



1 February 2008

Independent Pricing & Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Sir,

Reference is made to:

- IPART's, Water – Issues Paper, dated November 2007;
- Sydney Water's submission to IPART, dated 21 December 2007;
- Landcom's Submission to IPART, October 2006 in response to Sydney Water's review of Developer Charges and subsequent letter to IPART of 2 November.

Landcom notes that the current formula for the calculation of developer charges is a result of a September 2000 IPART determination and welcomes this current review.

Landcom understands the rationale for the current mechanism, but would argue that:

- it is overly cumbersome, to both the agency making the calculations and the development industry reviewing the appropriateness of changes for over forty water DSP areas and thirty wastewater DSP areas;
- it has inherent geographic and generational inequities;
- it has the potential to adversely impact on development rates in the metropolitan growth sectors;
- is counter intuitive with higher charges applying as the result of BASIX;
- exacerbates the difference in the potential cost impact to new growth areas as opposed to the cost of new developments in established areas;
- exacerbates the DSP charge differential that arises as a result of the differing treatment standards that are required in different geographic catchments; and
- it is not particularly effective in acting as an economic signal to determine the pattern of new development.

Sydney Water has stated that the current formula does not generate a consistent set of charges that reflect the costs incurred by that agency to service new urban growth. Further, Sydney Water has indicated that the current formula will become increasingly difficult to apply in the future and in turn, this will increase the costs and reduce the transparency of the DSP charges.



Landcom is a strong advocate of Sydney Water's desire for a simpler and more transparent approach that still reflects the cost of servicing new urban development.

One of the outcomes of the suggested Sydney Water approach would be a levelling effect whereby DSP charges would be reduced in some western areas and where a DSP would be introduced to some inner and coastal areas where this is generally no charge at present. Any change that results in such an equalising outcome is to be supported. Landcom supports this approach as a land developer that is involved in both residential projects in Sydney's outer metropolitan areas as well as large scale urban redevelopment projects in the inner city and along the coast.

Currently, areas that are being developed in the NorthWest and South West growth sectors generally face high DSP charges that are combined with high development costs – all to be paid upfront at the start of a new project. Reforms to the way that DSP charges are calculated could provide a more efficient mechanism, that still provides Sydney Water with full cost recovery for water and sewerage infrastructure, but that does not significantly impact on a select group of end consumers at a particular point in time.

Whilst supporting Sydney Water's submission, Landcom would suggest that it is perhaps timely for IPART to consider alternative regimes and the advantages and disadvantages that would arise out of different potential charging mechanisms. For example:

- the introduction of a uniform DSP charge that would be levied across all of Sydney's metropolitan areas encompassing both greenfield and brownfield developments, i.e. a combined water and wastewater component that would result in a new DSP charge of approximately \$2,000 per equivalent tenement; or
- an increase to the marginal cost of water for all Sydney Water consumers. We understand that this would need to be in the order of magnitude of approximately \$20 per per year to the average household.

Either of the above scenarios would still provide Sydney Water with the required level of funding to build the necessary infrastructure with the added benefits of creating:

- a simpler and more transparent system;
- a more equitable environment with contributions from both new and established areas;
- an immediate and positive impact to the feasibility of projects in the growth sectors;
- a new paradigm that may assist future water and sewerage infrastructure providers enter the market: and
- an improved charging system that is more analogous to reforms that have occurred in other jurisdictions; thereby creating a more competitive environment for NSW to residential developers that operate on a national basis.

Landcom appreciates the opportunity of making this submission and would be pleased to amplify comments or provide further information if required and participate at future workshops. With sufficient notice, Landcom would be able to extract information on specific developments (both brownfield and greenfield) to be used as case studies if this is seen as useful.

Please contact me or Suzie Jones on 9841 8600 if you wish to discuss any aspect of this submission.

Yours faithfully



Mick Owens
General Manager Urban Development South