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Submission to the National Competition Council

Regarding

Services Sydney Application to the National Competition Council

We, the signatories of this submission, are members of the North Head Community Consultative Group of Sydney Water and believe that we are in a unique position to put this application into context as seen by three active members of the community who are involved in waste water issues. We have been continuously involved from about 1992 onwards in attempting to change the culture and approaches used by Sydney Water.

We have sought to make Sydney Water more conscious of key community concerns including:

- Taking more account of prevailing community views and expectations concerning wastewater disposal
- Allowing for the future impacts arising from Sydney's population growth, rising community expectations for a cleaner environment and the increasing probability of major adverse impacts from global warming and its concomitant increase in the severity and longevity of droughts
- Using more up-to-date technologies and approaches

Sydney Water's insensitivity to these community concerns stems from the culture inherited from its predecessors. An example of this insensitivity is the way that the Sewage Treatment Plant was built on North Head, one of the most imposing and beautiful headlands in the world. The spoil was simply dumped over the side of the cliff, leaving a scar which has not been erased more than 30 years later. This is the arrogant behaviour of a powerful public monopoly which overrides all objections in its single-minded pursuit of its own objectives.

One would have thought that Sydney Water's approach would have been more considerate of the wider issues in disposing of the spoil from the Northside Storage Tunnel. But, no! Despite opposition because of the concern about the threatened penguin colony, barging from Little Manly Point was used for removing the spoil

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from North Head. Indeed, the whole of Sydney Water's approach to the North Side Storage Tunnel project was to ride roughshod over any concerns that clashed with its own or with which it disagreed.

We were all involved in the consultations concerning the above mentioned tunnel for a period of more than two years. The residents believed that building that tunnel would entrench the works at North Head as a permanent fixture and since, as we have pointed out above, North Head is a tourist attraction without parallel, we opposed the idea of the entrenchment of the Sewerage Treatment Plant at North Head.

There were no discussions about other options: Sydney Water acted as a "dictator" driven by the need to ensure that there was no nasty sewage spills into the Harbour during the Olympics and it brooked no opposition. Despite the tunnel had not been completed by the Olympics; surely an indication of an inefficient monopoly.

Moreover, one of the important aspects of the Northside Storage Tunnel was the inclusion of a "sludge pipe" which would enable the biosolids material collected at North Head to be transported through the tunnel for treatment and disposal at an appropriate site. Without any consultation the "sludge pipe" was cancelled. In fact we were told that the pipe had never been included in the contract for the work, notwithstanding the fact that it featured prominently in the Environment Impact Statement and in the advertisements in the press prior to construction. Some months later we were informed, again without consultation, that a "clean water" pipe was to be included. The purpose of this pipe appeared to be as much a mystery to Sydney Water as it was to the Community representatives. The pipe was, in fact installed, but is not connected to anything and appears to serve no purpose. Is this the way public institutions should behave or is it simply the way monopolies act?

The failure, as far as the community was concerned, of the consultations on the Northside Storage Tunnel was followed by consultations about the Shelly Beach Sewage Pumping Station. There ensued a series of confrontations between the representatives of Sydney Water and the community. We were informed that no matter what the consensus view, if it was unpalatable to Sydney Water, it would not be followed. Initially, we were also told that there was no approved budget for this project, and that we could consider all possibilities. In fact, we learnt a little later that there was a budget with a fixed limit of six million dollars, that certain proposals were unacceptable to Sydney Water despite their possible commercial viability. How the figure of six million dollars had been established was never revealed. Had someone already gone through the preliminary design stage and were we wasting our time? In the end the proposal adopted was a consensus development between the community and Sydney Water, despite the many difficulties on the way.

We have learned recently that the completed plant is different from that which was approved; again without anyone outside the Sydney Water being aware of the change. Some members of the community who had thought that Sydney Water had "changed its spots" and that its activities would now be more transparent and much more honestly performed were bitterly disappointed. Sydney Water retains the characteristics of all monopolies and, as history teaches us, exposing the monopoly to the cleansing winds of competition is the only way to change such characteristics.

Our disappointment with the Shelly Beach Project was reinforced by our experiences during the consultations on “Project North Head” which lasted more than 18 months; a very long time for such an activity. We had initially been told that all approaches and solutions to the problems facing North Head STP could be canvassed. One of the community’s prime proposals was the possibility of reducing the flow to North Head STP by sewer mining and decentralisation; the very aspects which Services Sydney is now proposing. Soon after the start of the consultations, we were informed that the initial information that we had been given about the breadth of the discussion was not correct and only what was to happen within the boundaries of North Head STP was open for discussion. Our disenchantment was heightened by the fact that about that time we became aware of an extract from the minutes of the Executive of Sydney Water dated 22nd June 1998 (obtained under FOI). We realised that all aspects of this work had been considered nearly five years earlier and that the main concern at North Head STP was the reliability of outfall tunnel. Further, a budget had already been set at that time.

It is interesting to note that Sydney Water is opposed to having to competition as in the same document we read that

“The original design of the outfalls assumed that they would be taken off line for several months every few years for inspection and cleaning, However, this line of thinking did not recognise that once the beaches achieved clean and enjoyable conditions, the public would not stand for periodic re-pollution. The first such inspection and cleaning was scheduled for the year 2000, the year of the Olympics.

If the outfalls clogged requiring them to be offline for several months, ocean beaches in prime commercial and tourist areas would experience highly polluted conditions. EPA would probably require closures. The ensuing political storm would be difficult to manage.”

The second paragraph below the above we find

“Further, such an event would activate Sydney Water’s competitors to approach government with solutions on how to avoid a repetition of clogged outfalls and polluted beaches.”

Obviously the culture at Sydney Water is to avoid completion at all costs. We believe this clearly illustrates the monopolistic approach that Sydney Water adopts to all proposals which it has not itself generated. It was concerned for the management of a “political storm” with no mention of public health effects. Its devious behaviour concerning any item under discussion is typical of a monopoly.

The only reason for including the above comments is to illustrate the cavalier way that Sydney Water operates. This culture works on the typical paternalistic assumption that monopolies adopt which could be expressed as “we know what is best and we will give it to you”. This is illustrated by the way the discussions held during Project North Head about the decentralisation of sewage treatment were handled by Sydney Water. They informed us that there was no market for the grey water which would be produced and that no-one would want to have such a treatment plant in their backyard.

The proposal by Services Sydney is a clear indication that it believes there is a market for the water and the products that would be produced and that such a plant or plants can be suitably sited. Once again, the reaction is one of a monopoly and one which sends a clear message that repressing competition leads to second-rate solutions which are not in the public interest.

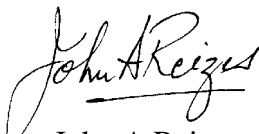
During our discussion on Project North Head, we had proposed that Sydney Water be proactive in its approach to wastewater treatment, only to be informed that all Sydney Water had to do was to meet its regulatory obligations. Any move beyond that was not possible. Interestingly, the IPART Enquiry into Pricing rejected the need for Project North Head Project primarily because there was no regulatory requirement for some of the approaches proposed. This clearly is an imposition on Sydney Water which prevents it from reacting to community requests and rising expectations which is not of its own making. Competition on the other hand, would quite change this approach.

The Peer Review of Water Plan 21 dated April 2002 wrote optimistically that “Given the external imperatives the organisation is well positioned to set its own agenda within this broader context....” Clearly IPART does not think so!

Without competition, without some form of external pressure, this monopolistic organisation will not change and deliver the sustainable services that Sydney needs.

We have not covered many of the other aspects, particularly the sustainability issue because these are so obvious, particularly in this time of severe drought. How can Sydney survive without recycling much of its wastewater? How can Sydney fulfil the statement by Minister Sartor that “Within five years, certainly ten years, there will be no outdoor playing field or golf course that will be using potable water. It will be all reuse stuff. That’s for certain.”? There is no other way of achieving this except by proposals similar to those of Services Sydney. We believe, therefore, that Services Sydney and any other interested company must be given access to the Sydney Water’s sewerage system, at least in principle, to be able to fully assess and develop proposals for recycling this extremely valuable resource.

Ms Beverley Trevenen – Little Manly Precinct Community Forum representative,

A handwritten signature in black ink that reads "John A Reizes". The signature is written in a cursive style with a horizontal line underneath the name.

Professor John A Reizes – North Harbour Precinct Community Forum representative

Mr John Newton – Fairy Bower Precinct Community Forum representative