

# Review of Mamre Road Stormwater Scheme - Summary of stakeholder workshops

11 June 2024

IPART has been asked to provide advice to the Government on:

- the efficient costs of providing stormwater drainage services within the Mamre Road Precinct
- the efficient allocation of those costs between developers, taxpayers and others.

On Tuesday 11 June 2024, we held 2 workshops with interested stakeholders to discuss their views on the scheme:

1. Workshop 1 – Developers, landowners and investors
2. Workshop 2 – Local Government, Sydney Water customers and other interested parties

This paper summarises the key matters discussed at these workshops, reflecting the views of participants. IPART does not express any views at this time.

Theme	Summary of discussion
<b>Overall comments on the scheme</b>	<ul style="list-style-type: none"> <li>• Stakeholders supported the regional stormwater scheme, but stated that they would like the scheme to be as efficient as possible and comparable in cost to other stormwater schemes, considering differences in scope (e.g. that the Mamre stormwater scheme includes a recycled water component).</li> </ul>
<b>Stormwater targets being fit for purpose and whether they drive higher costs</b>	<ul style="list-style-type: none"> <li>• Some stakeholders expressed concerns about how the targets were developed to meet waterway health objectives in the precinct, specifically:               <ul style="list-style-type: none"> <li>- One stakeholder expressed concerned that the targets may have been developed by a single stormwater engineering consultant and local ecologist and that there was a lack of peer review and consultation with industry</li> <li>- One stakeholder considered that the 90<sup>th</sup> percentile flow target that applies to the Wianamatta-South Creek increased scheme costs and went beyond a reasonable and efficient scope of works</li> <li>- One stakeholder commented that the same controls for a first or second order watercourse apply to the Wianamatta-South Creek, which is a third order watercourse<sup>a</sup></li> <li>- One stakeholder expressed concern that water quality targets were based on input data from one water monitoring station and applied to the whole watercourse</li> </ul> </li> <li>• Some stakeholders recommended that the Government should establish a technical workshop to resolve their concerns about the targets and that there should be a transparent dialogue with stakeholders.</li> <li>• One stakeholder considered that there could be lessons learned from Melbourne Water's process for revising targets, which, in their view, better matched controls to watercourse quality and order.</li> <li>• One stakeholder stated that the technical data behind the stormwater targets had not been made public and recommended a transparent peer review.</li> </ul>
<b>Whether stormwater targets are designed to achieve broader benefits</b>	<ul style="list-style-type: none"> <li>• One stakeholder considered that the broader benefits derived from achieving the targets should be acknowledged via lower costs for developers or an adjustment to Sydney Water's rate of return.</li> </ul>

<sup>a</sup> Stream order describes the hierarchy of streams from the top to the bottom of a catchment. A third order watercourse forms when two or more second-order streams join. Stream order is important in determining what regulations apply, for example, flow targets. See Department of Planning and Environment, *Fact sheet: Determining stream order*, accessed 25 June 2024.

	<ul style="list-style-type: none"> <li>One stakeholder considered that the broader benefits of the scheme are acknowledged by Government's decision to cap the bonding amount and fund the difference.</li> <li>Stakeholders commented that the original business case outlined \$6b worth of benefits from the scheme (across the whole aerotropolis), which should be considered against the costs of delivery.</li> <li>One stakeholder commented that the scheme was designed primarily to achieve the waterway health outcomes, but it also provides an alternative source of water and benefits for greening and cooling that result from the scheme design.</li> </ul>
<b>What has changed since the original business case</b>	<ul style="list-style-type: none"> <li>One stakeholder considered that the risk-based targets were satisfied by the original business case, which cost \$287k/ha and produced benefits of \$6b. They considered that IPART should examine what has changed and whether all costs and benefits are still present in the current proposal.</li> </ul>
<b>Developers' capacity to pay the current bonding amount</b>	<ul style="list-style-type: none"> <li>Stakeholders told us that developers invested in the precinct based on the original business case, which included a \$287k/ha bonding cost. They stated that, according to capacity-to-pay studies by Atlas and SGS, developers would not have invested if the cost exceeded \$300k/ha.</li> <li>One stakeholder stated that they could not continue investing in the precinct at a bonding cost of \$800k/ha and suggested that IPART consider the feasibility of the scheme at that cost.</li> <li>One stakeholder stated that customers and investors in the precinct would not accept the level of rent required to recover costs.</li> <li>One stakeholder stated that developer capacity to pay would also be affected by the new Housing and Productivity contribution levy that comes into effect in mid-2026, replacing the Special Infrastructure Contribution levy.</li> </ul>
<b>Availability of industrial-zoned land in New South Wales</b>	<ul style="list-style-type: none"> <li>One stakeholder stated that NSW has some of the lowest availability of land zoned for industrial purposes globally, which puts developers' ability to locate close to key NSW markets in Western Sydney at risk.</li> <li>Some stakeholders stated that if developers don't find it economic to develop in NSW, they will have to go interstate.</li> </ul>
<b>Broader community benefits of the scheme, including the recycled water infrastructure</b>	<ul style="list-style-type: none"> <li>Some stakeholders stated that the cost of recycled water harvesting was not included in the original business case and that these services provide benefits to a broader population.</li> <li>One stakeholder stated that wastewater from the recycled water plant is piped to a reservoir that has potential to service other areas. They considered that these costs should be apportioned between Government, other stakeholders in the precinct and ratepayers.</li> <li>However, one stakeholder commented that while developers may have low demand for recycled water, the land they are developing used to be farmland, which drained water more effectively. If they develop that land into warehouses, they are causing the stormwater to run off elsewhere, including into neighbouring properties. Therefore, they considered that developers should be responsible for paying to rectify that problem.</li> </ul>
<b>Investment certainty of the bonding amount</b>	<ul style="list-style-type: none"> <li>One stakeholder claimed that the bonding amount was still subject to Government agreement and may decide not to accept the recommended amount.</li> </ul>
<b>Impacts of land sterilisation on developers</b>	<ul style="list-style-type: none"> <li>Some stakeholders stated that until Sydney Water delivers the scheme, developers cannot develop their land because they must meet the mean annual runoff volumes (MARV) targets set out in the Development Control Plan on their site, which results in land sterilisation<sup>b</sup>.</li> <li>A few stakeholders expressed that they do not want interim land sterilisation on their business sites, because it limits the land they can use to develop their business. One stakeholder noted that 55% of land must be sterilised until Sydney Water's stormwater works are completed. They expressed concern that this affects their costs, because they can only develop around half of their land until then, which may take many years, even after the Development Servicing Plan (DSP) is approved.</li> <li>However, one stakeholder commented that until the final business case for the stormwater scheme is approved, if developers want to begin developing, they need to invest in interim solutions as a requirement of the Development Control Plan. They also considered that developers benefit from interim solutions because they can develop sooner than they would otherwise be able and that other parties should not bear those costs.</li> <li>One stakeholder commented that they were able to meet the MARV targets without the need for land sterilisation, but that this was not agreed by Government.</li> </ul>

<sup>b</sup> Land sterilisation refers to land made redundant for certain uses. In this instance, developers must set aside parcels or sections of their land for stormwater management and cannot develop it for other purposes.

<b>Uncertainty over timing of scheme delivery, land acquisition and other impacts on landowners</b>	<ul style="list-style-type: none"> <li>Some stakeholders commented that they would like to minimise the use of industrial-zoned land for stormwater basins, because it is not an efficient use of that land. However, they noted that in the northern area of the precinct, Sydney Water had not yet managed to remove all such basins from industrial-zoned land.</li> <li>Stakeholders queried the steps and timing of the scheme delivery, as well as planning approval pathways.</li> <li>Some landowners in the precinct expressed concern that in the absence of stormwater infrastructure, they face increased water runoff through their properties, noise and pollution.</li> <li>Landowners stated that they have no certainty over when their land will be acquired.</li> <li>One stakeholder suggested that either Sydney Water or the Government should acquire all land required for the scheme.</li> <li>One stakeholder commented that Sydney Water could not proceed with any works or land acquisition until they had formal Government approval of their final business case.</li> <li>One stakeholder commented that works would be delivered through a developer delivery model, which is a phased approach as development progresses over 3-5 years.</li> </ul>
<b>Precedent that the Mamre precinct stormwater scheme may set for the broader aerotropolis</b>	<ul style="list-style-type: none"> <li>Stakeholders stated their view that development of the broader aerotropolis would draw on the lessons learned from the Mamre Road precinct.</li> </ul>
<b>Scope for Sydney Water to deliver the scheme more cost effectively</b>	<ul style="list-style-type: none"> <li>One stakeholder stated their view that Sydney Water does not have to be a profit-making entity and could deliver the scheme more cost effectively. For example, they suggested it could reduce its required rate or return or the dividend that it delivers.</li> </ul>
<b>Costs of delivery are only one cost component</b>	<ul style="list-style-type: none"> <li>One stakeholder pointed out that costs of delivery are only one component of costs developers face in investing in the Mamre Road and broader aerotropolis precinct. For example, jobs and supply chain disruption to supplies necessary for economic growth in NSW.</li> <li>One stakeholder expressed concern about the cumulative effect of fees and charges in the precinct and how Sydney Water, the Government and local councils still need to resolve the roles and responsibilities between parties.</li> <li>One stakeholder noted that local council contributions plans do not currently collect payments for stormwater infrastructure, so costs need to be recovered from Sydney Water or other parties.</li> </ul>
<b>Who should bear the costs of acquiring land</b>	<ul style="list-style-type: none"> <li>One stakeholder considered that the cost of acquiring land should be additional to the scheme costs and potentially paid by Government or a different funding source.</li> </ul>