

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF GOSFORD CITY COUNCIL'S AND
WYONG SHIRE COUNCIL'S DEVELOPER CHARGES

Tribunal Members

Dr Peter Boxall, Chairman
Mr James Cox, CEO
Mr Simon Draper, Part-Time Member

Members of the Secretariat

Ms Lucy Garnier and Mr Con Read

At the Quality Inn
The Willows, 512 Pacific Highway, Wyoming

On Monday, 12 November 2012 at 2.00pm
.12/11/20121
Transcript produced by Merrill Corporation

1 OPENING REMARKS

2
3 THE CHAIRMAN: Once again I would like to welcome you to
4 this public hearing being conducted by the Independent
5 Pricing and Regulatory Tribunal. The public hearing forms
6 part of our determination of the maximum developer charges
7 that can be levied by Gosford City Council and Wyong Shire
8 Council for the period commencing 1 July 2013.

9
10 For those who did not attend this morning's session,
11 I am Peter Boxall. I am the chair of IPART. On my right,
12 is Jim Cox, the chief executive officer and full-time
13 tribunal member, and on my left is Simon Draper, tribunal
14 member.

15
16 Developer charges are up-front charges levied by water
17 agencies on land developers. They are designed to recover
18 some of the costs of providing water-related infrastructure
19 to new developments. They help signal the cost of
20 developing land in a particular area and also pass on to
21 developers some of the risk associated with infrastructure
22 provision.

23
24 Our most recent determination for developer charges
25 for Gosford Council and Wyong Council was issued
26 in September 2000. Our pricing approach for developer
27 charges sets the methodology for water agencies to
28 calculate their own developer charges rather than IPART
29 fixing specific charges. Because of this approach, our
30 developer charges determinations have not had a fixed term
31 of application; rather they have run until we decided that
32 a review was needed.

33
34 In May 2012, Wyong Council requested that IPART make a
35 new determination for Wyong Council's developer charges.
36 It specifically asked for a review of various calculation
37 parameters used in the methodology. The parameters have
38 not been updated since September 2000.

39
40 Wyong Council has not advised us of any concerns
41 with the methodology set out in the determination and we
42 do not propose to set a different methodology for the
43 council as part of this review. Consequently we have
44 decided to make a new developer charges determination that
45 sets new calculation parameters to take effect from 1 July
46 2013.
47

1 Gosford Council has not made a formal request for a
2 new determination; however, to maintain pricing consistency
3 on the Central Coast, we have decided to make a new
4 developer charges determination for both Wyong and Gosford
5 councils.

6
7 As part of this investigation, we released an issues
8 paper in June 2012 which sets out key aspects of the review
9 process. Our issues paper outlines the matters we consider
10 important to this review. They include our approach to
11 price setting, the matters that our Act says we must take
12 into account in conducting investigations, and a draft
13 timetable for the review.

14
15 In the issues paper, we called for submissions from
16 Gosford City Council and Wyong Shire Council, from their
17 customers and from other stakeholders. We have received
18 just submissions from the councils; therefore, this hearing
19 will allow the tribunal to hear from the councils and to
20 question the proposals detailed in their submissions.

21
22 At the conclusion of each of the scheduled
23 presentations, I will make further time available for
24 members of the public to express their views and opinions
25 on the proposals that have been put before us by the
26 councils.

27
28 The councils' submissions are available to the public
29 on our website, and we will also publish the transcript of
30 today's proceedings on our website in the next few days.

31
32 Finally, I would like to say a few words about the
33 process for this hearing. Each council has been allowed
34 its presentation time followed by question time. The IPART
35 secretariat will ask a series of questions of each council.
36 A short period will then be allocated for any questions
37 from the floor.

38
39 Assisting the tribunal today are the tribunal
40 secretary members Lucy Garnier, program manager, and
41 Con Read, analyst.

42
43 We will commence today with a short presentation from
44 IPART's Lucy Garnier and then we will have presentations
45 from each of the councils. Thank you, Lucy.

46
47

1 OVERVIEW

2
3 MS GARNIER: I will start by giving a brief history of
4 developer charges to give the context for this current
5 review. We had the first developer charges determination
6 in 1995, to which we added a supplementary note in 1997,
7 and a new, and current, determination in 2000. As you are
8 aware, the determination defines the methodology, but not
9 the dollar amount, and it uses an NPV approach that allows
10 some costs revenues to be reconciled to a single value by
11 discounting them to today's dollars.

12
13 For the context of this review, as the chairman just
14 said, in May of this year, Wyong Shire Council requested
15 that we review the parameters that are in schedule 5 of the
16 2000 determination. In June 2012, the tribunal approved
17 that that review would proceed, but limited to the items in
18 schedule 5, and it commenced the review of both councils,
19 as Dr Boxall said, to maintain consistency across the
20 region.

21
22 What we are still proposing to do, given that we have
23 had no other submissions requesting any other changes, is
24 that we are proposing to go ahead and review the parameters
25 and not develop a different methodology for the main body
26 of the determination.

27
28 Just so that I am not talking in code, schedule 5 of
29 the developer charges determination defines the real
30 discount rates to be used for the pre-1996 assets and
31 associate equivalent tenements, post 1996 assets and ETs, a
32 discount rate for expected net revenues and costs and
33 associated ETs. It also defines the consumption per annum
34 for an average residential customer and it also gives a cap
35 for Wyong Shire Council developer charges.

36
37 We asked the councils and other stakeholders what they
38 would propose for each of these parameters and these tables
39 just summarise what has been recommended or requested by
40 the councils. For the pre-1996 assets, the current value
41 is zero per cent, and both councils asked for zero per
42 cent.

43
44 There were three options. One is that the tribunal
45 could set a fixed rate. Another option is that the
46 tribunal could set a variable discount rate that varied in
47 line with the WACC; and another option is that it could set

1 a variable discount rate that is benchmarked to some other
2 source, for example, a New South Wales Treasury figure.
3 The options for all discount rates are pretty much the same
4 as that, but for the post-1996 assets currently they are at
5 7 per cent, and both councils have asked for 7 per cent,
6 and the expected revenues are also 7 per cent, but we have
7 the same options as we have with the pre-1996 assets.

8
9 The current values and the consumptions for the
10 councils are quite dated now. They reflect the current
11 consumption in 2000 when the determination was set.
12 Gosford and Wyong have recalculated their average
13 consumptions based on more recent consumption, giving
14 168 kilolitres for Gosford and 160 kilolitres for Wyong.

15
16 Again, there are two proposals that the tribunal could
17 decide between: one is to set a fixed consumption figure,
18 as we did in 2000. The chances are then that we may find
19 ourselves in a similar position in a few years time and
20 that it is outdated; or the tribunal could set a
21 methodology for a variable consumption figure that varies
22 in line with what is in your periodic prices determination
23 at that time. So those are the options that the tribunal
24 will be considering over the course of this review.

25
26 With regard to the cap, at the moment Gosford does not
27 have a cap on its developer charges. Due to historical
28 reasons, there is a cap of 85 per cent on Wyong's developer
29 charges. Both councils have proposed that that cap be
30 removed. That is basically the context of this review.

31
32 THE CHAIRMAN: Thank you, Lucy. We will ask Wyong
33 Shire Council to kick off seeing it asked for the review.

34
35 WYONG SHIRE COUNCIL

36
37 MR WHITTAKER: Thank you, Mr Chair. Thank you, tribunal
38 members. I am Mike Whittaker. I am the general manager of
39 Wyong Shire Council. I want to thank the IPART staff too,
40 who have worked closely with us with this anomaly as far as
41 Wyong Shire Council is concerned.

42
43 We will make a very short presentation today,
44 Mr Chairman. We want to talk about the current developer
45 service charge methodology and proposed adjustments to the
46 current methodology.

47

1 We are in agreement with the IPART staff that the
2 current methodology obviously needs a review. It was
3 brought into place in October 2000, so we are some 12 years
4 down the track. We have no particular problem with the
5 current methodology, but we are proposing just two
6 amendments.
7
8 The two amendments, as has been highlighted by Lucy,
9 are very much around the water consumption parameter and
10 the 85 per cent cap. In all of our research, we could not
11 find any logic or documentation that underpinned the 85 per
12 cent cap. It goes against everything that we, I guess,
13 work towards, which is that, as a developer wants to bring
14 certain infrastructure online, we don't mind forward
15 funding that, but we do need to actually recoup 100 per
16 cent of that.
17
18 It would leave council in quite a difficult position
19 if this cap were to go forward. It would leave a
20 differential structure in regards to developers going to
21 Gosford or, alternatively, going to the Hunter or Sydney,
22 as compared with Wyong, so there needs to be that level
23 playing field.
24
25 We have talked about the water consumption at the
26 previous presentation. The change is as a result of the
27 drought that we suffered here on the Central Coast.
28 Whereas 205 kilolitres was the consumption previously, the
29 figures are showing now that it is at 160, and it will not
30 go above that.
31
32 With regard to the two options put up by the staff of
33 IPART, either one is eminently sensible, as far as we are
34 concerned. If it is a set figure, then we would want it to
35 be to the rate that is actually being consumed, being
36 160 kilolitres. If it is a variable rate, then obviously
37 there is the appropriate review mechanism that will pick up
38 whatever the consumer's consumption is at that time.
39
40 As part of our submission, and to demonstrate
41 completeness to our consumers and also to yourselves, we
42 modelled four scenarios over the actual period of time.
43 Those four scenarios were using the existing actual
44 consumption rate of 169 kilolitres with the 85 per cent
45 cap, the actual consumption rate of 160 kilolitre without
46 the 85 per cent cap, and the 205 kilolitres, both without
47 and both with - I think you get my message there.

1
2 The scenario actually out of those four models is that
3 there would be cross-subsidisation of anywhere between
4 \$970,000 to \$1.85 million, except on scenario 4, which was
5 the one that actually deals with the true consumption and
6 without the cap.
7
8 That is the end of my presentation. If there are any
9 questions, I am happy to answer them.
10
11 THE CHAIRMAN: Thank you very much, Mike. Any
12 questions for Mike? Con, Lucy?
13
14 MS GARNIER: Just in practical terms, how long would it
15 take you to introduce new developer charges on facing
16 revised parameters?
17
18 MR WHITTAKER: If there were to be revised parameters, we
19 had actually talked about introduction by 1 July 2014.
20
21 MS GARNIER: This is a specific question about your annual
22 information return. You have shown a significant reduction
23 in cash contributions from July 2013 onwards.
24
25 MR WHITTAKER: Yes.
26
27 MS GARNIER: Can you explain why that is?
28
29 MR WHITTAKER: Obviously how we strike our budget is
30 based on a number of variables. Two of the strong indicators
31 are clearly our costs in regards to the provision of the
32 service and then in regards to the past trends; so we
33 actually monitor what has actually been expended.
34
35 Over the last number of years, the amount of money
36 that has been coming through from developer contributions
37 has waned quite significantly. It is a reflection of the
38 property market. The growth which was anticipated that we
39 actually had in our model was talking about growth patterns
40 of 2 per cent. Growth now has gone less than 1 per cent
41 and we are anticipating that it could even flatten further
42 over the next number of years. On that basis, we have
43 actually, through our budget modelling, anticipated what
44 the real realities are.
45
46 MR READ: Talking about discount rates now, that is one of
47 the bigger topics. You have recommended in your submission

1 that we continue with a 7 per cent pre-tax rate placed
2 post-1996 assets. What is your reasoning for going for
3 7 per cent? Have you done any modelling on that or have
4 you done any scenario analysis or anything to say why, or
5 is it just because it is the current methodology?
6
7 MR CASHIN: Well, it was the existing methodology --
8
9 THE CHAIRMAN: Sorry, could you identify yourself, please.
10
11 MR WHITTAKER: This is Greg Cashin, who is my manager,
12 who has oversight over all of my capital works for water and
13 sewer. Obviously a key component of our revenue stream is
14 the developer contributions and Greg looks after the
15 details.
16
17 MR CASHIN: We focused, with this review, on the
18 parameters that were causing us a problem, being the cap
19 and the consumption parameter. We didn't have any issues
20 with the discount rate of 7 per cent.
21
22 MR READ: In our issues paper, we gave some options to use
23 for setting discount rates. One of them was to set it at
24 the same level as the periodic charges, which would be
25 contemporary all the time and updated. Do you see any
26 advantage or disadvantages in adopting that rather than
27 having 7 per cent?
28
29 MR CASHIN: I think in terms of all parameters, if they
30 were to be updated with each review of the periodic charges
31 and then implemented in the DSP 12 months later, that would
32 keep it all up to date and contemporary. Under the
33 existing methodology, they would need to be done every five
34 years anyway just to bring it up to a four-year cycle.
35
36 MR WHITTAKER: I would endorse that if IPART's
37 determination was reflective of what the actual is.
38 I guess the only condition or predication I would place on
39 that is that is the same for our various other suppliers so
40 that the development industry has a level playing field
41 across the Hunter and in Sydney.
42
43 MR READ: Thank you. I think when you were talking about
44 the consumption --
45
46 MR COX: Sorry, could I add something to that. Obviously
47 7 per cent is a figure that has been around for a long

1 time. Contemporary rates of return would be a bit lower
2 than that.
3
4 MR WHITTAKER: Yes.
5
6 MR COX: So if you have any difficulty with that, perhaps
7 you should think about it and let us know.
8
9 MR WHITTAKER: Yes.
10
11 MR READ: In your submission, you recommended using
12 I think it was 167 kilolitres, which was based on your
13 periodic charges submission, which is based on the average
14 over the next four years. To just pick five for the
15 periodic charges is fine for the near future, but the
16 biggest problem we see is that developer charges
17 determinations tend to go a lot longer than the four or
18 five years of the periodic charges. One of the problems
19 we have at the moment is that one is 12 years old, so the
20 figure in there is now out of date using a fixed number, so
21 it would seem perhaps more logical to use something that
22 varies with time. Do you have any reason for picking that
23 other than it was just the average? Were there any other
24 reasons that you had for that?
25
26 MR CASHIN: That is the average consumption. It mirrors
27 our existing consumption and what we are projecting going
28 forward. The existing determination is 12 years old, but
29 when council went to review it in 2006, I think, these same
30 issues with the cap and consumption arose, and it was
31 IPART's call at the time to continue the 2000 determination
32 and just index those prices.
33
34 I think there have been problems in the past going
35 back to 2000, as those parameters were outdated. You can
36 foresee that, going into the future, further similar
37 problems would arise, so I think it would make sense to
38 have a reset every four years when we do agree on our
39 consumption parameters.
40
41 MR READ: So when we revise periodic charges, are you
42 saying perhaps we should adopt that figure for your
43 developer charges? Is that what you are saying?
44
45 MR CASHIN: That's right. We would have 12 months then
46 to recap those developer charges and we would bring them in
47 12months later. So it is a rolling cycle with the

1 development charges offset by --
2
3 MR READ: It is not just the 160; you are saying it is the
4 kind of methodology we could come to use?
5
6 MR CASHIN: Yes; but on that, though based on the
7 experience of other entities, we don't see that that
8 160 will go back to anywhere near what it was like ten
9 years ago.
10
11 MR WHITTAKER: Importantly, as a council, and then
12 obviously as we get to transition across the Central Coast
13 Water Corporation, it allows us to develop appropriate
14 four-year delivery plans that are statutory and it allows
15 us to model truisms in regards to the numbers, and if there
16 are any sorts of variations or exceptions to that, it
17 allows us to put notes into our financials in our annual
18 report.
19
20 We are seeking some sort of certainty around that
21 recognising, as you well understand, that with development,
22 there is a precursor of some five years in the lead-in and
23 consents usually go for five years. But you can get a
24 substantial commencement with the consent, which means
25 they can sit in perpetuity after they have consent for
26 commencement, and we have to work through our
27 infrastructure plans and our capacity accordingly. So to
28 have some certainty around the numbers allows us to plan in
29 a proper way to go forward.
30
31 MR READ: Another option we thought of that would perhaps
32 answer your concerns was perhaps that the consumption
33 figure be based on the long term average, say, over the
34 last 10 or 20 years, which would then take into account all
35 of the peaks and troughs because of droughts and whatever.
36 What is your opinion on adopting that type of system?
37
38 MR WHITTAKER: I will start, and perhaps one of my
39 officers may have something supplementary to add, through
40 you, Mr Chair. Before the drought, I would have said that
41 that would be eminently sensible. As a result of the
42 drought, recognising that we ran an enormous program that
43 was supported by our community, consumption literally went
44 down from 220 to 140 at one stage. It is just such a
45 material change. I think it must be understood that that
46 was quite unique. We have been expecting some change since
47 the drought started to break, in some way, in 2009; yet the

1 figures have not bounced back. So modelling back such a
2 time frame would have a consequence.
3
4 In our surveys with our community before the drought,
5 water and sewer was just a service that people expected the
6 councils to provide. After the drought period, we really
7 got ownership and commitment to water minimisation. It is
8 one of our positive products with our community. Council
9 has to deliver a lot of regulatory and negative products,
10 but water and sewer is a very positive product and we have
11 a good reputation in water and sewer at Wyong. I think
12 I could say the same for Gosford in that regard.
13
14 The Central Coast community is very strongly aligned
15 after the battle that we had because of that drought. That
16 was reflected in 2006. When the Central Coast Water
17 Corporation Act was brought in, there was a suggestion that
18 it was going to be perhaps taken over by the state
19 government, 98 per cent of our community said, "No chance.
20 It is to be owned by the actual Central Coast community." ,
21 the unions also came out and we had this real personal
22 commitment to it. There needs to be an understanding that
23 the drought has caused us some difficulties, but it has
24 also been a very positive process to create this bond
25 between us and the consumer, and there should be a
26 recognition that probably trending it back too far and
27 including the drought would be an anomaly.
28
29 MS GARNIER: Just to move on to the 85 per cent cap,
30 obviously to remove that cap will cause quite big increases
31 in a number of charges in your area. There are two parts
32 to this question. Firstly, do you think that will have a
33 detrimental effect on the affordability of new houses?
34 Secondly, do you have any proposals or any ideas for
35 reducing the impact that it might have?
36
37 MR WHITTAKER: The whole of the development industry is
38 a vexed one, in greenfield sites particularly. I am on a
39 special task force with the state government and the
40 Department of Planning looking at developer contributions.
41 So if the water and sewers development changed, which is
42 the 85 per cent capital, it would be an impact, I think, of
43 \$1,500 - that is our estimation - on the affordability of
44 those houses.
45
46 In other areas, the section 94 contributions are
47 raised through our planning process. Say, for new lots at

1 Warnervale, when we last did the section 94 plan, it was
2 supposed to deliver anywhere between \$43,000 to \$47,000 per
3 lot and it had to be paid as developer contributions.

4
5 The minister has now come in and set a cap on those
6 planning contributions to \$30,000. So the council has had
7 to pick up anywhere between \$13,000 to \$17,000 per lot.
8 What that meant was that we needed to deliver or reassess
9 the infrastructure that we intended to actually deliver.
10 So what we end up with is the amenity in regards to
11 hectares for open space or perhaps the specification around
12 roads has had to be adjusted. Therefore, what we will
13 have a look at is our other efficiencies in regards to
14 delivering our product on the water and sewer.

15
16 In the context of the total market around property
17 where the value of the land is X, the planning contribution
18 has been reduced quite dramatically - and our land prices
19 up here have dropped by 30 per cent. So we have the land
20 price down by 30 per cent, developer contributions per lot
21 through the planning process are down by \$13,000 to
22 \$17,000.

23
24 Over here, where we are setting up a proper commercial
25 enterprise of water and sewer, which should fully recover
26 its costs and not be cross-subsidised, it goes up by
27 \$15,000. You can see the true financial benefit to the
28 landowner; as far as affordability is concerned, it is
29 certainly in their favour.

30
31 MS GARNIER: So just from that, the next part of my
32 question about phasing it in or anything like that, you
33 probably wouldn't think that was necessary then?

34
35 MR WHITTAKER: We are happy to consider any suggestions
36 from IPART and we would work accordingly. We saw the
37 amount within the scheme of some of those other figures as
38 not a material amount compared with how much reduction
39 has actually already taken place and what we will actually
40 have to subsidise. A further transition just means further
41 subsidies from your existing community to new developers.
42 We think the fairness and equity around that is it perhaps
43 just not sound.

44
45 MR JOHNSON: My name is Ian Johnson. As I recall, when
46 you began the review in 2008, I think, a three-year
47 transition was proposed at that stage --

1
2 MR READ: I think so.

3
4 MR JOHNSON: -- to get rid of the 85 per cent. It was in
5 5 per cent increments. So it is not new and I just thought
6 I would raise that point.

7
8 THE CHAIRMAN: Thank you, Ian.

9
10 MR CASHIN: If I could raise a point as well, Mike
11 mentioned equity. As we move forward into the Central
12 Coast Water Corporation, with Gosford, Gosford obviously
13 does not have the 85 per cent cap that we have and for us
14 to go forward with a cap is a barrier to equity.

15
16 MR WHITTAKER: Just to assist the tribunal, Mr Chair, the
17 development service plans are quite complex in that we have
18 18 of those presently over the whole of our shire. Our
19 intent, if the methodology is accepted with some sort of a
20 variations, is that we will be rationalising that number
21 down to about two, and that will actually make it easier.
22 Gosford has already gone through that process.

23
24 In addition, within the actual development service
25 plans, they actually break up into sub-areas. You can
26 imagine the level of complexity for my staff and the level
27 of complexity for developers as they literally move around
28 even a couple of kilometres within the shire. So we have a
29 program to tidy that up. That is why we suggested a 1 July
30 2014 date. We believe we can actually tidy the methodology
31 up and then we will actually work with IPART over the next
32 tranche of determinations.

33
34 THE CHAIRMAN: It seems like a good project for reducing
35 red tape.

36
37 MR WHITTAKER: It absolutely is, this one.

38
39 THE CHAIRMAN: Thank you, Mike.

40
41 Are there any questions from the floor, please? Any
42 questions or comments? No? Thanks very much, Mike.

43
44 MR WHITTAKER: Thank you very much, Mr Chairman.

45
46 THE CHAIRMAN: Next we have Gosford City Council.

47

1 GOSFORD CITY COUNCIL

2
3 MR WILLIAMS: Mr Chairman, my name is Rod Williams. I am
4 the director of water and sewer with Gosford City Council.
5 I am here today to talk about Gosford's proposal for
6 developer charges to the members of the tribunal and to the
7 staff, and also to members of council and the community.
8 Thank you very much.

9
10 At Gosford City Council, we have delayed our review by
11 one year. There were supposed to be some changes, I guess,
12 between 2011 and 2012. We have done a new review for
13 2012/13, and because the charges have significantly
14 reduced, we actually got the council to implement those
15 charges effective from 1 July 2012.

16
17 There is a question, I guess, going forward as to what
18 those charges might be next year if the tribunal determines
19 that we need to change the water consumption figure or the
20 rate of return or some of those other aspects with their
21 methodology, but as indicated by IPART, we have followed
22 the procedure that is currently in the 2008 determination.

23
24 We went on public exhibition in April and May. As
25 part of that process, we also reduced our developer service
26 plans from 11 down to 2. As I just indicated, that
27 resulted in a significant decrease in developer charges.
28 Part of that, I guess, is the increase that has gone on
29 between the revenue that we have - the difference between
30 the water consumption charge and the fixed charges - and as
31 a result of that, the developer charges have gone down, as
32 I said.

33
34 This map just gives you a picture of the 11 areas that
35 we had there. They are the ones that are shown in the
36 grey. The original area for the CBD was that shown in the
37 dotted line there and now we have expanded that to the
38 orange area. So basically what we have is two developer
39 service plans, one for the Gosford CBD and one for the
40 redevelopment of those other areas that are shown in grey.

41
42 As indicated in the previous discussion with the
43 general manager of Wyong, we have gone for a retention of
44 the current discount rate. I think there was some debate
45 about whether the 7 per cent is appropriate. We would be
46 quite happy to work with the tribunal on that issue.

47

1 I guess developers like some certainty. I think our
2 view when we had these discussions with Wyong was to retain
3 the 7 per cent and, as they are going forward, to review
4 them every four or five years again. That is the sort of
5 period over which development takes place and developers
6 like to have some certainty as to what they might be up
7 for.

8
9 Currently we are looking at 205 kilolitres, but as
10 indicated earlier in the presentation that was given by
11 IPART, we are looking at the 168 kilolitres. We will see
12 on a later slide the impact that that has on developer
13 service charges. Of course we definitely support the
14 removal of the cap with Wyong and, as Greg Cashin
15 indicated, we are looking for equity and consistency across
16 the two councils.

17
18 The final slide relates to the resulting developers
19 charges. The top two lines there are currently what has
20 been adopted by the council under the 205 kilolitres per
21 person. Then, if you were to change it to 168, you would
22 see that there is an increase in the developer charges
23 overall.

24
25 I would like to point out that the cost, I guess, would be
26 markedly reduced. Just by way of example, the
27 redevelopment charges were around \$6,000 and in the
28 Gosford CBD, they were about \$8,000. That is one of the
29 reasons why Gosford City Council implemented these charges
30 fairly quickly after the public hearing when we got an
31 indication that the charges should be lowered.

32
33 Thank you very much for the opportunity to give a
34 presentation.

35
36 THE CHAIRMAN: Thank you very much, Rod. Any
37 questions? Lucy?

38
39 MS GARNIER: I am afraid my questions will not be very
40 interesting because they are very similar to what I asked
41 Wyong.

42
43 MR WILLIAMS: Could I ask my two staff to join me. So we
44 will have Liz Knight and also Rick Brocklehurst, who looks
45 after this area in Gosford and can help us with any
46 specific details.

47

1 MS GARNIER: In practical terms, how quickly could you
2 implement new charges?

3
4 MR WILLIAMS: As I indicated, we were very quick off the
5 mark. When we discovered that, charges went down by some
6 \$2,000 to \$3,000. We would look to do the change, if the
7 water consumption changes or the discount rate changes -
8 any of those parameters that we have discussed earlier. We
9 could implement that by 1 July next year. But again it is
10 an issue of consistency with Wyong. I think changes to the
11 current charges that we might adopt in council, we would
12 want to do in step with Wyong.

13
14 MR READ: You said 1 July next year. I think --

15
16 MR WILLIAMS: I know the general manager of Wyong
17 indicated 2014. We would probably need to have a
18 discussion on that.

19
20 MR READ: I think if you look carefully through the
21 developer charges in the determination, you would have to
22 give a 30-day exhibition period. I don't think you could
23 achieve what you have proposed with user charges by 2013.
24 You would not know what the new parameters are to that
25 date. I think it will take you more time, so I suspect
26 that what Wyong was saying is more practical.

27
28 MR WILLIAMS: I forgot that the determination would not
29 come out until next year.

30
31 MR READ: 1 July 2014 is probably more practical, I would
32 think.

33
34 THE CHAIRMAN: Anything else, Con?

35
36 MR READ: It is much the same. I think the reason why you
37 fixed it at 7 per cent was because it is the current one.

38
39 MR WILLIAMS: I think the only thing that I would like to
40 add to what the general manager said is that the developers
41 do want some consistency. They do want to be able to
42 calculate what the charges will be in the future.

43
44 I would not be, I guess, first up wanting to look at
45 the last 20 years and take an average, for the reasons that
46 have been suggested. Would feel much more comfortable
47 with a four to five-year fixed figure with developer

1 charges. Do you want to comment on that, Rick?

2
3 MR BROCKLEHURST: I am not sure that I have any
4 comments to add on that, at all.

5
6 THE CHAIRMAN: Sorry, could you identify yourself for the
7 record, please.

8
9 MR BROCKLEHURST: I am Rick Brocklehurst, Gosford City
10 Council water and sewer asset development officer. I work
11 in the development group. I have been involved in the
12 preparation of the DSP charges over probably the last
13 20 years for Gosford.

14
15 If you would like to repeat the question, I can answer
16 it.

17
18 MR WILLIAMS: We covered three or four questions, I think.

19
20 MR READ: I think you made the comment that you thought
21 the four or five-year period would be a good period, but
22 the problem with developer charges is that they tend to go
23 longer than four or five years as far as the determination
24 goes. If we pick your figure of 168, whatever it is, that
25 would then last perhaps for 10 years, but it then may be
26 out of date. So I think the question is: you picked a
27 specific value. Do you think perhaps it might be better to
28 go for a methodology rather than a value?

29
30 MR BROCKLEHURST: I think Liz Knight would be able to
31 answer that question a little bit better. Liz is actually
32 involved in the calculation assessments and the valuation
33 processes, whereas I actually prepare once we understand
34 the figures.

35
36 MR READ: Maybe I can explain. The figure you have at the
37 moment is 201 and that has been since 2000, and that is the
38 problem. If you were simply to pick another fixed figure,
39 it will be a problem again in ten years time perhaps, so --

40
41 MS KNIGHT: I think that the problem that we observed over
42 the last 12 years has been particularly marked because of
43 the drought and because of the significant change. If we
44 were to lock in a fixed figure for the next 10 or 12 years,
45 I don't think it would be such an issue, but I do think
46 that there is an advantage to tying it with the general
47 pricing submission process and estimates for forecasts. If

1 there was a mechanism built in to link the two
2 determinations, we would certainly be open to that, but
3 I don't think the fixed option has as much risk to it as it
4 had in the recent past.
5
6 MR READ: Would your thoughts be the same for discount
7 rates then? I mean do you like the idea of 7 per cent for
8 the next four years, but again perhaps in 10 years time
9 7 per cent might be very generous or it might be a very low
10 discount rate? Would it not be a better scenario perhaps
11 to have a variable rate?
12
13 MS KNIGHT: I think I will echo the comments of Wyong and
14 say that we are quite happy with the current discount rate
15 of 7 per cent, provided that level of service is
16 maintained.
17
18 MR WILLIAMS: Just to add to that, I think we would be
19 happy to have them reviewed every four or five years.
20 I think, with a view to having consistency and also
21 predictability, if we were to have a 7 per cent, or some
22 other figure that the developers could be certain about, in
23 what they are costing, that would be very helpful.
24
25 THE CHAIRMAN: Thank you. Are there any questions
26 from the floor?
27
28 MR WHITTAKER: I don't have a question, Mr Chairman, but
29 just a supplementary around that term and why a fixed term
30 would be valuable - not for a long period but for a four or
31 five-year maximum and then perhaps reviewing it. There is
32 also the cost of governance around the process of coming
33 back and engaging. We have so much public scrutiny, and
34 this is a lovely thing with public moneys, but we are
35 literally under review every year now and the cost of this
36 is quite extraordinary.
37
38 If it ends up being a four-year horizon, which then
39 goes with our electoral cycle, we will have new councils
40 coming in and we can actually work up a really professional
41 submission. If we had to do it every year, I think the
42 quality of the submissions would start to wane, and also the
43 members from the community who come forward would be
44 hearing the same things. I know four years sounds a lot to
45 some people, but in government it is not a long time. It
46 goes very quickly and things do not change that much for
47 us. So getting that certainty would be really valuable.

1
2 THE CHAIRMAN: Thank you, Mike. Jim?
3
4 MR COX: I have a question to Gosford. This is for
5 information, I think, more than anything else. You
6 mentioned that you had recently reduced your developer
7 charges. Can you explain what the thinking was that led
8 you to make that decision?
9
10 MR WILLIAMS: That is really an outcome of the
11 calculations with the increase in revenue that is coming
12 from the water usage charge versus the fixed charge.
13
14 MR BROCKLEHURST: I might be able to add to that.
15 Basically, historically, Gosford has had urban release
16 areas or development control plans since the 1980s. Some
17 of these are a legacy of 1980 when we had about 12 DSPs at
18 the time.
19
20 The areas are fragmented and there are a number of
21 constraints with developing in some of these areas. So
22 progressively, as developments have occurred, it has
23 reached a point where a lot of these areas could not
24 progress any further or there may only be a limited amount
25 of work to do in those areas, so it was therefore prudent
26 to look at all the areas.
27
28 What we did was we identified those that we felt were
29 still significant, and that was the Gosford CBD. We
30 previously had a redevelopment DSP, and then we had these
31 other 10 DSPs. We ran a few models and by agglomerating
32 all these minor DSPs that had been around for quite some
33 time, it basically made sense. Because of the small
34 amounts of the work to be required or some had 20 lots to
35 go or 10 lots to go, it just was not viable to maintain
36 them as a DSP.
37
38 So when we brought them in, two things drove the
39 revenue drop. The first one was agglomeration; the second
40 one was the 205 kilolitres and the increase in water prices
41 over the last five years. So as the prices went up, they
42 had an impact on revenue in the DSP figures and by doing
43 that, that elevated consumption rate and increased the
44 number of lot yields over the agglomerated DSPs. That
45 actually brought the charge right down. But it is a more
46 equitable charge, it is more palatable, and it drives
47 development. It just made sense to reduce those DSPs and

1 agglomerate them in with the other DSPs.

2

3 MR COX: Thank you for that explanation.

4

5 THE CHAIRMAN: Are there any other questions or
6 comments from the floor? Thank you very much, Gosford.

7

8 MR WILLIAMS: Thank you.

9

10 CONCLUDING REMARKS

11

12 THE CHAIRMAN: There being no other questions, we can
13 wrap up.

14

15 We will have a draft report out on 20 February 2013 -
16 that is the same date as the draft report on the councils'
17 prices - and there will be an opportunity to make
18 submissions on the draft report.

19

20 Once again, I would like to thank you very much,
21 Gosford and Wyong, for putting together these presentations
22 and for moving this issue forward. Thank you and have a
23 good afternoon.

24

25 AT 2.45PM, THE HEARING WAS ADJOURNED
ACCORDINGLY

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