



29 January 2008

Mr Lyndon Rowe
Chairman
Inquiry on Competition in the Water and Wastewater Services Sector
PO Box 8469
Perth Business Centre
PERTH WA 6849

Dear Mr Rowe

INQUIRY INTO COMPETITION IN WESTERN AUSTRALIA'S WATER AND WASTEWATER SERVICES SECTOR - DRAFT REPORT

Thank you for this opportunity to provide further input into the Inquiry on Competition in the Water and Wastewater Services Sector. As previously indicated, the Department of Agriculture and Food's (DAFWA) primary interest in this matter relates to the implications for horticulture in the greater metropolitan Perth area.

Please find attached comments and recommendations against the specific recommendations of relevance to DAFWA in the Draft Report.

Once again thank you for the opportunity to provide input into the inquiry. Should you require any further information please do not hesitate to contact Mr Eric Wright on 9368 3954 or ewright@agric.wa.gov.au.

Yours sincerely

David Hartley
EXECUTIVE DIRECTOR
NATURAL RESOURCE MANAGEMENT

Att.

Natural Resource Management

3 Baron-Hay Court, South Perth, Western Australia 6151
Postal address: Locked Bag 4, Bentley Delivery Centre WA 6983
Telephone: (08) 9368 3743 Facsimile: (08) 9474 5974

**Submission to the Economic Regulation Authority
Inquiry into Competition in Western Australia's Water and Wastewater Services Sector –
Draft Report**

Department of Agriculture and Food – January 2008

No.	Draft Report Recommendations	DAFWA Comments
3	There are potentially considerable additional sources of bulk water available from Harvey Water, the Gnangara Mound and Wellington Dam.	Water resources for (private) irrigated agricultural use are under increasing pressure, as is suitable good quality land for agricultural pursuits particularly in the greater metropolitan Perth area. Where additional sources of bulk water are being considered, DAFWA strongly suggests that the socio-economic benefits to the State from local, fresh food production are considered as part of a more holistic assessment of costs and benefits associated with land and water use and allocation.
4	Pricing arrangements within irrigation cooperatives should be adjusted to allow for the trade of water out of cooperative areas by individual members should they choose to do so. A recent decision by the Australian Competition and Consumer Commission provides guidance on a possible approach.	DAFWA suggests that irrigation cooperatives need to be given more flexibility to improve practicality and profitability of their operation. Of particular concern is the issue of constraining water distribution/supply to the licence boundary area, rather than allowing for expansion of irrigated areas. For example, providing flexibility for Harvey Water to establish water supply to the Myalup horticulture district may be beneficial for the agricultural industry and optimise effectiveness of water use.
5	To facilitate an effective water trading regime, all significant users within a catchment, including pine plantations, should be taken into account when developing Statutory Water Management Plans and water allocations.	DAFWA supports this recommendation.
6	On the Gnangara Mound, finalisation of the Statutory Water Management Plan and Gnangara Mound Sustainability Strategy is critical. In the meantime, an effective water trading market should be developed, despite a degree of environmental uncertainty.	DAFWA supports this recommendation.

No.	Draft Report Recommendations	DAFWA Comments
7	<p>The concerns regarding water hoarding appear to be limited. However, there is the potential for a single individual or entity to obtain a significant share of water allocations and thereby be in a position to exert a degree of market power. While the Authority considers that the <i>Trade Practices Act 1974</i> would be sufficient to deal with such potential anti-competitive behaviour, the Authority will consider the matter further.</p>	<p>DAFWA considers the risk of water hoarding to be low. It is our understanding that under the <i>Rights in Irrigation and Water Act</i> where water licence allocations have not been used in the past and are not likely to be used, then the water manager has been recouping the unused amounts. This issue will be addressed through statutory and tradable water entitlements and trading under the proposed <i>Water Resources Management Act</i>. Once a substantiated value is established for water, people will hold entitlements at their cost, and the opportunity cost should drive investment and effective use.</p>
13	<p>Retail contestability is premature for small customers at this time. However, to facilitate third party access and the potential use of recycled water, contestability should be considered on a case-by-case basis.</p>	<p>DAFWA supports retail contestability particularly for access to recycled water. There is a risk associated with a single large entity controlling access to water (from any source). DAFWA considers that it is important for access to recycled water be made available for a range of users.</p>
14	<p>Retail contestability should be introduced for large customers.</p>	<p>It may be useful to include a definition of large users, such as greater than a set volume per year.</p>