

Subject: Submission on the Macquarie River to Orange pipeline project/Orange Drought Relief Connection

Ref No: 10_0235

October 18, 2012

My name is Paul Wettin and I wish to object to this project and it's supporting Environmental Assessment (EA).

As a resident of Orange I am very aware of the need for future water security and I fully support that Orange City Council has attempted to develop a strategy for the next 50 years and that they have taken a pre-cautionary approach by including the "worst case" climate change probability. Equally I congratulate the actions taken by OCC which have effectively reduced overall water use in Orange in recent years, but particularly the success of the innovative storm water harvesting scheme, even in its current, limited form.

Despite these successes, OCC have since pursued a water security strategy and supply option, ie the pipeline project, which have serious flaws both the overall concept, but also its specific details. The submission from the Orange and Region Water Security Alliance (ORWSA) (which I coordinated) provides numerous details for the flaws in both the strategy and the Macquarie River pipeline project; so I won't repeat these matters here.

I wish to provide the following additional reasons for my objection.

Stop the local solution, funding and seek regional solutions

I oppose the local, "business as usual" water supply solution for Orange and the State and Federal Governments should re-evaluate their "in principle" and financial support for the project. The current wasteful expenditure of taxpayers and ratepayers funds on the project must cease. There is no urgent water supply situation in Orange with some 4-5 years supply available.

Many of the critical issues surrounding water services in NSW are created by the current inefficiency of governance and institutional arrangements. Too often local water utilities seek narrow, solely local perspective water service solutions, which subsequently put additional pressures on local communities to fund these solutions. Often we see the parochial interests of local utilities/interests overriding common sense and lower cost water service solutions that could be achieved by implementing a regional water service model.

The Armstrong and Gellatly report¹ (2008) recommended that 32 regional water supply authorities be established to eliminate the (then) 104 local utilities. The findings of this report for reform of the governance and institutional arrangements for water services has subsequently been supported by a review of urban water by the National Water Commission² (2011) and the urban water sector review by the Productivity Commission³ (2011).

The 2009 CENTROC Water Security Report⁴ on regional water supply needs and options has fallen on deaf ears. Rather than fostering the sourcing of regional water supply solutions, local utilities, apparently with the endorsement of the NSW Government and its departments, have reverted to “business as usual” and are seeking local solutions only, with the Orange situation being a prime example. The promised subsidies from the State and Commonwealth governments have worsened the situation.

The National Water Commission study² identified the following adverse effects of government subsidies:

- *“Government subsidies reduce the rigour and incentive for efficiency in major investment decisions. Many have been provided for particular options that are unlikely to be part of the most cost-effective portfolio of options to balance supply and demand.*
- *Subsidies distort price signals for customers, and inefficient investments create future liabilities for asset replacement and ongoing maintenance.*
- *Subsidised investments are generally not subject to regulatory oversight of their prudence.”*

These distortions apply to the Macquarie River pipeline project. OCC and some Councilors frequently cite the “with subsidy” costs of the project and therefore the need to take advantage of the subsidies. The “with subsidy” costs for the Macquarie River pipeline versus alternative water sources are cited in the Environmental Assessment (Chapter 8 and Appendix B) and these pay testament to the impact and subsequent distortion.

¹ Armstrong I and Gellatly C 2008, Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW

² National Water Commission 2011, Urban water in Australia: future directions, April 2011. 95 Northbourne Avenue Canberra ACT 2600

³ Productivity Commission 2011, Australia's Urban Water Sector, Report No. 55, Final Inquiry Report, Canberra.

⁴ MWH 2009, Centroc Water Security Study Component 2 Options Paper.

Finally if this project proceeds it will remain a source of antagonism and disagreement amongst local communities, Councils and politicians in the area surrounding Orange and further downstream along the Macquarie River. This is outcome is already being manifested with Councilors from Cabonne publicly expressing serious concerns. Also members of adjoining State electorates have raised their opposition to the pipeline and this has led to disagreement with the Orange local member (see <http://www.centralwesterndaily.com.au/story/401644/members-not-in-the-pipeline-club/?cs=106>).

This provides another clear example of the need to move to a Regional solution and Regional water resource management where all players, and especially the community, participate in an engaged partnership.

Impact on ratepayers

The social and economic impact assessment should be categorically rejected. It is based on “spin” and almost solely provides information which supports the benefits of the project.

The EA’s socio-economic assessment contains the following on the negative impact on Orange ratepayers (page 24.6 of Chapter 24):

The project would result in a direct cost to local ratepayers. To help fund the cost of the project, an increase in the typical residential bill of approximately \$49 per year per assessment is proposed. This would be a negative economic impact for some individuals. However, when other alternatives are considered (refer chapter 8), the project is one of the most cost effective solutions to meeting Orange’s water security needs.

That’s it! One paragraph without any supporting information or study to:

- establish the basis of the \$49/assessment, PROPOSED increase (so it could increase). For example, does this include the salaries of additional staff resources and costs to maintain and operate the pipeline and maintenance roads; additional costs in treatment of potentially poor quality water from the river?
- provide sensitivity analysis for what rates would increase by, inclusive of all costs, if the project exceeds its budget by 5%, 10%, 20%, etc,
- assess the social and economic impact this would have on Orange ratepayers,

- consideration of current rate burden currently experienced by Orange ratepayers,
- consideration of accumulated impacts of increases from other rates (eg Orange's \$80/yr organic waste service which has recently been applied) and charges, such as increases in electricity costs,
- consideration of the additional costs for business water use. It is noted that the EA emphasises the potential business benefits of additional water supply, but makes no mention of the additional costs to businesses and the impact on this would have on their viability or choice for locating to Orange. These costs are just as legitimate considerations which should have been assessed.

I reject the conclusion that the pipeline project is the most cost effective solution for additional water supply for Orange. The ORWSA submission provides evidence that other options have not been properly or fairly assessed.

I am particularly concerned with any additional rate increases on residents in Orange who are on low, fixed incomes. These residents have very limited flexibility to meet additional water rates, on top of other recent increases in services costs. OCC, to its discredit, has done no analysis of these circumstances.

There is no analysis of the additional costs to Orange ratepayers if they are to meet the projected 404 litres/person/day or 5400 ML/yr water demand that OCC has used to as the "baseline" to justify the need for the pipeline project. If this use was to occur it would result in significant increases in water bills above the current water use in Orange- as identified in the ORWSA submission (as well as the wasted expenditure if this level of water use is not achieved).

It should also be noted that OCC while has used the 2006 water consumption "baseline" for the water demand, it has not identified what the "baseline" cost was for water at that time. This analysis should be undertaken to establish the total social and economic impact of the proposed project and water strategy. It should be noted that water charges have increased in the order of 70% increase in recent years, using the combination of the access and usage charges.

I am happy to provide further clarification of the points above and I appreciate the opportunity to be able to provide this submission.

Yours truly,

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I have been a professional in water management for over 30 years, 25 years with the NSW rural water management Department(s) and the past 6 years as an independent water management consultant. My specialist area over this period has been environmental water management but I also have a broad experience in most aspects of water policy, and management. For example, I was the Department's representative on Water Management Committee for the Macquarie-Cudgegong Water Sharing Plan. The Department was responsible for the delivery of these Plans across NSW.

In my consulting I have completed many projects including major work for CSIRO (including the Murray-Darling Sustainable Yields Project which assessed the probability of changes to water availability across the Basin due to climate change scenarios), National Water Commission and the Murray-Darling Basin Authority.