

STORMWATER NSW

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5 October 2015

IPART,
PO Box K35
Haymarket Post Shop, NSW, 1240

Re: Review of Prices for Sydney Water Corporation from 1 July 2016.

I am writing to you on behalf of Stormwater NSW, on the Review of Prices for Sydney Water Corporation. Our response focuses on the stormwater revenue and services provided by Sydney Water.

Stormwater NSW is a peak industry association with membership including most of the councils in the Greater Sydney Region, as well as numerous consulting and manufacturing companies. The aim of Stormwater NSW is to enable local practitioners and the broader community to learn about available stormwater management and quality technologies. Stormwater NSW is supported by the National Association and a strong network of state associations in Queensland, Victoria, South Australia and Western Australia.

The documentation supporting IPART's Review of Prices for Sydney Water Corporation, suggests that in 2016-17 Sydney Water will collect approximately \$32.5m from its Stormwater Drainage Charge (Table 1). Table 1 has been determined by a number of sources including Table 10.6 of IPART's Issues Paper¹, and Table A3-4 of Sydney Water's Appendices on Sydney Water's prices for 2016-20². Extrapolated over the four year price path will generate approximately \$130m for Sydney Water to deliver Stormwater Services to its customers.

Table 1: Sydney Water Stormwater Drainage Charge Revenue 2016-17.

Sydney Water Stormwater Customers				
Group	Type	Number	Charge	Revenue
Residential	Dwelling	200,358	\$ 83.96	\$ 16,822,058
	Multi	291,677	\$ 30.79	\$ 8,980,735
	Mixed Multi-use	8,096	\$ 30.79	\$ 249,276
	<i>Sub-total</i>	<i>500,131</i>		<i>\$ 26,052,068</i>
Non-residential	Small	8,799	\$ 30.79	\$ 270,921
	Medium	15,005	\$ 83.96	\$ 1,259,820
	Large	5,304	\$ 419.80	\$ 2,226,619
	Very Large	752	\$ 1,865.75	\$ 1,403,044
	Largest	134	\$ 4,664.40	\$ 625,030
	Non-residential	20,535	\$ 30.79	\$ 632,273
	Vacant / Exempt	1,912	\$ -	\$ -
<i>Sub-total</i>	<i>52,441</i>		<i>\$ 6,417,706</i>	
Total		552,572		\$ 32,469,775

¹ IPART (2015). Review of prices for Sydney Water Corporation from 1 July 2016, Water – Issues Paper September 2015, IPART, Sydney.

² Sydney Water (2015a). Our Plan for the Future: Sydney Water's Prices for 2016-20, Appendices, Public Version, Sydney Water, Sydney

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First and foremost, Stormwater NSW firmly believes that all monies raised by Sydney Water under its Stormwater Drainage Charge, should be expended on stormwater services to its customers. Further there needs to be transparency and clear communication to stakeholders on Sydney Water's stormwater revenue and expenditure.

Actual expenditure for stormwater services over 2012-16 and proposed expenditure over the 2016-20 price path are shown in Table 2. The information in Table 2 is based on Tables 8-9 and 8-19 in Sydney Water's Prices for 2016-20³.

Table 2: Sydney Water Stormwater Actual Expenditure 2012-16 and Proposed Expenditure 2016-17 (\$m).

	2012- 13	2013- 14	2014- 15	2015- 16	Total	2016- 17	2017- 18	2018- 19	2019- 20	Total
Renewal (Actual)	4	7	17	17	46					
Renewal (proposed)						19	15	24	13	71
Waterway Health (proposed)						3	3	7	5	18
Flood Risk (proposed)						1	2	4	6	13
Total	4	7	17	17	46	23	20	36	24	103

Stormwater NSW commends Sydney Water's decision for increasing the proposed expenditure in the 2016-20 price path, especially the specific allocation of funds for waterway health. Stormwater NSW cannot stress how important this funding allocation is to address waterway health issues in three river catchments, and in doing so act as a catalyst for coordination with local councils working on similar programs in these catchments.

While the proposed funding for waterway health is a worthy initiative, it will only place Sydney Water on a complementary footing with other waterway managers, ie local government, who in these catchments undertake significant works on waterway health activities. For example, in the Cooks River Catchment local councils have identified approximately \$2.5m/year of stormwater quality works from their Stormwater Management Service Charge Revenue. Beyond this councils also spend other recurrent funds, typically on flooding and asset renew above and beyond the Stormwater Management Service Charge.

Despite this proposed works, Stormwater NSW notes with significant disappointment the discrepancy between the revenue and expenditure. As noted in the above tables, over the price path Sydney Water will generate approximately \$130m in revenue from its Stormwater Drainage Charge, yet the proposed expenditure is \$103m. Stormwater NSW would like to understand how this unaccounted gap of \$27m is spent by Sydney Water, and we believe it is disingenuous of Sydney Water to raise these funds under the guise of stormwater activities and not expend all of these funds on stormwater activities.

³ Sydney Water (2015b). Our Plan for the Future: Sydney Water's Prices for 2016-20, Sydney Water, Sydney.

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This contrast is even greater in previous price path where from 2012-16, Sydney Water raised approximately \$100m through its Stormwater Drainage Charge and only expended \$46m, a discrepancy of \$52m.

Stormwater NSW draws to IPARTs consideration the following points:

- There needs to be clear accountability of revenue, expenditure and activities related to Sydney Water's Stormwater Drainage Charge that should be reported to all relevant stakeholders.
- Sydney Waters' drainage charge is reviewed and increased according to IPART determinations, while councils charge has remained static since established in 2006. Both the council and Sydney Water Charges were similar when established in 2006, however over the past ten years, IPART has granted a 225% increase for residential and a 5000% increase for the largest non-residential properties. Over the same period the static nature of the stormwater service charge has seen a real decrease of at least 25% due to inflation.
- Sydney Water's pricing strategy is too narrowly focused. The pricing strategy should be set in context of a more holistic framework that considers liveability which is Sydney Water's current initiative. It needs to consider the social and environmental implications of its pricing strategy and cost these appropriately and not purely financial implications and / or opportunities. It also needs to consider whole of lifecycle costing, so as to identify possible future variations and considerations when setting short term pricing. This could include for example the costs of mitigating climate change rather than stating that the abolition of the carbon tax has saved money.
- The documentation associated with the Review of Prices for Sydney Water Corporation outlines the confusion over stormwater and who is responsible for its management and its value. Sydney Water should use this opportunity to invest in the social capital of its network to support future price increases and provision of services. Sydney Water in its limited view of stormwater is neglecting new business opportunities and the benefits they may provide.

Stormwater NSW notes that Sydney Water is conducting research on customer willingness to pay for increases to stormwater pricing. Stormwater NSW strongly supports this research and supports proposed "substantial increases in stormwater expenditure beyond the 2016 determination period". However, Stormwater NSW would only recommend for this to occur if Sydney Water can show transparency for all of its stormwater activities over the 2016-20 price path.

For clarification of any points raised in this submission, please do not hesitate to contact me on 0413 609 722 or richard.mcmanus@stormwater.asn.au.

Yours sincerely,



Richard McManus
Co-President
Stormwater NSW