

Andrew Barr MLA

Chief Minister



Member for Kurrajong

Treasurer

Minister for Economic Development

Minister for Tourism and Major Events

Mr Joe Dimasi

Senior Commissioner

Independent Competition and Regulatory Commission

P O Box 161

CIVIC SQUARE ACT 2608

Dear Mr ~~Dimasi~~ ^{Joe}

I am writing in response to the Independent Competition and Regulatory Commission's request for public submissions about Icon Water's proposed Capital Contributions Code. While this letter should not be considered to represent a formal ACT Government position, I would like to take this opportunity to present some broad comments in relation to Icon Water's proposal.

I wish to indicate my support for the reform principles underlying the proposed approach to recovering costs associated with water and sewerage infrastructure augmentation resulting from urban infill development in Canberra. Given the Government's ongoing focus on increased levels of urban renewal, in particular on key corridors such as Northbourne Avenue, I consider there is a clear need for an improved approach to be introduced.

The current 'last man standing' approach to funding infrastructure augmentation is uncertain and inequitable, as most developments that contribute to the need for additional water and sewerage network infrastructure investment are not required to contribute to the funding of the required augmentation. Icon Water's proposed contributions code appears to be more equitable, as it would ensure all brownfield developments contribute to the costs associated with this infrastructure investment. In addition, the proposed approach will result in greater transparency and accountability in relation to these augmentation costs in the Territory.

I would take this opportunity to emphasise the clear distinction between Icon Water's proposed code and the Lease Variation Charge (LVC), given there appears to be an incorrect perception amongst some stakeholders in the ACT community that the LVC is levied to recover infrastructure costs related to brownfield development.

The LVC is designed to capture part of the value uplift created by the granting of a change of lease purpose by the Government. It is not designed to recover infrastructure costs associated with brownfield development, and revenue raised from the LVC is not hypothecated for such purposes. It should also be noted the LVC is not levied on all brownfield developments, but only those that require a change in lease purpose. LVC is therefore unrelated to Icon Water's proposed contributions code and serves an entirely different purpose.

AUSTRALIAN CAPITAL TERRITORY LEGISLATIVE ASSEMBLY

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There has also been suggestion by some stakeholders that the costs incurred by developers associated with contributions made under the code are likely to be directly passed on to purchasers of impacted properties through higher prices, thereby negatively impacting on housing affordability in the Territory. Housing affordability in the Territory is a key concern for the Government, given the need to ensure that in a growing city there is a range of affordable housing options available for all residents.

I make the observation that the pass through of costs associated with infrastructure augmentation is already occurring under the current last man standing funding approach. Ultimately, the costs associated with future augmentation of the water and sewerage network due to urban infill will need to be met through some form of cost recovery mechanism, be it directly through contributions by developers, or indirectly through other mechanisms such as water and sewerage prices. Irrespective of the option ultimately adopted, there is an impact on households and potentially property prices. The issue of housing affordability is a broader and more complex policy matter. That is why the Government has in place an Affordable Housing Strategy which has delivered, and will continue to progress, targeted policy responses tackling this issue.

I trust this information will be helpful to the Commission within its process to consider Icon Water's proposed capital contributions code.

Yours sincerely



Andrew Barr MLA
Chief Minister

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