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Transcript

## **Tony Shepherd from Aquasure speaks to Stateline's Tamara Oudyn**

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Reporter: Tamara Oudyn

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TAMARA OUDYN, PRESENTER: Tony Shepherd is the chairman of the consortium chosen to build the desalination plant. I spoke with him earlier.

Tony Shepherd, welcome to the program.

TONY SHEPHERD, CHAIRMAN, AQUASURE: Hi, Tamara. Nice to see you.

TAMARA OUDYN: How many desalination plants has your company been responsible for and why is this one different?

TONY SHEPHERD: The technology provided to our consortium is Degremont, a French company. Degremont has provided hundreds of desalination plants throughout the world. In fact I think it's the world's leading provider of desalination plants. They've done the plant recently in Perth, which is operating and operating very successfully. The difference in this one: I guess it's a modern plant, state-of-the-art, the design and integration into the local environment is different. And the fact that we have to build such a large plant in a very short time is also different.

TAMARA OUDYN: Finance has obviously been a key issue. Whose idea was it for the Government the lender of last resort?

TONY SHEPHERD: Well obviously with the GFC, raising all of this debt and equity was an issue for us. Having raised all of the debt, the banks were concerned about that part of the debt that they wished to syndicate, and we took that to the Government as a suggestion and the Government adopted it. We think it's a smart way of getting around the issue. But we're confident that the banks will in fact be able to syndicate that debt.

TAMARA OUDYN: It's \$4 billion worth. Is it true that you plan to offload most of that?

TONY SHEPHERD: No; I think it's about \$1.7 billion that has to be syndicated of that four.

TAMARA OUDYN: So when would you need to finalise your financial arrangements?

TONY SHEPHERD: By financial close, which is in about two months' time.

TAMARA OUDYN: The price of the project is now being put at \$3.5 billion. Will that be the total cost?

TONY SHEPHERD: That's the total cost of the construction of the plant. On top of that, we'll have things like interest during construction and company costs.

TAMARA OUDYN: So what other sorts of costs are associated with completing the project that aren't included in that figure?

TONY SHEPHERD: Well mainly interest during construction.

TAMARA OUDYN: And how much would you expect that to ... ?

TONY SHEPHERD: Well I think the total funding will be \$4.8 billion, so the difference between the \$3.5 and the \$4.8 is associated with the financing of the project.

TAMARA OUDYN: Over and above the cost of building the project and getting it up and running, how much will it cost to run each year?

TONY SHEPHERD: I haven't got the exact number at my fingertips, but it's into the hundreds of millions a year, including the cost of power.

TAMARA OUDYN: You've struck a deal that allows the Government to order as much or as little water as it needs. How do you make a profit in that circumstance?

TONY SHEPHERD: Well, we get paid for having the capacity available. And obviously we get paid for actually producing the water. So, the Government has the flexibility as to how much water they want us to produce, but obviously we have to service our capital in the meantime and keep the plant in good operating condition and we get compensated for that.

TAMARA OUDYN: Are you free to take orders from other customers?

TONY SHEPHERD: No, no we're not. We can only supply the Victorian Government.

TAMARA OUDYN: So how will you make a profit if we have a big downpour in Victoria and we're set for water?

TONY SHEPHERD: Well, we certainly take some risks on that. But if you look at the state of the dams at the present time, at less than 30 per cent capacity, it's highly unlikely that this desalination plant will not be running in a maximum condition for quite a while, in my view.

TAMARA OUDYN: Roughly how much will a megalitre of water cost?

TONY SHEPHERD: We can't disclose that as yet. This will be disclosed after financial close, when our contract is published.

TAMARA OUDYN: Why can't you disclose that?

TONY SHEPHERD: Because the Government has asked us not to until the contract is disclosed to the public. The price is not exactly finalised until we reach financial close. There could be some slight variations in the meantime.

TAMARA OUDYN: And what's the price dependent on?

TONY SHEPHERD: The things that might vary in the meantime is the rate of interest and things like that that might vary over this period of time, but relatively minor. We're talking marginal changes. But the Government prefers to release the details of the contract in one go after financial close, and I think that's sensible.

TAMARA OUDYN: It's been reported that the desal plant will produce more than one million tonnes of greenhouse gases each year. Is that irrespective of how the power to run it is generated?

TONY SHEPHERD: That is a hypothetical figure that you're discussing.

TAMARA OUDYN: More than one million tonnes?

TONY SHEPHERD: Yes, that's just purely hypothetical. Because the energy that we use – the main energy we use in the plant to produce desalinated water is renewable energy, which, by definition, doesn't produce carbon. I disagree with the number, yeah.

TAMARA OUDYN: So you can't tell me what the projected emissions would be because ... ?

TONY SHEPHERD: We will be carbon neutral. The plant will be carbon neutral.

TAMARA OUDYN: So what's your time frame; when do you think you'll be turning the taps on?

TONY SHEPHERD: December of 2011 is the target, is our contractual commitment, so, that's a very tight schedule for a plant of this size.

TAMARA OUDYN: And will you be operating at capacity by that stage? Or will it be a gradual run-up to ... ?

TONY SHEPHERD: We'll be getting close to capacity then.

TAMARA OUDYN: So when do you think you'll hit capacity?

TONY SHEPHERD: We're hoping to get it by then.

TAMARA OUDYN: Tony Shepherd, thanks for joining us.

TONY SHEPHERD: Thank you.

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