

3 October, 2008

The Manager
Gosford City and Wyong Council Price Review
Independent Pricing and Regulatory Tribunal
P.O. Box Q290
QVB POST OFFICE NSW 1230



Dear Sir,

Re: Water Pricing for Gosford and Wyong Councils.

I refer to the Water Issues Paper (July, 2008) relating to the pricing of water for the above council areas to take effect from 1 July, 2009. I will limit my comments to points 3.3 and 3.4 of the above paper. They are as follows –

1. Tillegra Dam – the Issues Paper states that in late 2006 the former Premier announced a dam would be built at Tillegra on the Williams River to the north of Dungog. Construction, in theory, was to begin in 2008. So far as I am aware, approval is yet to be given for the construction of this dam. Indeed, it may not ultimately be approved! As well as local farmers and graziers there are other groups such as the Total Environment Centre, who oppose the building of the dam and I believe a reasonable person may consider that any initial approval for the dam may be challenged in the Land and Environment Court.

I understand that both Gosford and Wyong Councils have indicated that this dam would not be required or needed to "top up" the Coast's water supplies **provided the Mardi-Mangrove Creek pipeline is built.**

If approval for the building of the Tillegra Dam is given by the Government this year, something which I believe is unlikely, and allowing time for all the planning approvals/any court challenges, tendering etc construction may well not start until 2010 at the earliest. Consequently, it is quite possible that the dam will not be operational for perhaps another 5 to 7 years beyond the date of commencement.

2. Mangrove Dam – thanks to the decisions of a previous State Government in the 1970's, Mangrove Dam was constructed as a holding dam with a small catchment area. A pipeline was to be built between Mardi and Boomerang Creek/Mangrove Dam. Once built, the pipeline will enable water to be pumped from the Wyong River into the dam.

The pipeline was not built by the Government because, due to abnormal rains in the early 1980's, the dam filled to 70% capacity. This decision, of course was a Government "cop out" to save money. Later on, when the dam infrastructure/assets etc. were transferred to the Joint Water Authority, neither Council obviously did not have the money to build such a pipeline because of a low revenue base. Not surprisingly this is a common problem where large areas of land in the vicinity of 1,000 square kilometres are administered. The Commonwealth Government has now guaranteed \$80 million in finance for the construction of the pipeline; the benefits of which were outlined in the Central Coast's Water Plan 2050 and, in part, enunciated in your paper on page 27.

I do not agree, and I am sure that most of the Central Coast's residents would agree with me, **with the suggestion that the Mardi-Mangrove Link not be built or postponed.** I have previously mentioned that this is also the view of both Gosford and Wyong Councils. Any postponement will simply increase the cost of the pipeline by \$ Millions and there well may be no guarantee of funding from either the Commonwealth or State Governments if this were to occur. As it is, the pipeline is now expected to cost in the vicinity of \$110 million and will possibly be up and running within a couple of years from the commencement of construction. If construction were to commence in 2009 the pipeline could be operational around 2011/2012. On the other hand, as I have already mentioned, Tillegra Dam may not be operational until about 2015, some 5 years or more after the abovementioned pipeline could be built. Additionally, once the dam has been built it is expected that, dependant on rainfall, it will take some 6 to 10 years to fill.

3. Consequences of no Pipeline – if the pipeline is not built or postponed for some indefinite time, I believe the following consequences may occur, all of which are detrimental to the Central Coast and its ratepayers –

- **Gosford and Wyong Council areas will become even more reliant on water being transferred from Hunter Water (even more than has occurred in the past. If this were to occur the Coast will probably end up as part of Hunter Water and contribute in the paying dividends to the Government. This is currently not the case.**
- Longwall coal mining has been proposed by in the Yarramalong and Dooralong Valleys. A Government Inquiry into this proposal has been held under the chair of Mrs. Chickarovski, however the recommendations from it are yet (perhaps conveniently) to be released by the Government.
- I understand that such (longwall) mining may well affect some 50% of the Central Coast's water catchment which includes streams such as the Wyong River, Jilliby and Little Jilliby Creeks as well as all other creeks that feed into them. Water from these streams is pumped into Mardi Dam, and consequently, they will be important when the new pipeline is in place to transfer water west to Mangrove Dam.
- Longwall coal mining is well known to cause subsidence. If this were to occur in the Yarramalong and Dooralong Valleys the effect of such mining may well see a lot of water, literally "go down the plughole". There are

numerous documented examples of creeks or waterways disappearing down cracks and holes cause by such subsidence, particularly in the coalfields to the south of Sydney.

- **If the Central Coast became part of the Hunter Water, the Government could easily decide to grant the coal mining application. It will win in two ways. Firstly from royalty in relation to the coal mined and secondly extra dividends from an enlarged Hunter Water. Obviously, the Coast will be the all round loser. It will not be water sufficient and then be consumed, assets and all by Hunter Water.**

4. Payment for Tillegra Dam – irrespective of the wording of the former Premier's announcement about the proposed Tillegra Dam assisting to waterproof the coast, I believe the major reason for the proposal was that the Hunter requires additional water supplies -

- for its increasing population – Lostock and Chichester Dams are only small and the main storage is in Grahamstown Dam into which water is pumped from the Williams River. I am also aware that additional supplies come from the Tomago Sand beds.
- there are a number of large development proposals for land within its area. Some of these are between Cessnock, Branxton/Cessnock and in South Lake Macquarie.
- to cater for the growing industry base of Newcastle and the Hunter. Notwithstanding the closure of the BHP some 10 years ago, there is still a lot of heavy industry in the Newcastle area together with expanding light industry.
- the coal industry is also expanding in the Singleton area and a third coal loader is being constructed on Kooragang Island.

The most natural conclusion that can be drawn is that the dam is primarily being built for the purpose of supplying water to the Hunter with water from the Hunter. Consequently, I believe that water is only to be supplied from the Hunter in exceptional circumstances; similar to those which have recently occurred – drought. Accordingly, I believe that Hunter Water should recover costs for the water purchases made by Gosford/Wyong Councils.

Ratepayers from Gosford and Wyong Council areas will be required to pay for the cost of the Mardi – Mangrove Creek pipeline for the amount which exceeds the Commonwealth contribution – some \$30 million. To also contribute to Tillegra Dam's costs would be a large impost upon ratepayers.

5. CONCLUSIONS

- If the pipeline is not built or postponed for some indefinite time, the Coast's water supply will be taken over by Hunter Water and consequently ratepayers will contribute to the Government's revenue via the imposition of dividend payments.

- If the pipeline is not built or postponed for some indefinite time, it is quite possible that the Government will approve of longwall coal mining in the Dooralong and Yarramalong Valleys and thus put the Coast's water supply at risk via subsidence occurring under the streams which supply water for the Mardi Dam.
- Central Coast ratepayers should not contribute to the construction costs of the proposed Tillegra Dam as it is primarily being built for Newcastle and the Hunter. Consequently Central Coast ratepayers should only pay for water that is purchased from Hunter Water.

Yours faithfully

Brian Rowe