Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings May 2015

Communications Portfolio

Department of Communications

Question No: 11

Program No. 1.1

Hansard Ref: Page 43, 28/5/2015

Topic: Utility provision in new developments

Senator Ruston, Anne asked:
CHAIR: Earlier in the questioning there seemed to be some sort of inference that the cost recovery component of the new policy was somewhat unusual that a service provision should actually incur a cost. I know, Mr Mason, you said you had not done many property developments. I would assume it is usual in most developments that they pay for the water and electricity connection. Is this nothing more than a similar situation.
Mr Mason: That is very much our understanding. We have looked at it several times over the past few years. All of the information that we have points to utility provision in new developments fundamentally being funded by developers. In fact, you are probably more aware of this than me. It is a fairly contentious issue in some areas. One of the things we point to in our regulation impact statement is quite a lot of work done by the Productivity Commission that looks at the issue of infrastructure charging in new developments. We would be happy to provide the committee with references to that material if that would help.

Answer:
The Regulation Impact Statement (RIS) for the Government's Telecommunications Infrastructure in New Developments policy drew on information in Productivity Commission reports on first home ownership and public infrastructure to describe practices for funding other infrastructure in new developments. In particular, the RIS noted on pages 2 and 3:

> *Australians expect a wide range of infrastructure to be available in new developments when they occupy them. Some of this is economic infrastructure or basic utilities such as roads, drainage, water, sewerage, electricity, gas and telecommunications; other infrastructure is social infrastructure, such as parks and libraries.*
>
> *According to the Productivity Commission, in the past 30 years there has been a strong trend towards upfront funding of such infrastructure as opposed to funding it through ongoing utility charges. Commonly these costs will include costs for extending infrastructure to new developments (trunk and head-end cost) and in-estate costs (e.g. local distribution). Cost may be recovered in full or, in recognition of wider community benefits, in part. This accords with the research of the Department of Communications. The Productivity Commission has observed that upfront charging may encourage greater efficiency in the supply of infrastructure.*

Further information is available in the Productivity Commission reports cited.

The Productivity Commission's First Home Ownership Report no.28 is available from www.pc.gov.au/inquiries/completed/first-home-ownership/report/housing.pdf. Pages 155 - 178 refer.

The Productivity Commission's Public Infrastructure Report no.71 is available from www.pc.gov.au/__data/assets/pdf_file/0003/137280/infrastructure-volume1.pdf. Pages 69-71 refer.

The RIS is available on the Office of Best Practice Regulation's website at http://ris.dpmc.gov.au/2015/07/06/telecommunications-infrastructure-in-new-developments/.