Who should pay for infrastructure in new urban developments?
The Need

» 5.6 million people by 2031

» 570,000 new homes
The five year plan

<table>
<thead>
<tr>
<th>Area</th>
<th>Capital</th>
<th>Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Infill</td>
<td>$108 million</td>
<td>79,000</td>
</tr>
<tr>
<td>Greenfield Excluding Growth Centre</td>
<td>$341 million</td>
<td>23,000</td>
</tr>
<tr>
<td>Northwest Growth Centre</td>
<td>$138 million</td>
<td>14,000</td>
</tr>
<tr>
<td>Southwest Growth Centre</td>
<td>$211 million</td>
<td>15,000</td>
</tr>
<tr>
<td>Total</td>
<td>$798 million</td>
<td>131,000</td>
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</tbody>
</table>
Delivery is efficient

- Staged Servicing
- Maximising Existing Infrastructure
- Interim Infrastructure
- Commercial agreements to share risk
- Precinct Acceleration Protocol and Landowner nominated sites
- Decentralised systems
Greenfield growth costs more

<table>
<thead>
<tr>
<th></th>
<th>Infill growth</th>
<th>Greenfield growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per lot</td>
<td>Less than $10,000</td>
<td>$15,000 - $25,000</td>
</tr>
</tbody>
</table>
The economic concept

If water prices higher in high cost areas **price signals** for development would be efficient

Under Postage Stamp Pricing, developer charges based on location could still send a price signal

Charge = incremental costs (capex and opex) Less incremental revenue
Funding for Growth – looking back

- IPART determined method for developer charges
- Sydney Water revenue of about $55 million per year, but
  - complex, over 90 combinations of charges
  - some charges were very high ($29 000 a lot)
- In Dec 2008, NSW Government abolished developer charges (except recycled water)
Funding options
Private or publicly provided, there are three options

All water customers pay
- Current approach
- $100m growth expenditure adds $4.00 to every annual bill

Developers pay
- Some jurisdictions have simple developer contributions schemes

Growth customers pay more
- Should charges be higher in high cost areas?
- Current government policy is for postage stamp pricing

A Hybrid approach?
- send better price signals
- fairer
Other jurisdictions

Victoria

Charge per lot of $600, $1,200 or $2,400

- Uniform across Melbourne depending on lot size
- Reviewing charges – looking at location specific based on incremental costs and revenues

Western Australia

<table>
<thead>
<tr>
<th>Water</th>
<th>Wastewater</th>
<th>Drainage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,074</td>
<td>$1,204</td>
<td>$482</td>
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