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Mr. John Feil
Executive Director,
National Competition Council,
GPO Box 250B,
Melbourne VIC 3001,
Letter emailed to info@ncc.gov.au

20th September 2004.

Dear Mr Feil,

Re: draft recommendation Services Sydney

I note that the Council is seeking the views of interested parties on any matter raised either in the draft recommendation or the application by Services Sydney and will take these into account in preparing its final recommendation.

The concept of better utilising and securing the water supply for Sydney, especially if that can be done at the same time as reducing environmental impact, has a strong claim to be in the public interest. Major aspects of the Services Sydney proposal can justify this claim, such as: gaining access to sewage; optimising opportunities for substituting effluent for draws on the potable supply, and reducing the impact of the ocean outfalls. However environmental improvement has been a major thrust of the Services Sydney bid, and I would like to tender the following brief comments on where their proposal may be contrary to the public interest.

I represented the Nature Conservation Council of NSW on the Hawkesbury-Nepean River Management Forum ("the Forum") that was established by the NSW Government in 2001 to make recommendations for environmental flows for the rivers supplying Sydney with water (Hawkesbury-Nepean, Woronora and Shoalhaven Rivers). In addition I was a member of the Program Support Team to the Forum and I was therefore very involved with the work of the Forum and its Expert Panel and very familiar with the knowledge and reasoning behind the recommendations contained in the final report "*Water and Sydney's Future – balancing the health of our rivers and economy*" released in March of this year.

Proposed use of effluent for environmental flows by Services Sydney

"Environmental flows are critical for maintaining the health of the waters and rivers upon which ecosystems and industries depend. The timing, quantity and duration of flows and the quality of our waters are inextricably linked and depend upon interactions between the catchment, floodplain, wetland, groundwater and stream...Effective management of environmental flows requires an understanding of these interactions. Without the development and application of this understanding, the health of our waters will continue to decline, with environmental and economic costs to our nation"

The proposal by Services Sydney to, in Stage 2, use treated effluent to provide environmental flows to the Hawkesbury-Nepean River (and the Georges River?) demonstrates an alarming **lack** of understanding of ‘environmental flows’ – what they are and what they need to achieve. I am concerned that while it is opportunistic for them to claim they will provide environmental flows, they are in effect merely using the rivers as **overflow**s for the treated effluent they are unable to utilise.

“It is now accepted that healthy rivers need natural flows, or flows that mimic natural flows, to maintain natural river processes. Investigations carried out on behalf of the Forum have shown that provision of these environmental flows in the Hawkesbury-Nepean, Shoalhaven and Woronora Rivers will have significant and lasting environmental and economic benefits for these Rivers and for those who depend on them.”

Hawkesbury-Nepean River Management Forum, *Water and Sydney’s Future*, 2004, page ix

Unless Services Sydney’s proposed environmental flows sufficiently mimic natural flows in timing, seasonality, volume, temperature and quality (as set out in the Forum’s final report) they will **not** provide the ecological, social and economic benefits that a science-based environmental flow regime is designed to deliver and cannot claim the function or title of ‘environmental flows’.

The environmental flow regime as designed by the Forum should provide connectivity for the river above and below the dams. Treated effluent is of very different chemical composition and, even assuming it were able to meet the hydrological challenges of timing, seasonality, rates of rise and fall, volume and temperature, it would not provide the biological linkages.

Unless Services Sydney can deliver environmental flows as defined and designed in the Forum’s report this aspect of the proposal is contrary to the public interest. If their proposal in Stage 2 **relies on** the ability to discharge unsaleable recycled water to the rivers at their convenience, the whole proposal fails the public interest test.

Management of the water cycle

The Council’s acknowledgement that *“environmental issues regarding water and waste water service supply and management are wide ranging and extremely complex”* is welcome, and echoes the findings of the Forum. One of the key and repeatedly confirmed findings of the Forum was the difficulty of achieving water cycle management when there were a number of operators all with different policy and management objectives. The Forum’s work highlighted the need for complementary policies across the different sectors of water management in order to achieve sustainable use of water resources. Dr Radcliffe’s concerns regarding the need for an overarching management framework is strongly supported, but Sydney Water can hardly promote themselves as currently owning any policy framework that drives a water cycle management approach.

This lack of an institutional framework for water cycle management is a fundamental weakness in the sustainable management of Sydney’s water resources.

It should be better addressed by the (imminent?) establishment of an overarching water strategy for Sydney, and decisions on the Services Sydney proposal should be deferred until it is clear as to how this proposal fits into and can be driven by such a strategy, or the whole proposal may well be contrary to the public interest.

While the establishment of a competitive sewage service provision model need not be inconsistent with or precluded by the establishment of the water strategy, determination on how its construction and regulation fits the overarching policy direction and therefore its compatibility with public interest can only be assessed following the release and adoption of the overarching public interest policy direction.

Infrastructure of national significance affecting a river of national significance

The Hawkesbury-Nepean River is of national significance with the health of the nation's largest urban centre – Sydney - intrinsically bound with the health of the River. The catchment of the Hawkesbury–Nepean River is about 22,000 square kilometres or 2% of the land area of New South Wales, but generates 70% of the State's gross product. The 63% of the State's population that live in the Sydney region are absolutely reliant on the Hawkesbury-Nepean River. The River cradles the city and underpins the wellbeing of its residents by providing 95% of its water as well as fresh produce, seafood, recreation and tourism.

The behaviour of the Hawkesbury-Nepean River has been fundamentally altered by the construction of water supply dams and weirs and changes to the river's catchment. The river is now in serious environmental deficit with draws on its water unsustainable, nutrient loads beyond assimilative capacity and a disastrously altered flow regime resulting in more frequent toxic algal blooms, excessive growth of aquatic weeds, reducing numbers of native fish, contamination of oyster beds, eroding river banks and diminishing river-reliant recreation and industry values.

At the same time, the growing numbers of people relying on the Hawkesbury-Nepean (an additional 50,000 people each year) combined with climate variability and global warming are resulting in even greater demand for the river's water when there is even less water to go around. Exacerbating these impacts is the plan for Sydney's growing urban population to be increasingly housed in the catchment, especially below the dams where the river is already most degraded.

In the public interest of sustaining the largest urban centre on the driest inhabited continent, it is vital to ensure that engineered water infrastructure is compatible with the long-term sustainability of the natural water resource.

Thank you for the opportunity to raise these points.

Yours sincerely

Jennifer Smith

P.S. I am enclosing a copy of the Forum's report for your information.