

**Submission
No 151**

**INQUIRY INTO RATIONALE FOR, AND IMPACTS OF,
NEW DAMS AND OTHER WATER INFRASTRUCTURE IN
NSW**

Name: Ms Cathy Merchant

Date Received: 26 September 2020

Mr Stewart Smith
Director Committees
portfoliocommittee7@parliament.nsw.gov.a
22 September 2020

Re: Portfolio Committee No.7 - Rationale for, and impacts of, new dams and other water infrastructure in NSW

Dear Mr Smith,

I am pleased to be able to forward comment to the Inquiry into the Rationale for, and impacts of, new dam and mass water storage projects proposed by WaterNSW including Wyangala, Mole River and Dungowan Dam projects, the Macquarie River re-regulating storage project and the Western Weirs project.

From my personal inquiry into these new dams and how they will be funded I am disturbed that these projects seem driven by an obscured political process rather than considered assessment as to whether these expensive projects will be good use of taxpayers' moneys.

They present as "fast tracked" decisions occurring at a time of reduced public scrutiny of public expenditure due to the pandemic.

From my review I can find limited connection between the "fast tracked", new dams and the strategic infrastructure planning and policies stated on government websites. No supporting cost benefit analysis and business plans appears publicly available.

"Fast tracking" the new dams seems derived from National Party politician pressure based on their specific election policy announcements which were separate and inconsistent with Coalition pre election commitments.¹

Minister Pavey seems to capture this in her comments about Wyangala Dam in July 2019 at last year's NSW Farmers annual conference: *"I was told [raising the wall of] Wyangala Dam was not a priority, yet it was a commitment we made at election."*²

The broader public can only conclude the new dams reflect a "behind the scenes political deal making" type of process that is somewhat similar to the recent Koala SEPP saga. This type of approach to government decision-making further erodes broader public trust in politicians and the standing of our democracy.

¹ Refer to Coalition Election Policy Costings

<https://www.parliament.nsw.gov.au/pbo/Pages/2019-Coalition-election-policy-costings.aspx>

²http://www.nswfarmers.org.au/NSWFA/Posts/The_Farmer/Environment/Are_new_dams_the_answer_to_NSW_water_crisis.aspx

That Commonwealth moneys are also involved adds another layer of opaqueness and inconsistency in decision-making. This is not in the public interest or to the longer-term benefit of future generations.

Historic regulation of inland rivers and floodplains has been a significant contributor to the catastrophic ecological collapse made clearly evident to the broader public during the most current drought period. Thermal pollution, algal blooms, fragmented fish habitat corridors, dried out wetlands unable to support migratory birds and dead redgums are all environmental consequences of the already over regulated waterways of inland NSW with their complex interconnections.

Government revision of the *Water Management Act 2000* means water allocation in current water sharing plans is not based on most extreme drought conditions or the predicted future challenges of reduced and irregular water availability.

Security and reliability for townships and the environment have become effectively a lesser priority in water allocations and contrary to the intent of the *Water Management Act 2000*.

Any new dam infrastructure effectively entrenches this imbalance with proposed increased access by general security water holders at the expense of town water supply, high security licenses, stock & domestic licenses, basic rights and planned environmental water.

Improved knowledge about the complex interactions between our inland water systems and better understanding of how climate change will impact should necessitate changes in how water is allocated in water sharing plans so they take better account of this improved knowledge. This should be government priority in meeting critical water security needs rather than expensive new infrastructure likely to be “white elephants” in coming decades.

Public money is being directed to projects that will most likely cause further ecosystem failure across the complex water systems of inland NSW. I do not feel this is sensible or in the genuine public interest. How these projects will impact and if they will genuinely deliver needs proper scrutiny not “fast tracking”.

Current available information indicates these projects represent an irresponsible use of public money that will provide no improved security of water access to inland communities and the environment especially given the climate predictions.

It is pleasing that this Inquiry will scrutinise a wide range of issues in relation to the new dam proposals and hopefully determine that these water infrastructure projects have not been properly assessed and costed by government.

My particular comments relate to Terms of Reference **(b) the economic rationale and business case of each of the projects, including funding, projected revenue, and the allocation and pricing of water from the projects.**

Based on the results of my search, limited information is publicly available about the economic rationale and cost benefit analysis that supports the new dam announcements. Various government websites contain circuitous information about the new dams but nothing clearly identifies any business cases, cost benefit analysis or matters related to funding probity requirements.

Issues of concern that I feel need attention by the Inquiry.

1. Coalition election promises.

From the parliamentary website the 2019 pre election commitment Coalition “Water Security for NSW” proposal covered four policy areas:

1. proposed Wyangala dam wall raising, financed and built by WaterNSW over six years with total borrowings of \$650 million of which \$32 million borrowed over the forward estimates, all costs to be eventually deducted from the Snowy Hydro Legacy Fund and proposal progressed after environmental and economic studies completed.
2. \$25 million from the Safe and Secure Water Program to fund feasibility and scoping studies on water infrastructure projects to improve NSW drought resilience. This proposal contingent on matched funding from Commonwealth and other States.
3. amending the Safe and Secure Water Program guidelines to prioritise water infrastructure projects of importance to regional communities.
4. allocation of \$9 million from the \$40 million appropriation for Snowy Hydro Legacy Fund to fast track the completion of an additional six regional water strategies by 2020 ie additional to the five to be delivered in 2019.

I draw to your Committee’s attention in this Inquiry:

- The lack of publicly available environmental and economic studies on Wyangala Dam wall raising except what was forwarded to the EPBC referral discussed further below;
- This project proposal is not being considered over the originally stated six year time frame outlined in the pre election commitments;
- There is no mention of Dungowan and Mole River Dams in pre election Water Security for NSW commitments;
- It is my understanding that Hunter Regional Water Strategy remains the only completed Regional Water Strategy and it is not explained where the allocation in policy 4 has been redirected since the 11 Regional Strategies were not progressed.

2. With use of Snowy Hydro Legacy Fund for major projects how is the integrity and transparency of Restart NSW Fund maintained.

State Infrastructure Strategy 2018-2038 Building the Momentum (SIS 2018) (discussed further below) seems to be the current infrastructure planning strategy for NSW. On its release Infrastructure NSW considered it a fully integrated land use and infrastructure plan, the first such plan for NSW.

According to Infrastructure NSW *“This 20-year Strategy sets out Infrastructure NSW’s independent advice on the current state of NSW’s infrastructure and the needs and priorities over the next 20 years.”*

SIS 2018 makes 13 recommendations for the water sector, with five of these of relevance to inland waters. They cover broad matters such as:

- the need for NSW government to assess its climate science capability required for water resource management and infrastructure investment;
- the development of a NSW Water Statement underpinned by regional water strategies for all catchments by 2019;
- identification of investment priorities and other policy options for the priority catchments of Gwydir and Macquarie catchments by the end of 2018;
- development of a risk based approach to identify priority infrastructure projects to protect regional drinking water by end of 2018.

There is no available public information on the NSW Water Statement and regional water strategies that I could locate.

The exclusion of Lachlan Valley (and Wyangala) Dam seems consistent with the government support for recommendations in the State Infrastructure Strategy 2014 Update (SIS 2014) that preceded the SIS 2018.

Recommendation 85 of the 2014 Update was to develop regional water strategies for Gwydir and Macquarie catchments (not Lachlan Valley). The government response stated:

“Support. The government has commenced work on developing regional water strategies for the Gwydir and Macquarie catchments.”

Restart NSW Fund money had contributed previously around \$30 million for upgrade works undertaken at Wyangala dam as part of Phase 1 works (FYE 2014 to 2016). Restart Fund money seems to have been used also for at least two regional water programs: Water Security for Regions and Safe and Secure Water Program. This latter program included funding directed towards integrated water cycle management.

According to the NSW Government - Water in NSW website *“The 30-year IWCM Strategy ensures that any necessary capital works projects are appropriately sized and is essential for the provision of appropriate, affordable, cost-effective urban water services that meet community needs and protect public health and the environment.”*

According to the *Restart NSW Act 2011* (s8a) money is payable from the fund based on the State Infrastructure Strategy.

Funding is: *“approved by the Minister on the recommendation of Infrastructure NSW to fund all or any part of the cost of any project that the Minister is satisfied promotes a purpose of the Fund.”* Its purpose being to set *“... aside funding for and securing the delivery of major infrastructure projects and other necessary infrastructure.”*

In assessing and recommending infrastructure projects Infrastructure NSW uses a project’s Benefit Cost Ratio (BCR) to assess improved economic growth and productivity in NSW: *“a project’s benefits must exceed the cost of its delivery, as demonstrated by having a BCR greater than 1.”*³

No further information was available on the website about any IWCM Strategies for the affected valleys of the new dams. The current status of the program seems unclear to me.

IWCM approaches are consistent with the recommendations of the Productivity Commission in relation to the water market and infrastructure. IWCM is consistent with NSW government commitments to the National Water initiative so it is unclear why this approach appears to have been abandoned by NSW government and funding presumably redirected to the “fast tracked” dam projects.

SIS 2018 does not mention specifically Lachlan Valley (or Wyangala Dam) in its recommendations even though according to the Treasurer’s Infrastructure Statement 2019-20 this document *“sets out the Government’s infrastructure vision over the next 20 years, across all sectors.”*

I draw to your Committee’s attention in this Inquiry:

- An apparent inconsistency in major infrastructure identification, spending and accountability between Snowy Hydro Legacy Fund and Restart/Rebuild NSW infrastructure expenditure arrangements.

2. Snowy Hydro Legacy Fund

Thus, from my understanding, Wyangala Dam wall raising project would not be eligible for Restart Fund (or the nebulous Rebuilding NSW) moneys as it is not identified in the current SIS 2018. Likewise Mole and Dungowan Dams would require regional water strategies to be completed prior to their construction with Restart NSW Fund money.⁴

³ <http://www.infrastructure.nsw.gov.au/restart-nsw/>

⁴ This is based on my reading as a layperson in such matters.

From 2018, State infrastructure Strategies ceased to be implemented by annual Five Year Infrastructure Plans. Annual Infrastructure Statements are now included in Budget Estimates but I found this less easy in understanding how infrastructure is funded in NSW.

Infrastructure Statement 2018-2019 states:

“The Government will receive the \$4.2 billion in proceeds from the sale of the State’s share of Snowy Hydro by 30 June 2018. This Budget appropriates \$40.0 million in 2018-19 to investigate and plan for state building infrastructure projects.”

The accompanying Budget Statement 2019-202 describes a \$40 million targeted towards *“investigating improved water security in priority catchments, and faster and better rail projects, and are progressing regional New South Wales’ first Special Activation Precinct around the Parkes National Logistic Hub.”*

Somewhat ambiguously the most recent Infrastructure Statement 2019-2020 states as the first of its five investment priorities for Snowy Hydro Legacy Fund (SHLF):

Providing water security in priority catchments: *investing in catchment-scale water security infrastructure for regional New South Wales including dams, pipelines and weirs. This is in addition to the \$32.0 million over three years to investigate the raising of the Wyangala Dam⁵ as part of a \$650.0 million commitment, with environmental and economic studies to commence this year. This will bring the Government’s total investment in water security projects to \$1.4 billion.”*

It is hard to find information about how SHL Fund will be managed and how it fits in relation to the Restart NSW Act 2011 with its objects to secure major infrastructure projects such as dams. It is unclear whether the SHL Fund will be managed outside or within the more transparent processes of the established asset recycling arrangements of Restart NSW and how infrastructure projects are identified within these.

Surely, it is unreasonable for government to argue sale of a share in Snowy Hydro does not represent a form of “asset recycling”. As a matter of probity the proceeds of the sale should be captured within a more transparent and accountable arrangement for new infrastructure.

An additional \$571 million in funding from the Consolidated Fund was committed in the Infrastructure Statement 2019-2020 for the \$1.0 billion Safe and Secure Water program to enable the funding of crucial water infrastructure based on community needs. It is not specified whether this refers to the dam projects. It is unclear whether this means a transfer to Restart NSW Fund since the Safe and Secure Water Program is funded by Restart.

⁵ Budget Statement 2019-2020 identifies \$32 million over three years to develop a business case.

According to the 2019-2020 Half Year Review, the recently announced Commonwealth government funding for the dam projects will need attention leading into the 2020-21 Budget when *“New South Wales will work with the Commonwealth to finalise these funding arrangements.”*

Since Budget Estimates were suspended due to the pandemic there has been little scrutiny of the Budget 2019-20. The “fine print” of the Commonwealth/State joint announcement suggesting rather than an even split as implied in the joint announcement between the Commonwealth and NSW governments it is a 25 to 75 split.

I draw to your Committee’s attention in this Inquiry:

- Confusion and concern by the broader public in how Snowy Hydro Legacy Fund will be accounted for;
- How probity matters are addressed in what seems a demonstrated failure to follow due process in the progression of the Wyangala Dam project proposal, a major infrastructure development now “fast tracked” with Snowy Hydro Legacy Fund borrowings to WaterNSW.

3. WaterNSW

The direction by Minister Pavey to WaterNSW in June this year under section 20P of the State Owned Corporations Act 1989, to advance planning and early works for the new dams *“ensures”* that business cases are to be prepared for these projects. ⁶

However, comments by Mr Harris in Upper House Portfolio Committee No. 4 Budget Estimates earlier in March this year suggests any business case developed may not be very robust and compromised by media announcements to proceed with the new dam projects prior to a publicly scrutinised business case.⁷

In response to a question about what cost recovery model, as required under the Basin Plan, will be used for the Dungowan Dam, Mr Harris Chief Executive Officer, WaterNSW stated: *“The Government has undertaken to fund the Dungowan Dam, **so that is the final business case**⁸, and also the construction costs, and that is a combination of Federal and State governments grant funding.”*

The WaterNSW website has separate pages explaining the Wyangala project. One titled Infrastructure Studies, referencing the Lachlan Valley Water Security Investigation stated to be complete but with no final reports included.

⁶ Govt Gazette No 116 5 June 2020 P57 (2341)

⁷ NSW Upper House, Portfolio Committee No. 4 - Industry Examination of proposed expenditure for portfolio areas Water, Property and housing 10.3.20.

⁸ My bolding.

According to the website *“WaterNSW has developed a 20 Year Infrastructure Options Study - rural valleys” which provides a strategic level qualitative assessment of potential infrastructure options to meet long-term level of service (LOS) objectives in regulated river water supply areas (“valleys”) across NSW (excluding Greater Sydney).”*⁹

The capital costs listed in Options 2018 *“will be assessed in detail under the current Lachlan Valley Water Security Study.”* As mentioned above this is not available on the WaterNSW website.

The other website, titled New Dams for NSW, provides information about funding announcements by the Prime Minister and Premier to raise the Wyangala Dam wall, classified as Critical State Significant Infrastructure and the project timeline.

It further states:

“The Wyangala Dam Wall Raising Project was identified in WaterNSW’s 20-year Water Infrastructure Study and was selected due to its initial feasibility study and ability to provide the Lachlan Valley greater water security.

The project has been classified as Critical State Significant Infrastructure and it will be delivered on an accelerated timeline while still meeting all the necessary planning requirements.”

In its scoping reports to the EPBC Referral WaterNSW relied on various State Infrastructure Strategy documents but in a rather vague and disconnected way:

- In Mole River and Dungowan Dams scoping reports it is acknowledged that *“Infrastructure NSW had recommended that WaterNSW develop a 20 year capital plan to provide the evidence base required for pricing applications going forward”* but provided no further information about how they had responded to this recommendation;
- To support the SIS (undated) a *“regional water security and supply fund was committed to by the NSW and Commonwealth governments”* but provides no further explanation about this fund and how it will be managed. There is no mention of the Snowy Hydro Legacy Fund and its relationship to this new fund;
- Somewhat confusingly the WaterNSW website further states about options 2018: *“This study fulfils the target setup by Infrastructure New South Wales (INSW)’s 2014 State Infrastructure Strategy Update (SIS) and NSW Government’s election commitment.”*;
- The Wyangala Scoping Report in the EPBC referral fails to mention the dam project is not part of the current state infrastructure strategy

⁹ A summary version only is available publicly on the WaterNSW website.

The Scoping Report states that in support of the SIS (undated) WaterNSW had prepared the previously mentioned 20 year Infrastructure Options Study Rural Valleys (2018).¹⁰

In developing Options 2018 WaterNSW appears to rely on consultation with customer level of service to identify gaps in service and determine investment priorities. Environmental considerations appear limited within the assessment parameters of the Options 2018.

For the four valleys affected by the new dam proposals¹¹ there seems limited discussion and naïve presumptions - for example the Lachlan River can operate as a “closed system”, the Macquarie River dams provide environmental flows to the Macquarie Marshes (currently in a dire ecological state in my opinion!), a disregard for Peel River complex connectivity within the Namoi catchment and the provision of environmental flows for hydroelectric power generation from the existing Copeton Dam.

In Options 2018 WaterNSW assessment methodology seems different to Infrastructure NSW.

There is no demonstrated understanding of the value of integrated water cycle management in how water resources are used and managed consistent with the principles of the national water reform. Presumably WaterNSW as a State Owned Corporation requires plans and policies consistent with the national reform agenda?

No supporting documents or references are attached to Options 2018. There is no consideration of alternatives to built-infrastructure projects that are, by their design and consequent environmental impact, integral to the ecological collapse evident in the currently regulated and unregulated inland water systems.

Whilst climate change is stated as a “*challenge in meeting water users’ expectation*” there is no analysis or consideration of important matters such as predictions of reduced in-flows, lower soil moisture and higher surface evaporation, all of which will affect whether an expensive, environmentally disruptive dam actually does fill up and keep adequate amounts of water in it to meet critical needs.

WaterNSW acknowledges itself that Options 2018 provides no technical assessment or cost benefit analysis about the dams and the cost estimates in the document considered as “*strategic (pre feasibility) level estimates*”.

Further “*This Options Study is not a Capital Investment Plan for WaterNSW, but rather a baseline to guide future decision making and benchmark future investments.....It does not address the potential operational or regulatory options*

¹⁰ Options 2018 (dated June 2018) post dates SIS 2018 (February 2018) but does not refer to it.

¹¹ The Western Weirs project does not seem included in the Options Study 2018.

that need to be considered when making investment decisions. These options are being developed by WaterNSW in parallel and will come together prior to WaterNSW's 2021 rural price review."

No clarification of this parallel options process is evident nor does it appear on any websites I could locate.

Regardless of these inadequacies and limitations in Options 2018, it is its stated amount of \$650 million for the Wyangala Dam project that is quoted in NSW Budget Papers and Infrastructure Statements and subsequent media announcements.

This amount included without any further qualification of its "rubbery" nature and lack of analysis of any genuine benefit of the proposal longer term.

I draw to your Committee's attention in this Inquiry:

- The evident inadequacy of WaterNSW supporting documents and justification for all proposed water infrastructure projects that inform NSW budget papers.

4. NSW State Infrastructure Strategy - Building Momentum 2018-2038

Information about SIS 2018 is available from two websites with some difference in emphasis.

The NSW government website states that SIS 2018 *"sets out a process and timeline for ensuring that all areas of state investment in infrastructure are guided by coordinated plans...aligning investment in infrastructure with the way we build our communities and achieve innovation in service delivery."*

The vision for regional communities being:
"Communities will grow around a hub-and-spoke network of economic regions, linked by key freight and service routes to markets and suppliers in major cities. They will focus on their competitive advantage in agriculture, mining, primary resource manufacturing and the visitor economy."

The Infrastructure NSW website states: *"This 20-year Strategy sets out Infrastructure NSW's independent advice on the current state of NSW's infrastructure and the needs and priorities over the next 20 years."*

Further, as the NSW government's independent infrastructure advisory agency Infrastructure NSW states *"it routinely assesses business cases and provided advice to Government on their findings."* No business cases are provided for any Water sector infrastructure.

The integration of land-use planning and any major infrastructure decision-making seems imperative in the achievement of sustainable use of natural resources and overall improved social well being.

I draw to your Committee's attention in this Inquiry:

- The apparent failure by WaterNSW to demonstrate where its decision-making processes have taken account of the need to integrate land-use planning with any proposed new infrastructure.

Thank you again for an opportunity to provide comment to your Inquiry.

Yours sincerely

Cathy Merchant