

## INQUIRY INTO A SUSTAINABLE WATER SUPPLY FOR SYDNEY

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**Subject:**

**Summary**

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Local Government  
Association of NSW

OFFICE OF THE PRESIDENT



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3 February 2006

Mr Ian Cohen MLC  
Committee Chair  
General Purpose Standing Committee No 5  
NSW Legislative Council  
[Gpscno5@parliament.nsw.gov.au](mailto:Gpscno5@parliament.nsw.gov.au)

Dear Mr Cohen

Thankyou for your letter received on 3 January 2006 inviting submissions to the Legislative Council General Purpose Standing Committee No 5 inquiry into a sustainable water supply for Sydney.

Please find the Local Government Association's submission attached.

As you would be aware, the Public Accounts Committee of the NSW Legislative Assembly is conducting an inquiry into Public Private Partnerships. We request your permission to forward a copy of the attached submission to the Public Accounts Committee for their reference and consideration.

I would be happy to expand on any of the matters raised in this submission at any hearings that are held in connection with this Inquiry. Should you require further information on this matter, please contact Ms Renée Barbaro, Senior Policy Officer – Water, on telephone 02 9242 4070.

Yours sincerely

A handwritten signature in cursive script that reads "Genia McCaffery".

Cr Genia McCaffery  
President

LOCAL GOVERNMENT ASSOCIATION OF NSW  
SUBMISSION TO THE  
INQUIRY INTO A SUSTAINABLE WATER SUPPLY FOR SYDNEY

**Introduction**

The Local Government Association of New South Wales (LGA) welcomes the opportunity to provide comment to the inquiry into a sustainable water supply for Sydney.

The LGA is primarily concerned with the process by which the State Government has decided to 'secure' a water supply for the Sydney area. The Government released its Metropolitan Water Plan in October 2004, outlining a 25-year strategy for securing Sydney's water. The Plan includes a broad range of options, from demand management and recycling initiatives to increasing supply through infrastructure projects.

While we support the State Government's willingness to engage in a suite of options to achieve a sustainable water supply, we are concerned that individual options have been pursued without meaningful consultation and adequate analysis. In particular, the LGA has expressed its concerns on a number of occasions about the need for proper analysis of desalination as an option for supplementing Sydney's water supply.

To date there has been no public, in-depth, cost-benefit analysis released to justify the Kurnell desalination plant as the most economically and environmentally responsible option to secure a sustainable water supply for Sydney. In the foreword of the Metropolitan Water Plan, (then) Premier Bob Carr describes the actions featured in the Plan as 'cost-effective and sensible'. However, there has been no credible attempt to substantiate this claim.

The decision to progress with the Kurnell desalination plant was made without transparency and with apparent disregard for the affected local government areas.

As the Committee would be aware, (then) Premier Bob Carr announced in July 2005 the Government's intention to construct and operate a desalination plant at Kurnell, situated in Sutherland Shire. The Premier, the Hon Morris Iemma MP, confirmed in August 2005 that a desalination plant would be built at Kurnell, after which the plant was deemed 'critical infrastructure' by the Minister for Planning, the Hon Frank Sartor MP.

Local Government, in particular Sutherland Shire Council, was not consulted during this process. While the State Government has been involved in 'discussions' on the plant over the previous months, we would argue that this involvement has been in the form of presentations and briefings to stakeholders rather than meaningful two-way dialogue on the issue.

In November 2005 the Australian Government confirmed that the desalination plant was outside its jurisdiction and it could not influence the project's planning or decision-making process. Sydney Water released an Environmental Assessment for public comment on 24 November, and submitted the assessment to the NSW Department of Planning for approval to proceed with the project. The State Government has also established an independent panel 'to ensure the community has input into the project... (and) ensure the process is independent and transparent...'

However, we believe that it is reasonable to view these actions with some scepticism. The actions and statements of the State Government prior to November 2005 do not signal that it is open to, or indeed interested in, meaningful public consultation on this issue.

Further comment relating to this Inquiry's particular terms of reference follows.

### **The environmental impact of the proposed desalination plant at Kurnell**

The LGA is not in a position to detail the real and potential environmental impacts on the sites proposed for the desalination plant and its associated infrastructure. Nevertheless, our review of the Environmental Assessment released by Sydney Water shows that there are still uncertainties about major aspects of the plant's construction and operation, including site layout, delivery infrastructure routes and method of construction.

Inevitably the Environmental Assessment is a concept plan rather than a detailed project plan, and does not provide enough detail for an informed judgement to be made about the environmental impact of the proposed desalination plant. Sydney Water makes commitments throughout the assessment to mitigate the environmental impacts of the plant, however, such commitments are without certainty and are no substitute for a detailed proposal.

The LGA also notes with concern that despite the NSW Government's commitment by legislation to the principles of Ecologically Sustainable Development, including the precautionary principle, the Government seems intent on proceeding regardless of the serious uncertainties and subsequent environmental concerns that have been raised regarding this project.

### **The environmental assessment process associated with the proposed desalination plant**

As noted above, the desalination project was deemed 'critical infrastructure' by the Minister for Planning, the Hon Frank Sartor MP, under Part 3A of the *Environmental Planning and Assessment Act 1979* (EP&A Act). The desalination plant is the first project to be classified as such, ensuring that the project can proceed in the absence of council approval or meaningful and comprehensive community consultation. The classification enables the bypassing of legislation and processes that would otherwise safeguard environmental and other community concerns, such as the *Local Government Act*, *National Parks and Wildlife Act* and the *Fisheries Management Act*.

The environmental assessment process for a 'critical infrastructure' project is set out in Part 3A of the EP&A Act. A 'critical infrastructure' project does not require the development of an Environmental Impact Statement (EIS), which would usually be based on a detailed project design. Instead, the legislation provides that the Director-General is to prepare environmental assessment requirements, and assessment can be based on a project concept instead of a detailed design. The lack of detail required for an environmental assessment leaves the process open to less rigorous scrutiny than for a comprehensive EIS.

In any case, the 'critical infrastructure' provisions of the EP&A Act effectively mean that the extent to which the project is accountable to the community and the environment is at the discretion of the Minister for Planning.

The LGA has expressed concern over the concept of 'critical infrastructure', particularly the lack of definition and its open-ended nature, and is strongly opposed to the loss of council planning powers as a result of its introduction. The hasty introduction of the *Environmental Planning and Assessment Act (Infrastructure and Other Planning Reform) Bill 2005* to Parliament in May 2005, which among many things legislates for the concept of 'critical infrastructure' and its environmental assessment requirements, significantly undermines Local Government planning processes and the representation of local communities in the development assessment process. The LGA strongly

opposes the capacity of the Minister to override legislation such as the *Local Government Act*, the *Coastal Protection Act*, the *Heritage Act*, the *Fisheries Management Act*, the *National Parks and Wildlife Act*, the *Native Vegetation Act*, and the *Water Management Act*.

If ever there was a clear need for transparent and prudent decision-making, clearly it would exist in the case of a project such as the construction and operation of a desalination plant that will undoubtedly cost billions of dollars of public funds and where the environmental and social impacts have not been fully determined to the satisfaction of the scientific community or affected local communities.

### **Methods for reducing the use of potable water for domestic, industrial, commercial and agricultural purposes, including sustainable water consumption practices**

The NSW State of the Environment 2003 (SoE 2003) report, produced by the Department of Environment and Conservation (DEC, then the Environment Protection Authority), shows that most urban water is supplied to residential users (71%), followed by industrial (11%) and commercial (10%) users. Approximately 25% of typical domestic water use in Sydney is used for outdoor purposes, 20% is used for laundry purposes, and 19% for use in toilets.

The SoE 2003 report also indicates that potable water is essential for less than 4% of total consumption.

The LGA strongly supports conserving the city's water supply through the encouragement of recycling initiatives, stormwater management, and demand management strategies. The most logical method to reduce potable water use is to adopt a strategy whereby potable water is only used where it is needed, and alternative sources are utilised wherever possible.

Initiatives that go some way towards addressing this issue include:

- **Water Sensitive Urban Design (WSUD)**

WSUD is an approach to water management in urban areas. It is concerned with incorporating sustainability into the design of urban environments and limiting the negative impacts of development on the total urban water cycle (see [www.wsud.org](http://www.wsud.org)).

- **Assisting Local Government with stormwater management**

In 2005, the NSW Government introduced legislation that allows councils the option of raising a stormwater management service charge on urban properties to fund stormwater management activities. The LGA strongly supports this initiative in principle as it will improve the capacity of councils to adopt and develop stormwater management programs.

Other initiatives and methods to reduce potable water use are included in the demand management section of the NSW Government's Metropolitan Water Plan. These include:

- Promoting water conservation and innovation
- Water loss reduction
- Education programs
- Water efficient labelling and performance standards
- BASIX, which encourages the installation of rainwater tanks for garden, laundry and toilet use; using greywater tanks for garden use; installing water-saving devices (showerheads, taps and dual-flush toilets).
- Rebates for water saving devices

- Water pricing signals as a demand management tool

Concerns have been raised that the current focus on increasing the supply of potable water through infrastructure projects, such as the desalination plant, has the potential to negate progress made in demand management, reducing the general public's awareness of the value of water and the need to maintain responsible water habits. The LGA does not oppose infrastructure projects to increase water supply, but strongly advocates for demand management to remain a priority.

**The costs and benefits of desalination and alternative sources of water including recycled wastewater, groundwater, rainwater tanks and stormwater harvesting**

The LGA is not opposed to the principle of desalination plants or the use of desalination technology. We do, however, call for the NSW Government to undertake a thorough investigation of the comparative economic, environmental and social costs of the proposed desalination plant and alternatives, and make this investigation publicly available.

The LGA acknowledges that there is no single solution to a sustainable supply of water for Sydney. However, for an issue of this size and nature, we would expect the NSW Government to undertake a sound and transparent analysis to ensure that any major activity is the most responsible and cost effective option, as opposed to simply a 'feasible' option.

NSW Treasury's *Guidelines for Economic Appraisal*, and associated guidance material, provides detailed advice on how to conduct a cost-benefit analysis in line with NSW Government policy. The Guidelines include valuation of environmental impacts, and promote Ecologically Sustainable Development.

The State Government's assessment of the costs of a desalination plant does not appear to have been calculated in a manner consistent with its own policy. Sydney Water's *Seawater Desalination Fact Sheet 5*, for example, compares the cost of a 500 ML/day desalination plant with a recycling scheme that proposes to transfer recycled water from ocean sewage treatment plants to Lake Burragorang. Despite the fact that only one alternative to desalination has been featured, figures are quoted with no clear indication of their parameters or whether techniques such as discounting have been used in the estimates for ongoing operating costs. Furthermore, there is no detailed comparison of benefits, in the long or short term, of each option.

The LGA is not in a position to commission an in-depth cost benefit analysis of the options for Sydney's water supply or to provide accurate estimates in dollar terms of the benefits and costs of the various options to supply water to Sydney. NSW Treasury's Guidelines provide a suitable framework to assist in identifying the costs and benefits of options, and the following points may be taken into consideration when evaluating these options:

- Long, medium and short term costs and benefits
- Cost of feasibility studies if required for individual options
- Education and media campaigns required, including associated publications
- Effect on stakeholder relationships (councils, general public, special interest groups etc)
- Consultation requirements
- Tender process if required
- Trial projects if required
- Construction and associated infrastructure costs if required
- Ongoing maintenance and operation that might be required
- Impact on environment

- Offset/compensation/rebate costs
- Security of water supply
- Influence/impact on/contribution to demand management programs
- Social impact of various options (eg. increased industrialisation; community involvement in planning and implementation process).

### **The tender process and contractual arrangements, including public-private partnerships, in relation to the proposed desalination plant**

The desalination plant was originally touted as a contingency project, to be used to augment potable water supplies in the event of continuing severe drought conditions. Concerns have been raised regarding the potential conflict between the plant's original purpose and, depending on the nature of private sector involvement, the need for the desalination plant to be profitable.

As the Committee would be aware, the Premier announced on 23 November that the Kurnell desalination plant would be a 'publicly funded infrastructure project', to be funded through Sydney Water's capital works budget. According to the Premier's statement, the plant will be designed, built, operated and maintained by the private sector, but remain in public ownership. The LGA considers this arrangement to be more satisfactory than if the plant was privately owned, however we do not favour the operation of a desalination plant by the private sector, particularly in light of the concerns raised relating to the conflict between the plant's role as a contingency measure versus a role as a potential commercial enterprise for the private sector.

The LGA notes the need for transparency in all such arrangements, and expects the State Government to ensure that appropriate and effective measures are taken to safeguard public interests.

### **Conclusion and Recommendations**

The LGA acknowledges the need for a broad range of initiatives to realise a sustainable water supply for Sydney, and supports the involvement of Local Government in the planning and implementation stages of appropriate projects. Irrespective of arguments for or against desalination, there is still a requirement for transparent and responsible decision-making, including adequate community involvement and analysis to ensure that decisions are environmentally and economically sound.

The Local Government Association recommends the following actions for consideration in the findings of the General Purpose Standing Committee No 5 inquiry into a sustainable water supply for Sydney:

- That a full and rigorous cost-benefit analysis be conducted on options for Sydney's long term water supply, such as greywater and effluent reuse, stormwater management, education/demand management programs;
- That a review of the Metropolitan Water Plan be undertaken in consultation with Local Government and that this review considers outcomes of the inquiry into a sustainable water supply for Sydney and outcomes of the cost-benefit analysis recommended above;
- That a detailed Environmental Impact Statement be delivered by the NSW Government for public evaluation prior to any works on the desalination plant being progressed or approved;

- That the NSW Government conducts meaningful consultation with Local Government and the wider community on the initiatives detailed in the Metropolitan Water Plan prior to commencement.