

23 June 2025

Carmel Donnelly PSM
Chair Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Office
NSW 1240
via email: ipart@ipart.nsw.gov.au

RE: SYDNEY WATER PRICING PROPOSAL (2025–30) IPART DRAFT DETERMINATION

Dear Mrs Donnelly,

The Urban Development Institute of Australia NSW (UDIA) is the state's leading development industry body. We represent the leading participants in the industry and have more than 450 members across the entire spectrum of the industry including developers, financiers, builders, suppliers, architects, contractors, engineers, consultants, academics and state and local government bodies.

UDIA invests in evidence-based research that informs our advocacy to state, federal and local government, so that development policies and critical investment are directed to where they are needed the most. Together with our members, we shape the places where people will live for generations to come and in doing so, we are city shapers.

UDIA welcomes the opportunity to make a submission to IPART regarding Sydney Water's Pricing Proposal (2025–30) IPART Draft Determination. UDIA believes Sydney Water has put forward a credible and well considered long-term and immediate investment strategy that supports the need to service population and housing growth and to secure Sydney's long term water supply. The proposal is informed by the Sydney Water's Long-Term Capital and Operational Plan – a document that was subjected to significant consultation and review by Government and other stakeholders. The capital program proposed in this pricing submission was developed in close coordination with the NSW Government, using a combination of peer-reviewed forecasts aligned to the Urban Development Program (UDP), information on re-zoned land pipelines, and the Department of Planning, Housing and Infrastructure's own strategic priorities.

The capital allocation that has been recommended in IPART's draft decision would support infrastructure servicing for approximately 120,000 dwellings over the 2025–30 period. However, the Government's broader housing target under the National Housing Accord for Sydney Water's catchment exceeds 263,000 dwellings in the same timeframe. This gap illustrates a structural misalignment between IPART's assumptions and government housing strategy.

If IPART's recommendations are adopted, the NSW Government will no longer be able to achieve its National Housing Accord targets and will guarantee the housing supply crisis in NSW will worsen.

The social and economic impacts of a chronic and worsening undersupply of housing should be a priority consideration for IPART. UDIA makes the following recommendations to IPART in respect of its draft decision:

- 1. Reinstate Capital Funding: Approve Sydney Water's pricing proposal as submitted to allow adequate capital expenditure levels for Sydney Water to connect and service to the Government's Housing Accord targets.**
- 2. Make the approval conditional on a mid-term review of housing and growth forecasts to reconfirm if the proposed customer bill increases remain necessary in the final years of the determination.**
- 3. IPART identify specific areas where it believes Sydney Water can deliver cost savings through operational efficiencies including opportunities for enhanced cost benchmarking, procurement innovation, and project management reforms to maximise value-for-money without compromising service, quality levels or delaying delivery.**
- 4. IPART provides more details on the methodology and underlying assumptions used to recommend a reduction in Sydney Water's growth servicing capital program including the average cost to connect and service new dwellings and the number of forecast new connections in greenfield and infill areas.**
- 5. IPART release further information about the scientific advice it has relied upon to confirm there is no increased risk to water quality and supply disruptions resulting from the reduction in Sydney Water's pre-treatment program in the Draft Decision.**

The need for enabling water and sewer infrastructure to deliver new housing:

IPART's Draft Decision must be viewed through the lens of Sydney's acute housing supply crisis. While recent planning reforms and rezoning initiatives such as the Transit Orientated Development (TOD) and Low and Mid Rise Housing Reforms (LMR) have unlocked opportunities for residential development in new areas, the reality remains that enabling infrastructure, particularly water and wastewater services, is essential for translating land use potential into actual homes. Without reliable, forward looking infrastructure investment, housing supply will be constrained, undermining the Government's strategic objectives. New homes require water, wastewater, and stormwater infrastructure. Industry, local councils and government work with Sydney Water to ensure that their growth projections reflect trends being seen on the ground and via planning investigations currently underway. Understanding these and actual developer intentions ensures hypothetical supply forecasts are ground truth against market reality and are critical to inform likely housing delivery over a given period. By relying on the Sydney Housing Supply Forecast (SHSF) at the expense of Sydney Water's own growth intelligence forecasts, IPART has failed to incorporate these local insights and changes in the growth trajectory that is likely to occur from a combination of market shifts and recent government policy and planning reforms.

Constraining investment in water and wastewater infrastructure has broader economic implications, beyond immediate consumer tariffs. Contrary to the IPART's cost-of-living premise, it is our opinion that constraining the delivery of homes, by limiting investment in water and wastewater infrastructure, is likely to have an adverse impact on housing affordability. Constraining the supply of housing, will only further delay and/or prevent

new development and further exacerbate existing housing shortages. A decrease in the rate of supply of housing to the market will unnecessarily amplify the current impacts of the chronic shortage of housing, leading to further inflationary pressures on the cost of homes across Sydney Water's operational catchment, and will escalate cost-of-living pressures at a time we all should be committing to outcomes that minimises them. IPART's draft determination highlights the tension between containing water price rises and funding necessary infrastructure. UDIA NSW strongly supports measures to keep water bills affordable, particularly for vulnerable customers, and acknowledges Sydney Water's existing hardship provisions. However, artificially constraining infrastructure investment to minimise bill increases is a short-term approach that will ultimately exacerbate housing affordability challenges. Restricting water infrastructure funding limits housing supply, which is the single largest driver of housing prices. Over time, this will worsen cost-of-living pressures across Greater Sydney and beyond. The proposed increase of approximately \$130 per year per household is a reasonable and justified investment that supports critical infrastructure necessary to meet housing growth, maintain water quality, and protect public health.

UDIA's National Housing Pipeline (2024) forecasts only approximately 171,400 new homes will be completed across the Sydney Megaregion, (which broadly represents Sydney Water's servicing footprint) within the Housing Accord timeframe (2024–30), representing a shortfall of more than 150,000 homes against the NSW Government's target of 322,000 homes in the area under the National Housing Accord. This shortfall is not driven solely by market demand or planning delays; our research indicates that over 20% of the gap is attributed to capacity constraints and delays in essential water and wastewater infrastructure provision and essential upgrades to the existing network. Of the total number of potential new homes built around 20% or 32,600 by number require water or wastewater services to enable new homes to be constructed. IPART's Draft Determination proposes a 35% cut in Sydney Water's total proposed capital expenditure, reducing planned investment from \$16.5 billion to \$10.7 billion. This reduction threatens to exacerbate existing shortfalls and slow the pace of housing delivery at a time when the State can least afford delays.

Cost containment and operational efficiency are legitimate objectives for any regulatory body, especially to protect customers from undue price increases. However, the proposed reductions risk underfunding infrastructure in areas already earmarked for significant growth and rezoning, such as Western Sydney and the Illawarra. The financial savings achieved by cutting capital expenditure are likely to be outweighed by the longer-term economic and social costs of restricted housing supply, deferred infrastructure upgrades, and increased public health risks. The Draft Determination must therefore be rebalanced to recognise that capital investment in water infrastructure is not a discretionary expense, but a foundational enabler of government housing policy. This requires IPART to maintain robust infrastructure funding levels aligned with planned urban growth and to insist on efficiency gains being realised through improved project delivery, procurement, and innovation, not through blunt cuts to essential capital programs.

Recommendations:

- 1. Reinstate Capital Funding: Approve Sydney Water's pricing proposal as submitted to allow adequate capital expenditure levels for Sydney Water to connect and service to the Government's Housing Accord targets.**
- 2. Make the approval conditional on a mid-term review of housing and growth forecasts to reconfirm if the proposed customer bill increases remain necessary in the final years of the determination.**

Aligning Infrastructure Investment with Strategic Planning:

Sydney Water's proposed capital program was carefully developed to align with the NSW Government's housing delivery objectives, based on peer-reviewed growth forecasts, including the Urban Development Program (UDP), local strategic planning statements, and importantly, re-zoned land that will come online during the determination period. These forecasts include analysis by the Department of Planning and Environment and reflect inputs from multiple government agencies.

The Draft Determination's proposed \$5.9 billion reduction in capital expenditure fundamentally undermines this strategic alignment. The draft decision would only support servicing for approximately 120,000 new dwellings over the five-year period — less than half of the 263,000 dwellings that government housing targets for areas serviced by Sydney Water. This represents a systemic disconnect between infrastructure funding and housing supply targets. Furthermore, Sydney Water's modelling accounts for imminent rezonings and anticipated growth precincts, such as those highlighted in UDIA's National Housing Pipeline and growth areas in Western Sydney and the Illawarra. Ignoring these factors leads to underinvestment that will create bottlenecks in infrastructure capacity, forcing developers and communities to endure lengthy delays or to pay significant premiums for infrastructure upgrades.

UDIA NSW calls on IPART to provide further details on the methodology and underlying assumptions used to inform its interim decision to reduce Sydney Water's capital program by \$5.9 billion. We believe this information should include the average cost to connect and service new dwellings and the number of forecast new connections in greenfield and infill areas. The absence of a clear, evidence-based funding framework raises serious concerns about how IPART has balanced infrastructure needs, housing supply imperatives, and public health outcomes against short-term pricing considerations. UDIA urges IPART to explain how its proposed cuts align with the Government's commitments under the National Housing Accord, given it will lead to significant housing supply shortfalls forecast due to infrastructure constraints. Without clarity on the criteria used to prioritise or defer growth infrastructure investment, the determination risks creating a shortfall that undermines long-term planning certainty for Sydney Water, developers, and government alike. Greater transparency is essential to ensure that regulatory decisions support, rather than impede the coordinated delivery of homes and the infrastructure that enables them.

UDIA strongly encouraged IPART to establish explicit infrastructure investment benchmarks that are aligned with the National Housing Accord and not the 2023 DPHI Housing Supply Forecast. Such benchmarks would provide transparency and

accountability, ensuring Sydney Water's capital programs correspond directly with housing growth imperatives which NSW are committed to. IPART should also require Sydney Water to demonstrate how all proposed cost savings are derived from efficiency gains and design innovations, rather than from reductions in infrastructure capacity or deferral of projects.

Recommendation:

- 3. IPART identify specific areas where it believes Sydney Water can deliver cost savings through operational efficiencies including opportunities for enhanced cost benchmarking, procurement innovation, and project management reforms to maximise value-for-money without compromising service, quality levels or delaying delivery.**
- 4. IPART provides more details on the methodology and underlying assumptions used to recommend a reduction in Sydney Water's growth servicing capital program including the average cost to connect and service new dwellings and the number of forecast new connections in greenfield and infill areas.**

Water Quality and Sewer Infrastructure:

Sydney Water's infrastructure responsibilities extend beyond growth servicing to critical public health and environmental protections. Declining raw water quality, exacerbated by climate change and ageing infrastructure, increasingly challenges Sydney Water's ability to maintain safe, potable drinking water. We believe the Draft Decision fails to properly address the risks associated with reducing funding for water pretreatment and sewer maintenance programs. These programs are essential to ensuring water quality standards remain high and to preventing environmental contamination. Without adequate investment, Sydney Water's capacity to manage raw water quality deterioration and to upgrade treatment plants will be compromised, increasing the likelihood of public health advisories such as boil water alerts. Such advisories have severe consequences for consumer confidence and wellbeing and would be detrimental to Sydney's reputation as a liveable city. Sydney Water engineers have cautioned that deferred maintenance and reduced investment in treatment technologies will amplify risks to drinking water safety. It is unclear in the IPART report, what consultation, if any has occurred with the Department of Health around the pre-treatment investments proposed by Sydney Water and if they have any views about the risks related to reduced investment in this area. Investment in these areas should be ring-fenced and protected from budgetary cuts to prevent degradation in water quality outcomes.

Recommendation:

- 5. IPART release further information about the scientific advice it has relied upon to confirm there is no increased risk to water quality and supply disruptions resulting from the reduction in Sydney Water's pre-treatment program in the Draft Decision.**

Conclusion

As the NSW government seeks to deliver the record number of new homes required to deliver its commitments under the National Housing Accord, it is critical that both developers and Sydney Water can make investment decisions that are based on greater levels of confidence that infrastructure will be in place in a timely manner.

Sydney is at a pivotal moment in its urban growth journey. The decisions made in the 2025–30 Sydney Water Pricing Determination will shape the trajectory of housing supply, affordability, public health, and economic prosperity for decades. We urge IPART to reconsider the scale of its proposed capital reductions and approve a pricing determination that recognises the urgency and scale of Sydney's housing challenge.

The recommendations contained in IPART's draft report, if adopted, will remove the capacity of the NSW Government to deliver on the housing commitments it has made under the National Housing accord. A more balanced determination will allow Sydney Water to play its vital role in unlocking the new homes our communities so desperately need.

For further information on this submission or should your team require further information please contact **Charles Kekovich, Director – Greater Western Sydney** [REDACTED]

Kind Regards,

[REDACTED]

Hon. Stuart Ayres

Chief Executive Officer

UDIA NSW