

12 December 2016

Dr Peter Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal of NSW
Level 15
2-24 Rawson Place
Sydney NSW 2000

By Email: [REDACTED]

Re: Prices for wholesale water and sewerage services Sydney Water Corporation and Hunter Water Corporation – Draft Report November 2016

Dear Peter,

The Urban Development Institute of Australia (UDIA) NSW is the leading property industry group promoting the responsible growth of this State. We have around 500 company members and more than 3,000 of their employees attend our events, sit on our committees, undertake training or are involved in the activities of the organisation on an annual basis. Our organisation is the oldest property development advocacy group in the country, having been established in 1962.

UDIA NSW is governed by a 13-person Council that is elected annually by the membership. We have 8 policy committees that meet monthly and they actively advise the council on policy positions. UDIA NSW aims to secure the viability and sustainability of urban development for our members and therefore the communities that they create. Our policy agenda seeks to establish a roadmap for more liveable, affordable and connected cities to be built in NSW.

Background

UDIA NSW has made two previous submissions in regards to IPART's prices for wholesale water and sewerage services. These submissions, dated 12 October 2015 and 3 June 2016, are attached.

Pricing Criteria

UDIA NSW contends that any discussion regarding pricing methodology should be guided by the following criteria:

- Competitive neutrality
- Efficiencies
- Innovation
- Cost savings
- Investment certainty

A pricing methodology that negatively impacts on the ability of new entrants into the market cannot be considered best practice. WICA was enacted in 2006 with the intention of opening up the water utilities market to improved efficiencies and foster innovation in this space, this would lead to cost savings for the end user.

Without competitive neutrality and investment for new entrants a truly contestable utilities market will not be achievable. The start-up costs and significant cashflow constraints early in the cycle of

Urban Development
Institute of Australia
NEW SOUTH WALES

P O Box Q402,
QVB Post Office NSW 1230
Suite 2, Level 11, 66 King Street
Sydney NSW 2000
e udia@udia-nsw.com.au
t 02 9262 1214
w www.udiansw.com.au
abn 43 001 172 363

infrastructure provision, increased administration time/costs and the promotion of inefficient practices make it unaffordable for new entrants.

UDIA NSW contends that a 21st Century approach is required to address a 21st Century problem. A retail-minus approach stands in direct opposition to the intent of WICA, which is to create a contestable market in the provision of water and sewerage, encouragement of innovation in the sector, increased efficiencies and reduction in retail prices. This will lead to a situation where although WICA will continue to exist, because of a maladroit and archaic pricing methodology, new entrants will be prevented from entering the market and it will be the end user that suffers.

Conclusion

Fostering competition in the water sector is crucial in building affordable, liveable and connected cities. With major city shaping development occurring throughout Sydney and the Hunter, it is now more important than ever to create a sustainable pricing approach where contestability, productivity and innovation are at the forefront. Should government fail to meet this challenge it is hard to envisage innovative water solutions as seen at Barangaroo, Central Park, Green Square and Huntlee occurring again in the future.

Should you wish to further discuss any of the above please contact Justin Drew, General Manager, Policy & Strategy on [REDACTED] or at [REDACTED]

Yours sincerely



Stephen Albin
Chief Executive