

IPART Draft Report on WaterNSW's prices in Greater Sydney

Comment by the Centre for Independent Studies

IPART has request comments on its [draft report on water prices](#) in Sydney. That report recommends restricting Sydney Water's capital expenditure plans. The Centre for Independent Studies believes this represents flawed, misleading economics.

IPART wants to reduce Sydney Water's capital expenditure plans. However, it does not quantify the effects of this in the draft report, which seems to be a bad omission.

Informed observers and [media reports](#) say that Sydney Water wants to connect 190,000 new homes in Sydney by 2029 but IPART will only give them funding for 120,00. This represents a shortfall of 70,000 or 1.5% of the Sydney housing stock.

A central estimate of the aggregate price elasticity of demand for housing is -0.4 ([Saunders and Tulip, 2019](#)). So a restriction of supply (what might be thought of as a leftward shift of the supply curve) of 1.5% would boost the price of housing by 3.5%.

According to [Domain](#), the median rent of a house in Sydney in March 2025 was \$775 a week. So IPART's squeeze on housing supply would increase rent by \$1,400 a year for the typical Sydney renter. There would be comparable increases in prices paid by new home buyers.

The increased cost of housing, due to lower supply, is much larger than the reduction in water bills.

IPART's proposal would be fine if housing were abundant. But in a housing shortage, it would reduce living standards.

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3 August, 2025



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