

13 February 2004

The Commissioners
First Home Ownership Inquiry
Productivity Commission
Locked Bag 2 Collins Street East
MELBOURNE VIC 8003

Dear Sirs

FIRST HOME OWNERSHIP DISCUSSION DRAFT

The Water Services Association of Australia (WSAA) is the peak body of the Australian water industry. Its 28 members provide water and wastewater services to approximately 15 million Australian and New Zealanders and many of Australia's largest industrial and commercial enterprises.

WSAA was formed in 1995 to provide a forum for debate on issues of importance to the urban water industry and to be a focal point for communicating the industry's views.

The Association welcomes the opportunity to provide comments to the Commission's Discussion Draft document. WSAA concurs with the Productivity Commission's findings that, in respect of water and wastewater infrastructure, developer charges are justified on efficiency and equity grounds and, in addition, that any analysis of such infrastructure charges cannot explain the house price surge that has occurred since the mid 1990s.

WSAA has noted that the Commission's Discussion Draft document refers to the NSW Independent Pricing and Regulatory Tribunal's (IPART) oversight regarding developer charges for the four largest water and wastewater utilities in that State. The Commission would be aware that the Regulator has set out a cost reflective methodology that must be followed by those utilities in determining their developer charges. The utilities are required to make public their infrastructure plans and costs. Occasionally developers have challenged specific costs contained in these plans and succeeded in having the utilities review their costs. In addition, every five years the four utilities must submit their proposed developer charges to IPART for the Regulator's approval in an open and transparent process.

The Melbourne water and wastewater utilities have set their developer charges with a similar methodology to that determined by IPART. The Victorian Government has recently established the Essential Services Commission (ESC) and given it price oversight over all water and wastewater utilities in the State of Victoria. This regulatory price oversight will also extend to developer charges for water and

wastewater infrastructure. Accordingly, the extent of transparency in setting developer charges in Victoria will be comparable to that provided in NSW.

Developer charges in Brisbane have been increasing from historically low levels but that is because these charges are only now becoming more cost reflective. Brisbane Water has taken significant steps to increase the transparency of its developer charges by allowing the housing industry to review Brisbane Water's charges. Later this year the utility will place its infrastructure plans, which identify its infrastructure costs, on public display. This process is also undertaken by other Queensland urban water authorities and mirrors the approach taken in NSW. It must also be noted that the process of setting developer charges is overseen by the Queensland Department of Local Government and Planning.

In Western Australia the development industry is offered the opportunity to be involved in the review of methodologies, data and calculations via the Urban Development Advisory Committee. In particular, the methodology for calculating the Standard Headworks Contribution (SHC) involves extensive consultation with an external stakeholders working group, which is composed largely of development industry representatives and has also previously included officers from Treasury, Office of Water Regulation and the Department of Planning and Infrastructure. The industry accepted methodology for calculating the SHC is based on a proportion of the cost of major works and is adjusted every three years to reflect changes in the value of the asset base. It is likely that developer contributions will be also be referred to Western Australia's recently created Economic Regulation Authority for review at some point in the future.

In conclusion, WSAA would argue that the cost reflectivity and transparency of developer charges associated with urban water and wastewater infrastructure compare more than favourably with either house or land prices. Should the Productivity Commission desire further information regarding developer charges for urban water and wastewater infrastructure, do not hesitate to contact me.

Yours sincerely

CLAUDE PICCININ
DEPUTY EXECUTIVE DIRECTOR