



Hawkesbury-Nepean  
**CMA** CATCHMENT MANAGEMENT AUTHORITY



Mr James Cox  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
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HNCMA-05-0116

Dear Mr Cox

**Investigation into Water and Waste Water Service Provision  
in the Greater Sydney Catchment**

Thank you for the opportunity to provide further comment to the Tribunal on its deliberations and recommendations.

In its previous submissions to the Tribunal the CMA has asked that the Tribunal consider an approach to all demand and supply issues across the whole industry as well as considering the complete water cycle. In our original submission to this Investigation we said: 'There is no current regulatory framework which takes the inter relationships into consideration across the different service providers', and as a result each function is treated in isolation. The outcomes of such an approach is poor river health and high levels of uncertainty to those other users who rely on the waters of the Hawkesbury-Nepean Catchment.

The present Investigation continues to use this dislocated approach.

The Terms of Reference for the Investigation state clearly that Sydney's demand for water now exceeds the sustainable yield of its catchment. The sustainable yield of the catchment is a much more complex issue than the formulae used by the Tribunal. The Tribunal's system relies only upon calculations in the catchments above the dams. No consideration of sustainable yield is taken of catchments below those dams.

In addition, the term "sustainable yield" does not mean the inputs from the water cycle. It is based also on some output rules of reliability that have been questioned as to their equity. The most problematic of these rules relates to the frequency of water restrictions in the Sydney area. These levels of restrictions do not address the equity issues in other parts of the catchment or with inter-catchment transfers.

The present "sustainable yield" process fails also to deal adequately with the questions of river health. Despite the Tribunal's reliance on economics, there are no economic mechanisms built into its considerations of either equitable access to the waters of the catchment or to river health.

River health and equity are closely linked. The CMA has already brought to the Tribunal's attention the problems of aquatic weed infestation, algal contamination and water quality that affect both river health and industries. This is substantiated by the numerous reports detailing the declining health of the Hawkesbury-Nepean River. The collapse of the oyster industry due to QX disease is a prime example of these problems.

The Tribunal in its Investigation appears to approach sustainability only from the viewpoint of alleviating the water supply crisis that Sydney faces because of the drought and rapid urban growth.

This is demonstrated by the evaluations and recommendations made in the Report.

The Report fails to recommend basic principles that protect and improve river health and address questions of equity for those participants in the water cycle who do not pay fees to Sydney Water. The basic principle enunciated in the Report "aimed at supporting competitive neutrality, protecting the public interest and promoting regulatory efficiency" fails to achieve its ends for the reasons outlined above.

The Tribunal appears to be relying on the existing regulatory regimes, including the proposed Water Sharing Plan, to take due regard of the environmental and equity factors in the whole of the Hawkesbury-Nepean system. But that proposed water sharing plan relies on the Tribunal sorting out questions of economic efficiency and sustainability. Clearly, these two regulatory processes need to come together to sort out who is relying on whom.

Whilst the dichotomies continue to exist between sustainable water cycle management from differing economic, water sharing and pollution control approaches, the river and its communities will continue to suffer.

It is essential that the Tribunal takes into consideration the work of the Hawkesbury-Nepean River Management Forum. The Forum identified the need to reduce the constant high nutrient flows as a precursor to the implementation of environmental flows that took into account the need to maintain Sydney's water supply and the health of the river. The determination of the environmental flows also relied on unregulated tributary flows contributing to river health and the sustainability of river-reliant commercial enterprises below the dams.

The Report proposes that stormwater and groundwater be harvested below the dams without the consequences of such actions being protected by any principles regarding sustainability or equity. Such an approach is reactionary and will certainly lead to longer term problems with the whole management of the water cycle.

Given the link between environmental or river health outcomes and the sustainability of river-reliant communities, it is essential that the basic principles in the Report include strict and clear ecological outcomes for the improvement of the environment of the Hawkesbury-Nepean River. To fail to do so will risk the market taking 100% of all natural surface stormwater and groundwater.

The CMA supports the Tribunal's recommendation concerning a comprehensive review of the existing regulatory mechanisms and the development of a revised regulatory framework. However, the CMA believes that it is essential that a basic river health environmental principle be included in the Report's recommendations now.

The CMA can only reiterate that the failure to include a river health principle in the Report's recommendations will mean a failure to achieve a sustainable outcome for the river and its communities.

Yours

A handwritten signature in black ink, appearing to read "John Klem". The signature is fluid and cursive, with a large loop at the end of the last name.

John Klem  
Chair  
29/09/2005