. I am not working out the sums, because I do not know what the sums are but, surely, from a business point of view, there are lots of benefits to really consider Brewer Estate as the definitive site of the power generation for Alice Springs?

Mr K WOOD: There are large links of capital associated. I have growing sympathy for that view, and it is likely, I believe, over time that orderly transition out of Sadadeen is a feasible and probably likely scenario. The dilemma of urban encroachment into industrial land and utility infrastructure happens all

around the country. We are not immune from it. Do we put our head in the sand or do we do something about it? We hope we will be seen as adopting the latter view.

Dr LIM: I suppose Brewer Estate is so far south and across the road from the Alice Springs gaol that you do not anticipate Alice Springs going that far.

Mr K WOOD: No. It is gas supply and, fundamentally, the transmission line that is the issue. That will need quite some strengthening to get all the power in. Over time, in an orderly way, it is feasible.

Dr LIM: Mr Philip, I want to share some time with my colleagues. Just a quick question on the Darwin River Dam regarding lifting the wall another 1.5 m will increase the capacity. Capacity is not usually the problem, it is whether we get enough rain and how much water we trap. You can have a very high wall and, if no water comes in, you are not going to get any more water for the Darwin River Dam then what you have. I asked this question last year as well: would it not be better for you to consider another dam? Surely, a series of smaller dams in strategic places where you can trap water would be more effective in providing a secure water supply for Darwin?

Dr PHILIP: If I could start with that, Dr Lim, and then refer to Kim. Dr Lim, we are good, but we are not that good that we can organise the rain to fall over our dam. We do have alternatives. Raising the level of the dam looks like it is a very good start. We have done quite a bit of work on Manton Dam to have it as a back-up supply. Over the last couple of years, we have continued to accumulate the sites to develop further dams at Warrawi and Marrakai, I believe they are. A lot of planning has gone into our future requirements. Of course, that is all supplemented with groundwater. I have not seen anything before me that says a number of smaller dams would be a more efficient, more effective, way of providing water ...

Dr LIM: Secure water.

Dr PHILIP: Securing water. I ask Kim to add to that.

Mr K WOOD: The balance of securing water supplies is a dilemma. While our water supply from Darwin River Dam got tight last year because of the unseasonal Dry Season, and then a lack of rain the previous Wet Season, we did survive that dilemma, and survived it well. We overflowed around about the Cyclone Monica period more water over the spillway than we actually take out of that dam in a year. Raising the dam wall every few years has the ability to capture an additional 20% of water. It is a worthwhile strategy to pursue. It is a low-cost strategy, just raising the clay core of the dam 1.5 m. That will increase the dam capacity by 20%-odd. We last had a spillway event in late 2002. We just had it last year, in this last Wet Season, 2006. Therefore, every four to five years, we could possibly anticipate the dam will catch another 20%.

We are drawing considerably less than our allocated or licensed extraction now from the borefield. We have completed a range of works on the mechanicals and electricals on Manton Dam, so Manton Dam is now available as an emergency resource should we want it. Slowly but surely, land acquisition plans for the next major new dam are under way. We are looking at groundwater resources because, essentially, groundwater is the boots, belts and braces approach for Darwin should there be a major pipe rupture or a dam wall breach. So, groundwater, Darwin River Dam, Manton Dam and the next future dam and raising the dam wall – we have a multifaceted strategy going forward for water security for Darwin for its growth.

We are in a happier position than probably many other capital cities around this country. Perhaps every other capital city has faced real significant issues over this last year or so. We have learnt that we are not immune from it, but planning here is well advanced and was certainly in place long before I came. It has been a carefully thought-out strategy. In fact, potentially bringing Manton Dam back on gives us a significant additional resource. It is not a closed catchment, and that is an issue that concerns us. However, to close that catchment would deny Darwin residents of a significant recreational facility. Nevertheless, in a tight supply scenario, it is there. So, we are pursuing a range of options.

Dr LIM: Two very quick global questions, colleagues - seriously, only two. The Alice Springs water re-use - that program has been delayed for quite some time now. You said in your opening statement that it will definitely be done by 2006-07. The water will be then flowing through the pipeline to the AZRI area, and then it will be used by whom?

Mr PHILIP: If I could refer that to Kim Wood, please.

Mr K WOOD: Dr Lim, the original thinking was that we would get rid of the overflow into Ilparpa Swamp by pumping the water to AZRI. The original hope was that there would be a horticultural project, organised

by others, that would take the water, pay us a reasonable price for it, and then provide opportunities for industry and growth and employment in Alice Springs. It appears that a horticulturalist is yet to be found, although I am sure one will at some stage. Then, for us, our only concern is just a matter of pricing. While others are doing that work, we have proceeded then to design what we call a SAT plant, a soil aquifer treatment plant. Our licence requires us, at or around the end of this year, to have fully ceased discharges to the swamp there. We expect that, at or not long after the end of the this year, we will have the SAT plant operational.

Dr LIM: I am glad. I will look forward to that because, each year, the licence keeps going for another year and another year.

Mr K WOOD: Well, it is a project that is north of \$10m. We have put a lot of capital expenditure and a lot of intellectual work in. The SAT plant will probably be, we believe, the second of its kind in the country. The technology is quite innovative. There has been a long public consultation process and an EIS process that had to be gone through, we could not short track that. Bringing the community of Alice Springs along with us on this has been important and it appears to have happened.

Dr LIM: My last question: in the annual report 2005, page 33, National Water Initiative. I just want to know what the implications are for this. At the Council of Australian Governments meeting on 25 June 2004, the Chief Minister signed the Intergovernmental Agreement on the National Water Initiative:

The National Water Initiative includes obligations for urban water supplies and sewerage services, including pricing policies, including progression towards consumption-based pricing, sufficient cost recovery to ensure business viability and consistency of pricing policies with other jurisdictions.

Can you elaborate on that? What implications are there for the cost of water to Territorians?

Mr K WOOD: Under the National Water Initiative, there are those imperatives that you outlined, and Treasury in the Northern Territory has carriage of the implementation policy for those issues. We are certainly supportive of a number of initiatives there, including a cost reflective pricing tariff, which may or may not see prices increase; they just send signals depending on how much you use. I would love to see frugal Territorians save money and I would like to see people who waste water pay more than they are paying today. The National Water Initiative has exactly the capacity to send those sorts of signals.

Does it mean a future higher range of prices for water? All I can say is our water and sewerage prices are the lowest of any capital city in this country. I believe we have to ask ourselves the question as Territorians as to whether that provides a sustainable basis for us going forward. Those questions are for the price setters. They are for government and probably, more rightly, for Treasury.

Dr LIM: Do the words 'consumption-based pricing' tend to mean that we will be paying more for water?

Mr K WOOD: Not necessarily, it just means that economic signals are sent depending on how much you use. Those consumption-based pricing regimes are in place, essentially, in every other capital city in this country and send strong efficiency signals to users. It does not necessarily mean price increases.

Dr LIM: But, at the moment, the more I use the more I pay anyway, because there is a linear relationship with volume and turnover.

Mr K WOOD: That is right. It is a non-linear relationship in consumption-based pricing, or step tower structures.

Dr LIM: Okay, exponential rise. Thank you, Mr Chairman.

Mr CHAIRMAN: Does anyone have further questions?

Mr G WOOD: I have, but I offered to let the member for Blain ...

Mr MILLS: No. It is only fair you go. I only have one question so I will go at the end.

Mr CHAIRMAN: I would like to remind the committee that I am the Chairman.

Mr G WOOD: Okay, no, it is okay, thank you.

Mr MILLS: Five minutes is all I need.

Mr G WOOD: We have gone a long way, but I will go back to what Dr Lim was referring to. If you had consumption-based pricing, how do you make it equitable for large families where they are penalised for using a lot of water because they have a large family?

Mr K WOOD: In the modelling I have been involved with at another water company in another place where these sorts of issues were much modelled, much thought out and much discussed, typically the threshold where price tends to become unfavourable, given what you may be paying in a linear relationship, is above interior household use. Do you know what I am saying? It typically is designed to encourage people to manage the way they water their gardens, and the types of shrubs and trees they plant and if they are running swimming pools and things like that. It is the high volumes of use from gardens, pools, spas, those sorts of things that it would normally catch. It would certainly not be our intent – as we keep saying, I guess we do not set prices. Our intent would be to send signals - if this regime was ever to be implemented here, and we would support that - to people who waste water in large volumes for things that are not essential parts of urban living.

Mr G WOOD: I might have some questions that are all over the place here. On the issue of purchasing land for the possible Marrakai dam, is it the role of PAWA to deal with the purchase and the compensation of the land, or is it a role of government?

Mr K WOOD: At a recent board meeting, the position that we discussed was that it is really, probably rightly, a matter for government for making large, long-term investments for the community. We would, I am sure, be encouraging government to conduct those sorts of negotiations, if they are required, fairly and equitably and taking a long-term view.

Mr G WOOD: Just taking that strategy, and relating it back to the sewage outfall issue, part of the reason that was raised was, not to necessarily have a go at Power and Water, but probably saying to the government: 'This is an issue that has been hanging around for quite a few years. If you put some money into this issue, there is a reasonable chance we could overcome the problem that we have today much quicker'. Your program is for five years. You are also making a profit that goes back to government. If you were given more money, could you achieve a solution to the raw sewage outfall problem quicker than you intend to?

Mr K WOOD: I believe that is a key question. There would be very few organisations that would sit here and say, if you gave us some money we could not work harder and faster. In fact, in this situation, we are saying exactly that. We have a significant foundation issue to resolve at Ludmilla, with a floating sandstone shelf versus the solid rock we thought we had. That then raises the question in our mind of whether we build it there and increase the footprint substantially, essentially in a tidal area, or do we relocate the plant. There is no doubt there will be an environmental impact issue to go through, and there is still significant modelling and design work to do. Normally I would say, absolutely yes, if more money was offered. However, this will take up to five years. It is within Power and Water's capacity to fund, and I do not believe there is any requirement for government to inject additional funds for this project.

Mr G WOOD: Is an underground pipeline around the harbour an option, instead of going under the city?

Mr K WOOD: The potential boring under the city is still problematic for us in that it is not fully resolved. There are one or two sites in the city that an underground pipe – it is a 450 mm to 600 mm pipe, so it is not a substantial piece of infrastructure - may get in the way of one or two future developments. We are still considering what the most reasonable option is. It may be underground boring or it may be piping around. Undergrounding is cheaper and quicker, but it does provide some limitations in development in one or two areas of the city. That is the tension we have to resolve, and that is under study at the moment.

Mr G WOOD: Would an alternative be to go out to sea? We have a pipeline going out to Bayu-Undan. After all, Ludmilla is on the coast as well. Is it possible to go away from the land and under the sea?

Mr K WOOD: There is no doubt it is possible. Under sea pipelines are something like three times the price of an on-land pipeline, so it would be a consideration. However, in terms of costs and risks and engineering implications, it is not currently under consideration. It would not be a primary solution for us.

Mr G WOOD: Would you be able to give us an idea of what percentage of the water that is sent from Darwin and the rural area actually is used in sewerage?

Mr K WOOD: A fairly high percentage of water finds its way into the sewers. We extract some 15% of the total rural areas of bore extraction, for instance. Horticulture is 60%, the rural properties out there are pulling out 25%, and we pull out the least, 15%. A fair percentage of that, possibly greater than 50%, will find its way into the sewers, depending on the time of the year though, it is very seasonal.

Mr G WOOD: You raised the wall 1 m?

Mr K WOOD: One-and-a-half.

Mr G WOOD: One-and-a-half, and you are going to give us an extra 20%. You speak in a lot of your books about the re-use of water. Down south, of course, we are looking at different programs to re-use water. If 50% of our total water is being pumped out into the harbour or sewage ponds, is there a program to look at how much of that water we could recycle, which would actually put off, once again, the building of a new dam?

Mr K WOOD: The percentage of water that converts to the sewerage system, as I said, is variable as it depends on the time of year. Nevertheless, we are well advanced in a water efficiency program that will appear in the electronic media and the print media before too long.

There is no doubt that there are some significant savings available, probably in the order of 10% to 20% more efficient use of water. It does not take away, though, the requirement to plan for the future, so we intend to do both and we are doing both. We are planning to educate people to use less. We are certainly planning to have a wider range of water supply options going forward. I believe deferring the day we may need to build the next dam or drill the next bore, or raise that dam wall is potentially putting your head in the sand.

Mr G WOOD: Well, I am not saying to defer raising the dam wall. I might say I hope you defer putting more holes in the rural area. I thought that, if 50% of water that is used is sewerage water and is flushed into the harbour, that is a lot of water.

Mr K WOOD: Just to provide a closing statement, I guess, to that question from our point of view. The problems we also grapple with - and not everything is in our control; the amount of water we extract from Darwin River Dam is not in our control. We are licensed to extract around 40 GL a year. Those extraction licences, like a sewerage discharge licence or anything else, are under review. As science improves and data from history increases, that extraction licence could be under some pressure. Further, we are not obliged at the moment under our extraction licence to release any environmental flows into Darwin River.

In other places, as you are seeing in the Murray River at the moment, there is likely only to be upward pressure on things like that to ensure that the biodiversity survives and wildlife exists. We are planning, at some stage we may see ourselves under environmental flow pressure into Darwin River Dam. We are certainly are planning a conservative strategy so that the reduction in the extraction licence there still leaves us with sufficient water, because Darwin River Dam is the primary resource. It provides close to 40 GL a year. I believe we are taking something like 8, 9 or 10 GL out of the bore fields, so Darwin River Darwin Dam is the primary resource for us, and it is getting close to maximum extraction capacity at the moment. Saving water will be a good thing and we are certainly very committed to it, but planning for the future is the only issue we have to pursue.

Mr G WOOD: One question that hangs off the sewerage issue is that, every time there is a set of units built in Darwin there is more pressure on your sewerage. Do you receive a development levy for every unit that is built in Darwin to go towards sewerage?

Mr K WOOD: There is a charge on every sewerage fixture, so there is an income stream from every sewerage fixture, every toilet or urinal that is put in place. Where our existing capacity is insufficient and a developer needs to put more in, they would fund that and it is then gifted to us to maintain in perpetuity. There are some revenue flows from additional sewerage fixtures.

Mr G WOOD: Do you think it would be fair of government - and I know this is an opinion - that, through the *Planning Act*, such as in Litchfield Shire for instance where there are development levies on every block of land that is turned off to go towards roads and drains, for every unit or house you have given permission to be constructed, at least in the CBD, there is a levy which goes towards infrastructure that you require to upgrade headworks?

Mr K WOOD: You raise a very interesting question. It is a matter for government.

Mr CHAIRMAN: Good try.

Mr G WOOD: Oh no, I believe it is an important area; someone has to pay for these headworks. I have mentioned this before. There is a company called Clean Fuels hoping to set up a plant to manufacture light distillate from condensate, and one of the by-products is hydrogen. In the briefing that I had with that company, they were intending to use hydrogen to run a power plant. Has that company had any discussions with you about running a plant that would perhaps add to the power grid of Darwin?

Mr K WOOD: Mr Wood, not that I am aware of, but that is not to say that it has not happened. At the moment, we are certainly a purchaser of the methane power that an independent organisation set up in conjunction with Darwin City Council. We are certainly buyers of power from a number of independent power projects in the Territory. Not that I am aware of, but it would be an interesting concept for us.

Mr PHILIP: Mr Wood, if I could also add, I actually met with those people at SEAAOC on Monday and had a chat to them. Their ambitions are bold; let us see how they get along.

Mr G WOOD: See what happens. I am conscious of the time.

Recently, there was an announcement that there was a competitor in the electricity market looking at getting Darwin City Council to buy power. Could you explain to me - and I realise I am a bit simple when it comes to all of these economic things - how it is that they can buy your power and sell it to someone cheaper when I cannot buy your power cheaper? You sell it to me at a certain price and I have to pay that. However, you have enough fat in that price to be able to sell it to another company, who then can sell it to someone else even cheaper than you can supply it to me.

Mr PHILIP: I will get Kim to answer to that. I missed that ...

Mr K WOOD: The ultimate power price that a consumer pays in the Territory is built up of a number of building blocks. There is the price to generate the power; the price to transport the power through the poles and wires; then there is the retailing price, the cost of the retailing margin; and there is also a small component which is the system control work, the systems to build in and rack the power management we provide. The way that power into other places works is that some of these companies in other states have been broken up into building blocks - the generator, the poles and wires business, the distribution business and the retail. We are still a vertically integrated company. We are obliged, if any retailer was to enter the market, for instance, to sell them power, and that would have our cost of generation, distribution and system control costs, but would not have our retailing margin. Our retailing margins are relatively small but, nevertheless, if a small, nimble retailer came into the market, if their costs were lower than our retailing costs, it is quite feasible they could offer power a little cheaper.

Mr G WOOD: What do they do besides selling the power? They are not maintaining the power poles or the generators.

Mr K WOOD: No, they would buy the service and pay for the poles and wires business and they would build. Essentially, they would acquire the customer, and service the customer and build a product. If they were nimble, small, and low cost, they would have a lower retailing margin than we would and they would still make a small profit, potentially, and the customer would have a choice.

Mr G WOOD: We will get into that one day more deeply when we have more time. One issue that came up during discussions with Lands and Planning was that you have a department agency called Indigenous Essential Services. You also have indigenous essential services in your responsibilities. Why does not just one body look after indigenous essential services?

Mr PHILIP: I will give it to Kim.

Mr K WOOD: I guess it goes to the heart of how indigenous essential services are delivered to the Territory's remote communities. The Territory government provides an amount of funding, and that used to come through the Department of Community Development, Sport and Cultural Affairs and now it comes through DPI. We are the service provider contracted to actually manage and physically deliver those services on the ground for electricity, sewerage and water. We are allocated a sum of money each year. We run and own the plant of various sorts. Typically, we then contract the local council, ideally, to provide a number of indigenous guys and girls who we train to actually physically operate the plant in the communities themselves. You argue that we have the skills in power, water and sewerage; government

can determine what sort of funding is required so, once they determine the funding, we actually provide the physical services on the ground in conjunction with the communities.

Mr G WOOD: Is it not true that the government has its own people doing exactly the same work as you do?

Mr K WOOD: No, it is not. Government has a small team that determines priorities and allocate the funding to us, and we actually physically do the job on the ground. We do not do the prioritisation and planning, and neither are we engaged in negotiation with government over the quantum of funding. There is a very small group within DPI that do that. My guys are the blue collar blokes, the techies and things like that.

Mr G WOOD: I was very much under the impression that they had blue collar workers, for instance, that maintained some of the bore fields. Because this is the same discussion I had with them – why are not PAWA doing it?. You are telling me PAWA are not doing to it, so perhaps I will go back to *Hansard* and check exactly what they said.

Mr K WOOD: I can assure you, Mr Wood – I am happy to have conversations out of session – there is not a duplication of effort between us and DPI. They certainly have people who know bores and other things but, rest assured, there is not a duplication of government effort here.

Mr G WOOD: Just quickly, two questions from the Centre. How much does it cost to transport drinking water to Mt Allan – I am not sure of the Aboriginal name there. Is it still being transported? What are future plans to avoid the community from running out of water again?

Mr K WOOD: I can give you a first brush, but I believe we will need to take that question on notice to provide some other material. There have been a number of locations in recent years that are based on dam supply that have run low because of dry conditions. I will need to take on notice whether we are still transporting water to that community, but it goes to the heart of prioritising that capital amount we get from DPI on an annual basis. There is a constant renewal on augmentation of assets on all of the 78 Aboriginal communities we work on, but the needs are far greater than available funds, I can assure you of that.

Mr CHAIRMAN: Are you taking that one on notice?

Mr G WOOD: I had better put it on notice, the member for Braitling might say a few words afterwards. Do you need a number?

Question on Notice

Mr CHAIRMAN: Yes, for the purposes of *Hansard*, would you restate your question please, member for Nelson?

Mr G WOOD: How much does it cost to transport drinking water to Mt Allan? Is it still being transported? What are the future plans to avoid the community from running out of water again?

Mr CHAIRMAN: Mr Philip, are you prepared to take that question on notice?

Mr PHILIP: I am, Mr Chairman.

Mr CHAIRMAN: For the purposes of *Hansard*, I will allocate that question No 11.1.

Mr MILLS: Just on that one, I think that question may have been answered during proceedings by one of the ministers, perhaps.

Mr PHILIP: For the sake of *Hansard*, there is someone who is checking up on that.

Mr CHAIRMAN: So, for the sake of *Hansard*, member for Nelson, you have got us doubling up again.

Mr G WOOD: Second question: how much was compensation to NT Power? How much were the legal fees and which budget did these fees and payout come from? That is the question I have in front of me.

Mr CHAIRMAN: What is it to do with?

Mr G WOOD: Power. NT Power.

Mr PHILIP: I will answer part of it, if I could, Mr Wood. I do not know whether Kim can add to it. There was no cost to Power and Water. The action was run by Treasury. The settlement arrangements did not involve Power and Water paying funds towards that settlement. As to the quantum of the settlement, I believe it was reported in the press. It is certainly not a matter where we sat down and had to consider how much we would pay. In terms of the legal fees, I can thankfully say we certainly were not paying any of those either.

Mr G WOOD: Okay. My last question. With the production bores in the rural area, is it possible to get the production from each of those bores over the last five years?

Mr K WOOD: We will need to take that question on notice. I am sure there is no difficulty with that information being provided. We certainly have it, but we do not have it with us today.

Mr G WOOD: Would you be able to include the individual bores, so I know which one ...

Mr K WOOD: I believe so.

Mr G WOOD: Could I put that on notice please, Mr Chairman?

Question on Notice

Mr CHAIRMAN: Member for Nelson, would you kindly restate your question for the purposes of Hansard?

Mr G WOOD: Could you tell us, please, what the production rates are from bores in the rural area, that is production bores, over the last five years? And, if possible, the individual bores?

Mr CHAIRMAN: Mr Philip, do you agree to take that question on notice?

Mr PHILIP: I do.

Mr CHAIRMAN: For the purposes of Hansard I allocate that question No 11.2.

Mr G WOOD: That is all the questions I have at the moment.

Mr K WOOD: You might not get another chance, member for Nelson.

Mr MILLS: Through the Chair, my question relates to the Frances Bay Zone Substation. Can you describe for me the purpose of this new substation?

Mr PHILIP: I pass that to Kim Wood.

Mr K WOOD: The requirement of the project was to provide an increased security of power supply to the Darwin central business district by means of establishing an alternative point of supply. Currently, the Darwin CBD is served from the City Zone Substation. While a catastrophic failure at a zone sub like that is unlikely, something like a major transformer fire could, in fact, take the zone substation out, so Frances Bay provides, essentially, a doubling of security of the Darwin CBD power supply.

Mr MILLS: Does it also arise due to the increased demand on the system with the greater construction in the CBD, including the waterfront?

Mr K WOOD: There is no doubt that increased demand increases demand on a zone substation like City Zone. As feeders light up they do not have an infinite capacity to take additional load, so there will be splitting of the load between the two substations when Frances Bay is finished. In terms of increased security, you will also have the added benefit of the minimisation of need for further expansion of the City Zone Substation.

Mr MILLS: Thank you. In the construction of a substation, would there be, in your view, a number of contractors who would be able to construct a substation of this nature in the Northern Territory?

Mr K WOOD: In the Territory? This is a major piece of electricity infrastructure, and it is certainly utilising a form of technology we have not used before. That is a question that is difficult for Power and Water to answer without going through a public tendering process, which it has. We have selected a constructor. I could not definitively say whether a range of people in the Territory could build the substation, but we believe we have made an optimal choice with the contractor.

Mr MILLS: Was it an open tendering system?

Mr K WOOD: Yes, my company secretary just advised me.

Mr MILLS: Can you describe, briefly, what the role of a substation is?

Mr K WOOD: A substation is a device that takes the high voltage – a more efficient means of transporting electricity - and transforms it and switches it into a range of lower voltage feeders that run off and run individual parts of cities or areas. It is a switching and transformation device. It has a lot of other things it does as well: there are communications bits and pieces, a whole range of things, and transducers of various sorts to measure voltage and currents. It takes a single high voltage source, transforms it down to lower voltages and spreads it out amongst a number of electricity feeders.

Mr MILLS: Where will it be constructed?

Mr K WOOD: It is on the Frances Bay side of the harbour, in Lot 5013, adjacent to Tiger Brennan Drive.

Mr MILLS: Lot 5013.

Mr K WOOD: It is a stone's throw from the Harbour View building.

Mr MILLS: Thank you. My last question is: in the tendering process, so that I understand how this works, the tenders were presented to Power and Water and recommendations were then passed on, or a recommendation was passed on, to the Northern Territory government?

Mr K WOOD: No, government did not have a role in approving this project at all. We are bound by the Procurement Review Board process, so there was a public tender. Tenders were assessed in-house at Power and Water. I understand a probity auditor was also involved in this project. We will have to check. It is above the threshold where we would usually get a probity order involved. That decision would have been taken by our Business Review Committee, which I chair. Any capital investment decision above \$2m goes to our board for final approval.

Mr MILLS: Okay, that is helpful, thank you.

Dr LIM: Just a quick question. Mr Philip said that it was going to be a four-storey building. What electromagnetic emissions would come out of the building, or is the building specially shielded to prevent that sort of thing from happening to protect the environment?

Mr K WOOD: It is a controversial question these days with EMF. I do not have that information with me today, Dr Lim, but we could make an attempt to provide that.

Dr LIM: Will you take it on notice to provide me that information?

Mr K WOOD: Yes.

Question on Notice

Mr CHAIRMAN: Dr Lim, for the purpose of Hansard would you please restate that question?

Dr LIM: With regard to the Frances Bay substation, please provide electromagnetic emissions implications and the nature of the construction which may or may not be required to shield the environment from the emissions?

Mr CHAIRMAN: Mr Philip, are you prepared to take that question on notice?

Mr PHILIP: I am, yes.

Mr CHAIRMAN: For the purposes of Hansard, I allocate that question No 11.3. Are there any further questions?

Mr G WOOD: Just a perennial. Does Power and Water have any plans to eventually start to underground the spaghetti lines, the water lines ...

Dr LIM: In Alice Springs. Thank you for asking that question.

Mr G WOOD: Well, wherever they are in the Northern Territory and especially in the rural area where I think somewhere in the future they are going to be a real headache?

Mr K WOOD: The short answer is no, at this stage. there is no plan today. I have great sympathy for the issue. I have encouraged my electricity and water guys to put together material so that we can give the good people of the rural area an idea of what we will do in a reasonable time frame. That work is not yet complete and I hope we will complete it in this next few months.

Mr G WOOD: I might push in the meantime to get the government to promise a CSO which might help it along as well. Just a technical ...

Dr LIM: Hold on, it is my turn!

Mr G WOOD: I have to take a question back. Okay, go on then.

Dr LIM: Mr Wood, I want to present this to you, I was hoping I could get enough time. This was the tree that Power and Water cut down and attempted to kill to try to get it away from the lamp post and the sewerage pipes underground. I am showing you that the tree is alive and well, and you might want to treat it appropriately.

Members interjecting.

Mr G WOOD: Mr Chairman, the member for Braitling's question has been answered earlier. I have been shown the *Hansard*. Obviously, I will inform the member for Braitling her question she asked me to ask has already been answered. Would you withdraw it from the request to have the question on notice?

Mr CHAIRMAN: I am happy to go along with your request and have that particular question withdrawn.

Mr G WOOD: Thank you, Mr Chairman.

Mr MILLS: Would you like to replace it with another one?

Mr G WOOD: Yes, do we get interchange questions?

Mr CHAIRMAN: That now concludes the public hearing of the Government Owned Corporations Scrutiny Committee of the Legislative Assembly of the Northern Territory.

On behalf of the committee, I would like to thank Mr Neil Philip, Mr Kim Wood and Mr Andrew Macrides for their attendance. Thank you.

The committee suspended.
