

20 June 2025

Independent Pricing and Regulatory Tribunal
Level 16, 2-24 Rawson Place
SYDNEY NSW 2000

Dear Sir/Madam

Draft report – Prices for Sydney Water Corporation from 1 October 2025

Thank you for the opportunity to make a submission on this draft report.

In the midst of a severe housing supply crisis, there is a critical need for all aspects of housing development and construction to be optimise and support the delivery of new housing. The draft IPART report, if implemented, will limit the growth in housing supply to only 120,000 over the next five years. This represents only 45% of the housing growth target established by DPHI for the Sydney Water coverage area.

A broad-based water rate increase, as proposed by Sydney Water, is necessary to ease the pressure new home buyers. ASIC data consistently shows an over-representation of businesses in our sector registering for insolvency. There is no profit in our sector to eat into. So the result of forcing the cost of the delivery of necessary water infrastructure onto the property development community is to ensure that the property is not developed, because the completed homes are neither feasible nor affordable in greenfield locations when the relevant fees, taxes and charges are applied.

If IPART limits the water price increase as proposed, housing supply will be significantly curtailed, directly impacting on new home buyers and rental costs. This will exacerbate the current cost of living crisis.

While the NSW State Government has embarked on significant planning reform, the cumulative impact of fees taxes and charges, as well as a significant backlog in housing enabling infrastructure (particularly water infrastructure), remain critical obstacles to the delivery of the new housing that NSW needs and is required to deliver under the National Housing Accord.

Sydney Water has accepted this challenges and its price proposal submitted to the IPART was aligned to NSW Government policy – including its own Greater Sydney Water Strategy and Long-Term Capital and Operational Plan,

as well as broader requirements in the National Housing Accord 2022, the Transport Oriented Development Program and the Low and Mid Rise policy.

Sydney Water's proposal underlined its commitment to service growth across the Sydney basin and building resilience across the water infrastructure system moving forward. It also reflects a view that the cost of a growing Sydney, where the benefits of that growth were spread across the Sydney GMA, was most appropriately met and paid for by all Sydney water users.

The Sydney Water proposal gave the NSW Government a better chance of achieving housing targets within the Accord period (or at least getting close to them) and importantly service the infrastructure needs in Western Sydney.

It is therefore of great concern that the IPART's draft report works against the public commitments of the Minns Government in relation to boosting housing supply, recommending a staggering 35% reduction in capital investment (stripping almost \$6 billion from what Sydney Water proposed) as well as a 6% reduction (\$438 million) to core operating expenditure.

Urban Taskforce asserts that IPART has over-reacted to short term cost of living pressures.

The pricing proposal from Sydney Water would mean the typical household water bill would increase by \$2.49 per week. IPART's draft report proposes an increase of only \$1.17 per week.

IPART's analysis is based on erroneous housing projections

The Commonwealth, State and Territory Governments have all signed up to the National Housing Accord targets. For NSW, the target is 377,000 new homes completed over 5 years (commencing 1 July 2024). For Sydney, the housing growth target for the area covered by Sydney Water is 265,000 new dwellings built in the five years to end June 2029.

Sydney Water based their submission to IPART on the Housing Accord Targets published by DPHI for Sydney.

The first problem for the IPART arises from their failure of DPHI to update their Sydney Housing Supply Forecast (SHSF) since 2023.

It should be noted (as Sydney Water did) that this figure was a projection made before the details of the TOD policy was announced; before the Low and Mid-Rise Housing policy was finalised; and importantly, before the Housing Delivery Authority was even conceptualised.

The DPHI 2023 SHSF was 155,000 for the 5 years.

Sydney Water then (reasonably) factored in the new planning policies and funding from both the State and Commonwealth Governments, and forecast with “high confidence” growth in Sydney of 195,000 dwellings.

While this is still well below the NSW Government's Housing Accord target which is 265,000 for Sydney (also published by DPHI), but it was a realistic assessment of likely supply in the period being considered.

The problem is, IPART appear to have simply taken the DPHI Sydney forecast figure from 2023, applied no adjustment for all the changes in NSW planning policy or funding, then compounded this error by applying a further discount by 20%.

IPART based their pricing for the delivery of new infrastructure and maintenance of existing infrastructure, on the NSW planning system delivering only 120,000 in Sydney over the next 5 years.

Sydney Water asked IPART to approve \$16.9 billion in capital expenditure over the five years. IPART approved only \$10.7 billion. This represents a reduction in capital investment of \$5.9 billion. Either Sydney Water will run out of money and housing supply will stop.

The \$5.9 billion reduction in capital expenditure is an ill-timed handbrake on growth, particularly in greenfield locations, which means that Sydney Water will run out of money and housing supply will stop, or water service and maintenance quality could deteriorate. IPART will be directly responsible for extending the housing supply crisis.

Recommendation 1: that the IPART amend its draft report and accept the pricing proposal put forward by Sydney Water based on the high confidence growth projections for Sydney housing of 195,000 dwellings in the 2025-2030 period

Overemphasis on short term cost of living versus long term needs of Sydney

One of the key factors that IPART appears to have taken into account is a letter to IPART the Premier of NSW signed on 24/08/2024, which stated as follows:

To help address these pressures, pursuant to section 13(1)(c) of the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)*, I require IPART to consider the following matters:

- the cost-of-living impacts of the price determinations
- the effectiveness of existing rebates to manage the social impacts of the price determinations, including if the program will adequately support customers who may be disproportionately impacted by any price increase
- opportunities to adjust project timelines within the price determination period and over the next ten years to minimise price impacts and, if necessary, to reduce the proposed capital programs in line with least cost planning principles, and
- deliverability of the proposed capital plans based on capability and market conditions.

p.158, IPART, Sydney Water prices 2025-30

It appears that the IPART has placed a high emphasis on the first dot point in the Premier's letter but have completely ignored the broader and much more significant impact on housing affordability (including rental costs) associated with their draft report. The proposal from IPART also works against the Premier's to Government agencies direction in terms of boosting housing supply.

Sydney Water's original proposal would see typical household bills for water and wastewater services increase, on average, by around \$130 (or 8.9%) each year over 5 years plus yearly inflation.

In paring back Sydney Water's much needed capital expenditure, the IPART draft report scales those price increases around \$61 (or 4.6%) each year over 5 years plus yearly inflation.

The restriction of water infrastructure roll out will only add to the severe housing shortage face in Sydney, thereby continuing to place strong upward pressure on housing over the next 5 years, far more than the savings proposed by the IPART draft report. It is a heavy price to be paid by new home buyers in order to save little more than \$1 a week for established customers.

Urban Taskforce Australia suggests the Government review rebates and assistance for low-income households at the Sydney Water pricing proposal. An increase in rebates to identified consumer subsets would allow the Government to ensure these groups are not financially worse off but at the same time allow Sydney Water to have the capital to better deliver the broader housing needs of Sydney.

Recommendation 2: that the IPART adopts the Sydney Water pricing proposal and recommends the NSW Government appropriate increases in targeted rebates to manage impacts of the new pricing determinations

Ensure no double dipping on existing development where developer levies for water infrastructure have already been paid

While Urban Taskforce supports a broad approach to meeting the costs of water infrastructure through minor increases in water bills, the IPART report must consider a relatively small number of developments where fees have been previously paid (through VPA's, DSPs and State Infrastructure Charges etc) to help meet the cost of water infrastructure where they have built homes which are still held by the development entity and are being rented through the rental market.

Recommendation 3 - should IPART accept the original pricing proposal of Sydney Water, developments where charges have already been levied for the provision of water infrastructure should be discounted from any new charges.

Implications for housing supply, choice, affordability and fairness

The consequences of this draft report are significant for the cost and supply of new housing in Sydney. The draft report has opted for short term cost of living concerns over long term implications for housing supply, affordability, housing choice and fairness in term of who pays for the infrastructure required for a growing Sydney.

If the Government relies on developer contributions to fund the gap created by the IPART report, these costs will simply be passed onto the purchasers of the affected new homes. These are generally younger individuals and families (more often than not the most productive members of society) struggling to break into the Sydney property market. Yet they are being taxed to pay for Sydney's growth, while established suburbs hardly contribute at all. Prices need to address these equity issues and underpin a broader solution to how Sydney pays for its growth.

Finally, the draft report will severely curtail the supply of detached housing through greenfield development. The draft IPART report effectively concludes that infill housing must be the choice of the large majority of individuals and families across Sydney.

If Sydney Water Infrastructure is not funded and not provided, then the cap on Sydney housing growth will be 120,000 funded by IPART's determination, and nothing like the 265,000 needed in Sydney to meet the National Housing Accord targets. With the National Housing Accord in operation, all decisions made in NSW must be focussed on meeting the housing targets required by the Accord.

IPART must reconsider their draft report and accept the modelling and pricing proposal of Sydney Water which reflects the housing targets agreed to by the Commonwealth and NSW Governments.

Should you wish to discuss this submission, please contact the Urban Taskforce's Head of Policy, Planning and Research, [REDACTED]

Yours sincerely



Tom Forrest
Chief Executive Officer