

Mr. Tyson Self
Assistant Director, Gas Access
Economic Regulatory Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA
6000

Economic Regulation Authority Received	
23 DEC 2014	
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Action Officer	TYSON SELF

18 December 2014

Dear Mr. Self

Draft Decision on the Mid- West and South-West Gas Distribution Systems Access Arrangement for the Period 1 July 2014 to 31 December 2019

The Property Council of Australia is the leading advocate for Australia's property and the built environment. Our members represent the broad spectrum of businesses that own property, property developers, building managers and property industry service providers. As the voice for the property sector, we wish to make comment on the Economic Regulatory Authority's draft decision on the Mid-West and South West Gas Distribution Systems (MWSWDS) Access Arrangement (AA4) as it relates to the property sector and ultimately the WA community. We are concerned that a consequence of the draft decision will add significant costs to development, increase land prices and ultimately reduce housing affordability.

Specifically, the Property Council is concerned that the ERA's draft decision to cap capital expenditure due to adjustments relating to the gas distributors proposed growth and sustaining capital expenditure at \$286.44 million from the \$606.92 million proposed.

This significant reduction in capital expenditure will detrimentally impact the property development industry, as the reduction would likely force the gas distributor to move to a developer funded model for gas reticulation and all infrastructure extensions being introduced to make up the difference.

New greenfield developments will be at a disadvantage when the developer has to financially contribute to address this shortfall between capital expenditure and infrastructure demand. A Developer Funded Model would introduce additional costs to the already costly property development process. This will increase the cost of development and the cost of land and effectively acts as an additional tax on development, which is passed on to the home owner.

The housing affordability challenge is one with which the Western Australian community is all too familiar. The Property Council fears that if the gas distributor seeks to address

the capital expenditure shortfall through a Developer Contribution Model, the housing affordability challenge will be exacerbated.

The Property Council thanks you for the opportunity to make comment on the draft decision on the MWSWGDS AA4 and respectfully requests that the ERA review its decision to lower the allowance for capital expenditure due to the implications it would have on the costs of property development.

If you would like any further information please feel free to contact Rebecca Douthwaite (Policy Advisor) on 9426 1203.

Yours Sincerely,

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