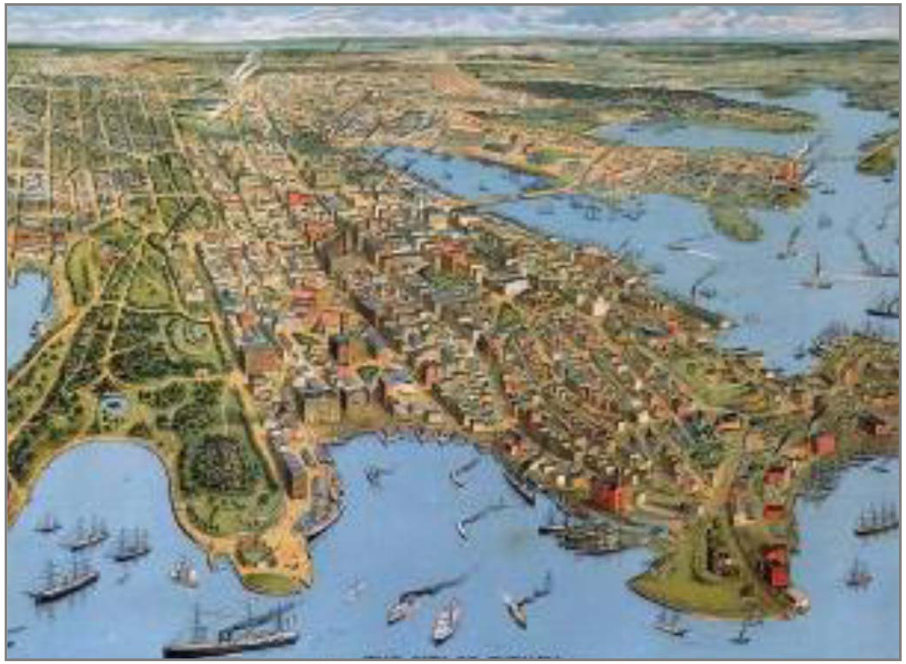
Who should pay for infrastructure in new urban developments?

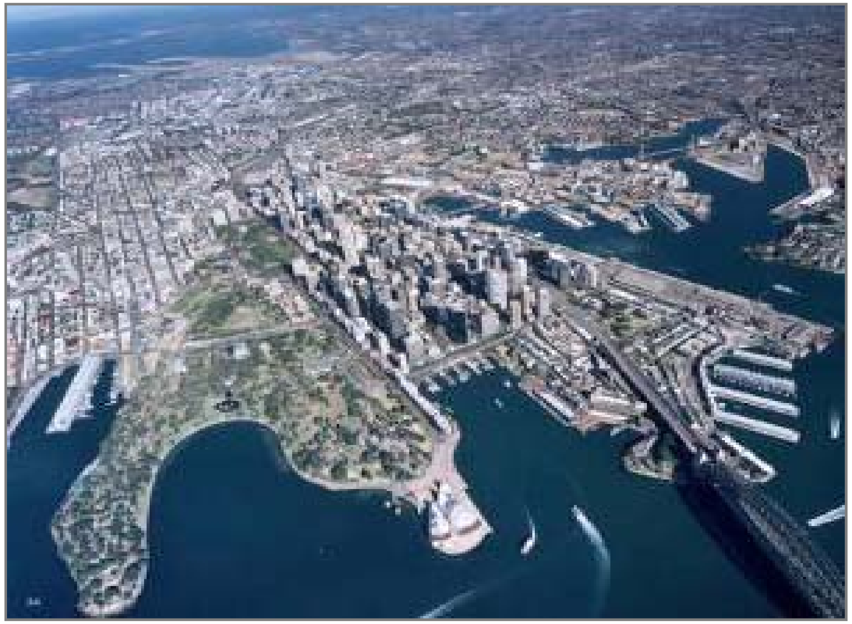
IPART conference

August 2012

The Need



- 5.6 million people by 2031



- 570,000 new homes

Sydney WATER

The five year plan

Area	Capital	Dwellings
Urban Infill	$108 million	79,000
Greenfield Excluding Growth Centres	$341 million	23,000
Northwest Growth Centre	$138 million	14,000
Southwest Growth Centre	$211 million	15,000
Total	**$798 million**	**131,000**

Delivery is efficient

- Staged Servicing
- Maximising Existing Infrastructure
- Interim Infrastructure
- Commercial agreements to share risk
- Precinct Acceleration Protocol and Landownder nominated sites
- Decentralised systems

Sydney WATER

Greenfield growth costs more

	Infill growth	Greenfield growth
Cost per lot	Less than $10,000	$15,000 - $25,000

The economic concept

If water prices higher in high cost areas **price signals** for development would be efficient

Under Postage Stamp Pricing, developer charges based on location could still send a price signal

Charge = incremental costs (capex and opex) Less incremental revenue

Funding for Growth – looking back

- IPART determined method for developer charges
- Sydney Water revenue of about $55 million per year, but
  - complex, over 90 combinations of charges
  - some charges were very high ($29 000 a lot)
- In Dec 2008, NSW Government abolished developer charges (except recycled water)

Sydney WATER

Funding options

Private or publicly provided, there are three options

All water customers pay

- Current approach
- $100m growth expenditure adds $4.00 to every annual bill

Developers pay

- Some jurisdictions have simple developer contributions schemes

Growth customers pay more

- Should charges be higher in high cost areas?
- Current government policy is for postage stamp pricing

A Hybrid approach?

- send better price signals
- fairer

Other jurisdictions

Victoria

Charge per lot of $600, $1,200 or $2,400

- Uniform across Melbourne depending on lot size
- Reviewing charges – looking at location specific based on incremental costs and revenues

Western Australia

Water	Wastewater	Drainage
$4,074	$1,204	$482

Sydney WATER


Questions?