The Citizens Jury and the Proposed Nuclear Dump

Richard Blandy*

“Citizens’ jury questions economics of nuke dump” is the headline to Rebecca Puddy’s article on page 2 of The Australian on Monday 11 July, 2016.

Ms Puddy’s article begins: “The bid to establish a nuclear waste facility in South Australia has suffered a further setback, after an independent “citizens’ jury” raised concerns about the economic viability of the project.”

“...after hearing from experts, the jury questioned the economic underpinnings of the [nuclear royal] commission’s findings.”

Daniel Wills, State Political Editor of the Advertiser, wrote an article (“Nuclear jury calls for more rigorous information”) on the same day in which he said: “A citizens’ jury of 54 people has called for closer analysis of the business case underpinning a proposed nuclear waste dump in SA...” (The Advertiser, 11 July, 2016, p.4).

I attended the citizens’ jury’s deliberations on Saturday 9 July, as an expert witness. This was principally as a result of my articles opposing the dump in my Tuesday column in In Daily.

There was one other expert economics witness questioning the economics of the dump: Rod Campbell, Research Director of the Australia Institute in Canberra.

Several of the expert witnesses supporting the economics of the dump had been involved in undertaking the economic/financial analysis of the dump for the Royal Commission.

The Jury operated as a free-flowing discussion rather than with set pieces presented by the witnesses followed by questions from the jurors. The issues are difficult and technical. But the jurors were great. They made me think that if I am ever in deep trouble with the Law, I will always opt for trial by jury.

My fellow citizens on the jury were sensible, common-sense, people, who could see that the proposed dump was not a business proposition (as described in the Royal Commission’s prospectus) that any sensible person would invest in. They quite properly insisted that the business prospectus for the dump should be made watertight – or the dump abandoned.

Pertinent questions various jurors asked included:

• What is the Royal Commission’s guesstimate of the value of the dump based on?
• Are we factoring in new technology? [The proposed project lasts for 120 years.]
• Are we burying a lost opportunity if future value is identified in the waste? [For example, to be used as fuel in 4th generation nuclear power stations.]
• Who takes accountability for managing the storage facility?
• How can the Net Present Value of the dump be presented in a language that a common person can understand?
• How do we quantify the benefit economically of the proposed nuclear storage facility? How robust are the assumptions in the Royal Commission’s Report?
• Is the proposal purely for the money? What else could the State do?
• What will the dump really cost? [Having the new Royal Adelaide Hospital in mind]
• How much would we be able to sell the dump for?
• If the Royal Commission’s dump proposal was floated as a business in the United States, would you buy shares in it? What would need to be done to make you willing to buy shares in it?

I led off my remarks by asking the question: “Does the nuclear dump proposition presented in the Royal Commission’s Report stack up as a business? Would you put your money into it?”

I then quoted South Australian Treasurer, Tom Koutsantonis’s Budget Speech to State Parliament on 7 July:

“Mr Speaker, there is no single measure or silver bullet that will address the challenges our state currently faces, not Olympic Dam or the future submarines, not Arrium nor the nuclear Royal Commission.

But tax cuts are key, innovation is important, education is vital, health is essential and infrastructure is critical.”

Later, I noted that, in the 1980s, at the personal request of Premier John Bannon, I had led the team that put together the State’s bid for the Multi-Function Polis – which we won in competition against the other States. The Commonwealth’s assessment team said to me when they interviewed me that they had never seen such a brilliant exercise in rubbery figures. But they awarded the MFP to us, anyway. Our rubbery figures were better than the other State’s rubbery figures! Eventually the Japanese abandoned the project and we were left with the Gillman site (as well as Mawson Lakes, of course).

I also noted that the State Bank collapsed financially because it took on excessive risks to grow very rapidly, until its bad debts overwhelmed it. Premier Bannon had felt that this aggressive growth strategy would assist the State’s economy (the Government owned the Bank) by increasing the dividend flow to the Government. It didn’t. It cost the State a lot.

I could have added that I own shares in a company that, some time ago, I paid about $1 each for (in round numbers), that had a splendidly green and lucrative plan to generate electricity from hot rocks in the Cooper Basin. The project hit severe, unexpected and unusual difficulties in pursuing this attractive and worthwhile objective. The shares have now lost a great deal of their value and the company is principally engaged in other electricity generating activities.
There were other points I could have made.

For example, the price ($1.75million/tonne of heavy metal) that we are expected to receive for accepting dumped waste in the Royal Commission’s economic analysis is very high relative to the costs of constructing such dumps in Finland ($0.65million/tonne of heavy metal) and Sweden ($1.13million/tonne of heavy metal) (and elsewhere, presumably, like South Africa, Mexico, and so on). This price seems to be based on an avoided cost scenario. The price is a guess. There is no market price for accepting dumped waste at the present time. The Royal Commission’s analysis does not envision that a competitive market could emerge, which would cut the projected price significantly.

The cost of shipping the waste seems to be a notional allowance ($0.20m/tonne heavy metal). Where this comes from is not obvious.

South Australia is assumed by the Royal Commission to get 50% of the accessible world market for waste nuclear fuel. This is a very big share. It is based simply on an assumption, not on fact.

The prices, costs and quantities have to be known over the 120 years that the project will last. This is a very tall order, as the wild swings in prices in commodity markets show. The risks that the assumptions will be incorrect are substantial.

Hence, far from being a financial bonanza, as proposed by the Royal Commission, the project could make minimal returns, and be a real distraction from alternative paths to the economic future of the State based on our skills, our innovative capabilities and our capacity for hard work. These are our real strengths; not gambling on finding an easy way out of our present financial difficulties. As Mr Koutsantonis said in his Budget Speech – there is no silver bullet.

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