

Facsimile
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To:	Michelle Groves	From:	Philip Garling
Company:	National Competition Council	Phone:	02 9257 1410
Fax:	03 9285 7477	Fax:	02 9257 1499
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Subject: Third Party Access to Sydney Water's Sewerage System



16 September 2004

Michelle Groves
Director
National Competition Council
GPO Box 250B
MELBOURNE VIC 3000

Dear Ms Groves

***Third Party Access to Sydney Water's Sewerage System by Services Sydney
Declared Period for Access***

AMP Capital Investors (AMPCI) is the funds management arm of AMP Limited. AMPCI currently manages over \$2 billion invested in Australian infrastructure.

We have substantial experience in securing debt and equity funding for major infrastructure projects. Major infrastructure assets in which AMPCI has a significant investment include Melbourne Airport, United Energy and Riverland Water.

We have been briefed by Services Sydney in relation to their "Sustaining the City" proposal and their application to the National Competition Council with respect to access to the sewers operated by Sydney Water.

AMPCI believes that the development of competing waste water treatment facilities in Sydney has the potential to provide substantial commercial, community and environmental benefits, in terms of competition for sewage collection and re-use of treated waste water. The development of competing sewage treatment facilities, as proposed by Services Sydney, or more generally, would be major infrastructure project.

We are aware that the National Competition Council (NCC) has issued a draft recommendation in favour of declaration for a period of 15 years. We consider that this period of declaration is unlikely to be sufficient to enable the most efficient debt and equity funding to be arranged.

Ideally, economic infrastructure require the following to be most efficient:

- A sufficient economic life to enable recovery of the debt and equity invested in the project. Significant infrastructure projects commonly require a 30-50 year period to provide a sufficient return on investment to attract investors, and allow a competitive tariff structure.
- Substantial regulatory and commercial certainty. In the case of competing waste water treatment infrastructure, this would require certainty of access and interconnection to the Sydney Water sewerage system.

These risks are typically managed in infrastructure projects through long term contracts. As a result, the duration of declaration is of critical importance to potential investors in major infrastructure projects.

We also note that it would be inconsistent with the concept of promoting competition, to require a competing waste water treatment operator to recover its investment over a very short period thereby requiring it to charge high tariffs.

In the circumstances, we consider that a significantly longer duration for declaration, in the order of 50 years, would provide for the most efficient outcome and therefore result in genuine competition.

Yours faithfully

A handwritten signature in black ink, appearing to read "Philip Garling".

Philip Garling
Head of Infrastructure