

6 July 2026

Ms Melanie Mitchell
Independent Pricing and Regulatory Tribunal
PO Box K35 Haymarket Post Shop
SYDNEY NSW 1240

Sent to: ipart@ipart.nsw.gov.au

Cc: Andrew Nicholls Andrew.nicholls@ipart.nsw.gov.au

Dear Ms Mitchell

Review of developer charges and recycled water prices for metropolitan water businesses

I write in relation to the Independent Pricing and Regulatory Tribunal's (IPART's) review of the developer charges and recycled water prices for metropolitan water businesses.

We provide the following comments on the Issues Paper and the questions posed by IPART within the Paper.

Guiding principles for setting developer charges

Urban Taskforce Australia (referred to hereafter as Urban Taskforce) is concerned that IPART does not fully appreciate the link between contribution plans and developer feasibility and the delivery of new housing supply.

In the Issues Paper under section 2.2 "*What are our guiding principles for setting developer charges?*", not one principle relates to ensuring that charges do not impact on the feasible supply of new housing. In the current context of this being a major policy concern, with state and federal leaders calling the current situation a housing supply crisis, we are concerned that IPART has not reflected this imperative in its "guiding principles".

Developer charges, including water Development Servicing Plan (DSP) charges, along with S7.11 and S7.12 contributions and other fees, taxes and levies, are significantly impacting upon development feasibility and thus housing supply.

When IPART makes its determinations and recommendations on developer charges, it is critical that they take into consideration "equity and affordability impacts" for all relevant players, including the impact of their determinations on new home buyers, renters and those seeking to enter the housing or rental markets.

The additional costs associated with DSPs impact upon development feasibility and lead to less housing supply or are passed onto home buyers, increasing the price of housing and reducing both supply and affordability.

The negative impact of these inflationary taxes is contributing to the current housing supply and affordability crisis.

As Urban Taskforce has asserted in other recent submissions to IPART, it needs to apply a handbrake to the voracious appetite that many councils have for adding to the cost of

housing supply so they can fund projects which, while often worthy, simply add to the burden of the home buyers and renters.

While full cost recovery may be legitimate, developer charges, if applied, should reflect what it actually costs to service the specific development, not be an apportionment of an average cost across a very large area or clawing back the replacement value of assets that were commissioned decades ago and already paid for by customers.

It should be clear how these charges have been calculated and should be open to challenge by developers, if necessary.

Is the current regulatory instrument working as intended?

At face value, Urban Taskforce supports the current regulatory instrument, however, we do have concerns that water businesses are trying to implement "Rolls Royce" water schemes funded through higher DSP charges.

For example, with both the Mamre Road and Aerotropolis stormwater DSPs, Sydney Water has proposed the use of an Integrated Water Cycle Management model (IWCM). Urban Taskforce contends that this is a highly over engineered system for managing stormwater that burdens developers with significant contribution charges. These additional charges are passed onto purchasers or, as is often the case at present, simply makes development unfeasible.

IPART should, as part of its review of the current regulatory instrument, focus on two of the reasons it chose this approach in 2018: to improve efficiency and certainty for developers; and to address concerns around the setting of prices that could delay development and increase regulatory costs.

Urban Taskforce is concerned that metropolitan water businesses through their DSP charges are creating uncertainty for developers and, at the same time, are increasing costs which delay or impede housing development.

A two-tiered approach would have real merit as a safety valve. Where pre-defined trigger criteria are met – for example, a charge that is a large multiple of the utility-wide average or of published benchmark cost ranges, or where there is an unresolved boundary or apportionment dispute – a developer should be able to trigger a detailed IPART review and determination for that DSP area.

Should a single, integrated framework apply to maximum prices for water, wastewater, drainage and recycled water?

Urban Taskforce notes in Section 2.3 of the Issues Paper that IPART is considering replacing the separate 2018 developer charges determination for water and wastewater, and the 2019 determination for maximum recycled water prices, with a single, integrated regulatory instrument.

Subject to a wholesale review of developer charges themselves and the approach to delivering the necessary water infrastructure, as part of this consideration, an integrated regulatory instrument may improve efficiency and certainty for developers. Our view of the efficacy of any change depends entirely on the impact on charges overall. That is the only lens that IPART should apply.

Who should benefit from existing spare capacity?

Urban Taskforce understands the principle that new developments should pay for the local connecting water infrastructure costs they directly cause such as a new development requiring a specific new connecting asset.

However, core infrastructure (sometimes referred to as trunk infrastructure) should be funded by the broader rate payer base or the consolidated revenue fund. Core or trunk water infrastructure has never been funded by new home purchasers in the past. There has always been a broad base for raising this revenue and that is because it supports the population growth and economic growth of the state. Accordingly, the state (as a whole) should fund it.

Worse, the current position of IPART shifts the burden from the population as a whole to a small number of new home buyers in a situation where government planning policy failure has pushed the prices of a new home to breaking point. Young families looking to buy a new home on the outskirts of Sydney should not be forced to pay for trunk infrastructure that was provided by the State when areas like Sydney's inner west, north shore, eastern suburbs were established, sub-divided and developed. This is fundamentally inequitable.

Further, we contend that new residents shouldn't be left to carry the burden for enhancements for an existing community.

We support the principle in the Issues Paper that existing spare capacity is treated as a shared resource between existing and new customers and that all customers pay part of the cost of any new infrastructure that will be required into the future. This would shift the burden of developer charges which impact on housing prices away from the new home buyer cohort and back to the broader water rate payer base.

In other words, where a development makes use of genuine spare capacity in long-established assets – capacity that existing customers have already substantially funded – the developer's contribution should reflect the depreciated value of the capacity consumed, not the full modern replacement value of the asset.

Effects of data centres and other high-volume water users

Urban Taskforce supports (indeed urges) IPART undertaking a review of its current regulatory framework to ensure it remains fit for purpose considering the impacts of data centres, other new high-volume water uses, and on housing supply and new home purchasers and renters. The absence of these latter impacts from your deliberations is a serious omission.

Any review that is undertaken should look to ensure that metropolitan water businesses firstly seek to minimise charges rather than increase the charges faced by all businesses through the delivery of "gold plated" water schemes. All alternative funding methods and infrastructure systems delivery should be encouraged and supported, as is required by the legislation.

Should metropolitan water businesses continue to set their own DSP boundaries?

Urban Taskforce supports IPART reviewing the role of water businesses determining their own DSP boundaries.

We support a greater role for IPART and stakeholders in the determination of these boundaries.

The arbitrary nature of boundaries and size of DSP areas can have a significant detrimental impact and be completely inequitable on the setting of developer charges between neighbouring DSP areas. A more wholistic and evidence-based approach is required to ensure efficient setting of prices:

- Boundaries should follow hydraulic servicing catchments – where flows actually drain or are pumped to – rather than strategic planning boundaries;
- Boundaries should be reviewed together with the DSP asset schedule so that every development within a boundary genuinely relies on the assets it is paying for;

- If assets serve multiple DSP areas, there must be clear evidence that costs are only recovered once and that they are fairly shared between all users, rather than requiring developments to subsidise infrastructure from which they derive no benefit; and
- Where developments connect into existing networks with spare capacity, charges should only reflect the remaining value of that capacity—not the cost of replacing decades-old infrastructure.

Larger DSP areas result in more averaging and weaker price signals.

A maximum DSP size tied to specific and micro hydraulic catchments would help to link payments more closely to the infrastructure needs of each development.

Assessment of DSPs against the requirements set out in IPART's determination

Urban Taskforce contends that part of this assessment should be an analysis of the potential impact on development feasibility from proposed DSP charges.

This is critical to ensure that housing is delivered and addresses one of the key guiding principles of IPART in setting developer charges and that is "*considering equity and affordability impacts*".

Methodology for setting developer charges

Urban Taskforce notes IPART's call for comment on alternative price calculation methods for setting DSP prices.

As we have previously stated, in the development of DSP pricing, IPART needs to critically analyse what water businesses are proposing to charge for. Do they deliver evidence-based outcomes at best value for money? For example, are they looking to over engineer stormwater systems as in the case of the Aerotropolis?

To provide transparency, water businesses should publish the full workings behind each charge on exhibition – including the asset schedule with cost build-ups and the apportionment model for any shared or cross-boundary assets – not only the headline calculation.

Developers need to clearly understand what they are paying for. Water utilities should publish how charges are calculated, which assets are included, and how costs are shared across developments.

Projects already underway should not be hit with unexpected cost increases. Any significant changes to DSP charges should include transition arrangements for projects that have already committed to land purchases or rezoning.

Growth areas should not fund historical infrastructure already paid for by existing customers. Older infrastructure should be appropriately depreciated when calculating developer contributions.

As part of the methodology review, IPART should look at the role that Voluntary Planning Agreements (VPAs) and Works in Kind (WIK) agreements can play.

For example, with the Aerotropolis Integrated Stormwater DSP, there was no formal mechanism suggested by Sydney Water for the delivery of the Integrated Stormwater Infrastructure scope via voluntary planning agreements.

With the costs involved with this system, there needed to be other solutions explored and innovative ways to reduce the costs examined.

Where a developer is funding their own infrastructure to service their development, 100% reimbursement should be considered with a payment or offset of DSP charge, as per a

Voluntary Planning Agreement, or the DSP cost should be waived where up front developer funding for servicing has been initiated.

Allowing for the private sector to deliver infrastructure solutions on the basis of the outcomes required and funded through a VPA and/or a WIK agreement is a source of both innovation and funding that must be put back on the table.

There should be provision for a mechanism whereby proponents can enter into a VPA to deliver the works on behalf of a water business, in lieu of paying the applicable DSP charges.

This mechanism should provide for alternative approaches that meet the capacities required and allow for innovation.

Urban Taskforce supports the investigation into alternative price calculations methods, if it results in a more equitable and cost-effective approach to setting developer charges and reduces the risk of over recovery of costs.

We would welcome being consulted further by IPART on any ongoing investigation into changing the methodology for setting developer charges.

Conclusion

Urban Taskforce Australia welcomes IPART's review into developer charges for metropolitan water businesses.

At the heart of this review should be to ensure that developer charges do not have an unreasonable or inequitable impact on development feasibility and thus the delivery of new homes.

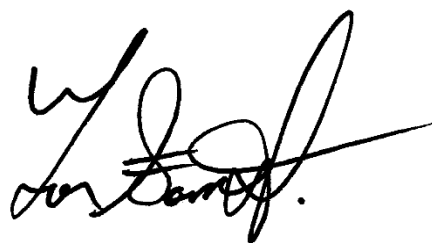
NSW is already lagging behind its Housing Accord targets, and this is in no small part due to the mountain of fees, taxes and charges faced by the development industry.

As IPART notes, one of its guiding principles is to improve equity and affordability. This can only be achieved for new home buyers and renters if developers can profitably deliver the homes required.

Urban Taskforce welcomes, as always, the opportunity to engage with IPART further on the development of any new methodology for setting DSP charges and developer contributions. As part of this review, IPART also needs to examine what other mechanisms or funding sources are available to deliver the desired water infrastructure outcomes apart from DSP charges.

Should you wish to discuss any aspect of this submission further, please contact our Economist and Planning Analyst, William Hughes, on 0418-286-530 or via email will@urbantaskforce.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', with a long horizontal flourish extending to the right.

Tom Forrest
Chief Executive Officer