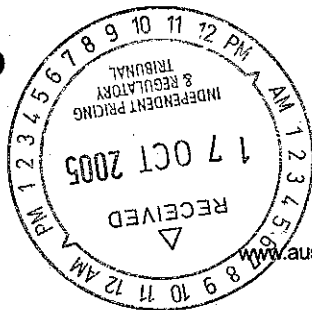


Bob



AusCID



**Australian Council for
Infrastructure Development
Limited** ACN 061 241 638

Suite 901, Level 9, 60 Pitt Street
SYDNEY NSW 2000

Australia

PO Box R1295

Royal Exchange NSW 1225

Telephone: (02) 9247 2022

Facsimile: (02) 9247 3477

E-mail: admin@auscid.org.au

14 October 2005

Investigation into Water and Wastewater
Service Provision in the Greater Sydney Region
- Draft Report
IPART
PO Box Q290
QVB Post Office NSW 1230

Dear Sir

Further to our interim response of 30 September 2005, please find attached a more detailed commentary on each of the recommendations made by IPART in its Draft Report.

As indicated AusCID is prepared to input further as may be required by IPART.

Yours faithfully,

Dennis O'Neill
Chief Executive Officer

RECOMMENDATIONS	AusCID Position	Actions or Notes
<p>1. The Government require water authorities in the Greater Sydney metropolitan area to use competitive sourcing to procure additional water supplies.</p>	<p>Endorse</p>	<p>Standardised forms of contract will facilitate competition</p>
<p>2. The Government require water authorities in the Greater Sydney metropolitan area to separate its competitive sourcing activity from the rest of its operations.</p>	<p>Endorse and strengthen to regulate more effectively "in-house" competitive bidding</p>	
<p>3. The Government require Sydney Water to consider using more innovative, outcomes-based competitive procurement.</p>	<p>Endorse</p>	<p>Standardised forms of contract will facilitate competition</p>
<p>4. The Government establish a state-based access regime for water and wastewater infrastructure, based on a 'negotiate and arbitrate' model.</p>	<p>Endorse principle of access regime but query benefit of "state-based" access regime in light of proposed changes to Part 111A of TPA. Preferred outcome should be a regime which is consistent with nationally agreed (COAG) access and regulatory principles.</p> <p>After a short transition period, and subject to careful benefit-cost analysis, all customers should be entitled to enter supply contracts with 3rd party providers, irrespective of size or category.</p>	<p>Caution here that the water sector may not share similar characteristics to the energy sector Devil will be in the detail. FRC may not deliver the benefits expected of it.</p>
<p>5. The Government incorporates the Tribunal's recommended framework in the access regime, comprising of:</p> <ul style="list-style-type: none"> ▪ A regulatory mechanism that enables designated people to access all water and wastewater infrastructure; contracting freedom for the access seeker and asset owner; the access seeker and asset owner subject to arbitration by the Tribunal if agreement cannot be reached and regulatory guidelines that set out its interpretation of relevant infrastructure asset tests and establish relevant pricing principles. 	<p>Endorse, subject to commercial arbitration between commercially sophisticated parties also being available by agreement between the parties.</p>	

RECOMMENDATIONS	AusCID Position	Actions or Notes
<ul style="list-style-type: none"> ▪ A request/requirement for Sydney Water to publish indicative access prices and services. ▪ A possible contract monitoring program (where the Tribunal would monitor and audit the access prices) ▪ A future review point for the Tribunal to assess adequacy of access arrangements/regulation and inform Government of findings. 	<p>Endorse</p> <p>Endorse in principle</p> <p>Endorse subject to no retrospective adjustments</p>	
<p>6. Access to water and wastewater infrastructure be priced according to the Efficient Component Pricing Rule (ECPR)</p>	<p>Need to analyse further</p>	
<p>7. That the Government not undertake structural disaggregation of Sydney Water at this time.</p>	<p>See comment under 2. above</p>	
<p>8. The Government review current legal and regulatory arrangements to identify all statutory impediments to private sector involvement and competition in Sydney's water and wastewater markets.</p>	<p>Endorse</p>	<p>AusCID will assist if requested</p>
<p>9. The Government improve arrangements for the collection and dissemination of information about the water and wastewater market to better support private sector participation and innovation.</p>	<p>Regular "statements of opportunity" as per National Energy Market should evolve</p>	
<p>10. The Government establish property rights for sewage and stormwater and consider establishing property rights for the injection/withdrawal of water from storage facilities.</p>	<p>Endorse as this would provide greater certainty in relation to trading activity</p>	
<p>11. The Government ensure that clear and robust guidelines and rules are in place for all potential sources and applications of recycled water.</p>	<p>Endorse</p>	<p>The Guidelines need to promote rather than inhibit recycling</p>

RECOMMENDATIONS	AusCID Position	Actions or Notes
12. The guidelines and regulations for the use of recycled water be subject to ongoing review and development.	Agreed	Single Regulator needed.
13. The Government develop guidelines for valuing environmental impacts associated with the provision of water services in Sydney.	Endorse provided such guidelines factor into future pricing outcomes and revenue raised is hypothecated accordingly.	Should not impede recycling.
14. The prices of water, wastewater and other related services to small customers continue to be regulated by IPART.	A "safety net" price set by IPART is endorsed. Charges for the infrastructure may need to be regulated	Third party retailers could be higher or lower than the IPART safety net price
15. Where regulated services are not provided by a government agency, the legal basis for price regulation be established.	Competitive market will sort this out. Multiple, parallel price regulation is not required	
16. The prices of water, wastewater and other related services to large customers continue to be regulated.	See 14. Prices are better set in a competitive market for larger non-safety net customers	
17. The Government ensure appropriate regulatory obligations are placed on incumbents and new entrants to protect customers and the public interest.	Endorsed	
18. The Government adopts the Tribunal's suggested basic principles for the revised policy and regulatory framework.	Endorsed in principle	
19. The Government also take into account: principles of best practice; national competition reform principles; desirable features and characteristics.	Endorsed but strengthen beyond "take into account" to "apply"	
20. The Government establishes a central agency for one year initially which will report to a Cabinet Committee and be accountable for coordinating implementation of reform and reviewing and monitoring progress.	Endorsed	AusCID will be pleased to assist

RECOMMENDATIONS	AusCID Position	Actions or Notes
<p>21. The Government develops an implementation plan that includes a clear vision for reform, an outline of the immediate next steps and appropriate sequencing for subsequent areas of work.</p>	<p>Endorsed</p>	<p>AusCID will be pleased to assist</p>
<p>22. The Government progresses implementation in accordance with a pragmatic approach and timetable that recognises the magnitude of potential improvements.</p>	<p>Endorsed</p>	<p>AusCID will be pleased to assist</p>



AUSCID

**AUSCID MEMBERSHIP
OCTOBER 2005**

Full Members (Tier 1)

Abigroup
ABN AMRO Australia
AGL
Alinta
AMP Capital Investors
ANZ Infrastructure Services
Australia Pacific Airports Corporation
Australian Pipeline Trust
Babcock & Brown
Baulderstone Hornibrook
Colonial First State Investments
Commonwealth Bank of Australia
Deutsche Bank
Enertrade
ETSA Utilities
Hastings Funds Management
Honeywell Limited
John Holland Group
Kemp Strang
Leighton Contractors
Macquarie Corporate Finance
National Australia Bank
RREEF Infrastructure
Société Générale Australia
SP AusNet
Thiess
Transfield
Westpac Banking Corporation

Full Members (Tier 2)

Barclay Mowlem Construction
Challenger Financial Services Group
CrossCity Motorway
Dexia Local Credit
Egis Projects Asia Pacific
Halliburton KBR
James Fielding Group
Perpetual Investments
Royal Bank of Scotland (Australia)
United Group
United Utilities Australia
Veolia Water
WestLB

Personal Members

Blackbutt Partners
Kevin Dixon
Finlay Consulting
Gryphes
Hayne & Co
ITN Consulting
John Dorrian & Associates
Brian McDonald
Pearce Partners
Perry Partners
Symbiosis Solutions
Wilton Hanford Hanover

Associate Members

Allens Arthur Robinson
Arup
Blake Dawson Waldron
Carsons Group
Clayton Utz
Colin Biggers & Paisley
Corrs Chambers Westgarth
Deloitte Touche Tohmatsu
Ernst & Young
Fitch Ratings
Freehills
FSA Inc.
GHD
Gilbert & Tobin
GridX Power
Hawker Britton
Hyder Consulting
KPMG Corporate Finance
Maddocks
Mallesons Stephen Jaques
Maunsell Australia
Melbourne University Private
Middletons Lawyers
Minter Ellison
Moody's Investor Services
Pacific Road Corporate Finance
Parsons Brinckerhoff Australia
Phillips Fox
PricewaterhouseCoopers
PricewaterhouseCoopers Legal
Richard Crookes Constructions
Sinclair Knight Merz
URS