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Regional Chamber of Commerce ABN No: 85 135 165 722

31 January 2008

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1230

**SUBJECT Submission from Biznet Blue Mountains regarding the Review of
Developer Charges for Metropolitan Water Agencies
21 December 2007**

Biznet is the Regional Chamber of Commerce for the Blue Mountains and we would like to thank you for the opportunity to forward a submission to IPART, in relation to developer charges for the provision of water, sewerage, stormwater and recycled water services to new development in the Blue Mountains Region.

As the Regional Chamber of Commerce, Biznet is the contact between the NSW Business Chamber and the local chambers in our area. With nearly 200 members, we have an active role in representing the interests of business in the Blue Mountains and have had feedback from members expressing concerns about employment in the area and the impact these changes to developer charges would have on both employment and new developments, especially in areas such as the Lawson Industrial Site.

We feel the increase in these charges will represent a significant deterrent to economic growth in this Region. Revised developer charges in 2005/06 as per the attached table, resulted in rises of up to 490%. The major changes occurred to industrial land where the costs increased from \$179,604 PNHa to \$1,057,000 PNHa.

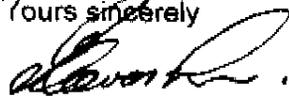
These charges were seen to be untenable and after listening to concerns from the Blue Mountains Community, Nathan Rees, Minister for Water Utilities reduced the charges to \$418,952 PNHa. This still represented an increase of 133% over the original 2005/06 charges in industrial areas. It should be noted that the Blue Mountains charges are the second highest on a list of 33 suburbs on the Sydney Water website. Whilst it is acknowledged that the revised formula will generally reduce charges in the Blue Mountains, the business community still believes that these charges are too high and will have a significant negative impact on the Region's economic position.

Whilst the number of parcels of commercial and industrial land affected may be relatively small, the consequences are significant. The specific issues of concern relating to increased developer charges in the Blue Mountains are:

1. Increased commercial and industrial developer charges will have a significant negative impact on development feasibility. The cost to develop commercial/industrial land is prohibitive and as a consequence land may not be developed for commercial purposes resulting in less employment. This is particularly relevant in the Blue Mountains as 51% of the work force already work outside of the area. This is the 2nd highest area in NSW after Sydney's North Shore.
2. The higher rates for industrial land will in particular, impact negatively on industrial land values and seriously undermine the region's jobs growth strategies. The increased development costs for undeveloped industrial sites will jeopardise the commercial viability of these sites, where there is already tenuous market competitiveness with other regions. Any resulting drop in values will potentially render some industrial estates e.g. Lawson Industrial Estate as "white elephants"
3. Unlike residential development, commercial/industrial development has broad catchments and their supply can be based in neighbouring LGAs, if economics are favourable. Unless the Blue Mountains LGA can provide land competitively to surrounding LGAs/regions it will lose out, resulting in further job losses.
4. Development is limited and infrastructure cost already high due to the need to protect the world heritage listed National Park – a responsibility of the Federal and State Governments.
5. The percentage of commercial and industrial land affected, whilst extremely important to the local economy, is relatively small and will not have major impact on State funding if charges are reduced to a level that allows for commercially viable development.
6. The current formula for calculating developer charges appears to be based largely on the capital cost of the assets required to service the area. Whilst it is acknowledged that the terrain of the Blue Mountains can in some cases increase the cost of providing such assets this needs to be balanced against the broader social and economic impacts that will result from unrealistic development costs. In other words developer charges need to take into account governments' community obligations and not just the cost of providing the service.

In putting forward this submission to IPART, Biznet requests that the serious implications to future economic development in the Region arising from increases in developer charges i.e. the potential impact on housing affordability and potential loss of commercial and industrial development be taken into account. Biznet asks that Sydney Water absorb any increases in cost for industrial/ commercial land by reverting to 2005/06 charges.

Yours sincerely



Peter Cowan-Lunn

President