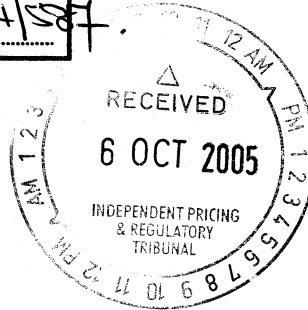


30 September 2005



Dr Michael Keating  
Chairman  
Independent Pricing and Regulatory Tribunal  
Level 2, 44 Market Street  
SYDNEY NSW 2000

Dear Dr Keating

*Investigation into Water and Wastewater  
Service Provision in the Greater Sydney Region.  
Comments on the IPART Draft Report*

On 20 September, 2005, the Australian Competition Tribunal (ACT) concluded its hearing of our appeal of the NSW Premier's deemed decision of February 2005 not to declare Sewerage Services in Sydney.

Services Sydney appreciates the opportunity to provide comments in response to your 'Request for submissions' concerning the above investigation that was released as a Draft Report on 2 September 2005.

In doing so, we are mindful of the ACT's pending ruling.

We had unsuccessful commercial dealings with Sydney Water over several years. This submission therefore focuses on issues that allow Services Sydney, at this time to 'get on with business', under existing Australian laws and Agreements.

We therefore submit:

- It is essential to have lengthy access periods to provide certainty for the investment markets. The National Competition Council recommended a period of 50 years;
- In the case of a commercial dispute, arbitration that enforces binding terms is essential. At this time, the ACCC has considerable experience and legislated rights in this regard;
- Commercial segregation of a monopoly business, which is covered in an effective access regime for Third Parties, should have individual accounting of the (separate) business elements. The draft recommendation not to disaggregate Sydney Water at this time, makes it impossible to achieve this;

- We do not agree that ECPR should be used for access pricing. The ACCC may have a different view during arbitration, given that Building Block and LRMC methods are widely in use;
- As recommended in the draft report, access to large customers only - in the case of Services Sydney - negatively impacts on the viability of our business. Around 80% of Sydney Water's existing customers are small and largely residential. In addition, IPART's draft report considerably narrows the scope of the Final Recommendation of the National Competition Council of December 2004;
- Some key components of an effective Third Party access regime have not been addressed in the Draft Report; such as:
  - Regulator's access to financial documents; and
  - Extension of facilities where required for access.
- The Final Recommendation of IPART, as and when forwarded to the NSW Premier, is not binding on the State of New South Wales; and
- If and when accepted by the Premier, it may take several years to enact an effective Third Party access regime for New South Wales.

Sydney currently faces significant water investment decisions involving major social equity and environmental considerations.

They are decisions that will cost billions of dollars.

Funding for these alternative infrastructure options, payable by future generations over many decades to come, will be mostly by small and predominantly residential consumers.

The ability for consumers to determine - on a level playing field - what constitutes 'value for money' remains a major cornerstone of competition. In this regard, we refer the Tribunal to our 4 March 2005 submission to IPART.

Thank you once again for the opportunity to make this submission.

Yours faithfully  
Services Sydney Pty Ltd



John van der Merwe  
Director