



**Government of Western Australia  
Department for Planning and Infrastructure**

Your ref:  
Our ref: 552/1/1/61PV  
Enquiries: Kelly Hudson (92647710)

**Inquiry into Water Resource Management and Planning Charges  
Economic Regulation Authority  
PO Box 6849  
Perth Business Centre  
PERTH WA 6849**

Dear Sir/Madam

***Issues Paper***

The Department for Planning and Infrastructure (DPI) welcomes the opportunity to provide comments on the ERA's *Issues Paper*. The Department of Water (DoW) undertakes a number of activities that are essential to implementing integrated land and water planning and in which DPI has a significant interest in supporting.

We have provided detailed comments regarding these activities and their inclusion in any cost-recovery proposal. We hope these comments will be of assistance to the ERA in creating their Draft Report. We look forward to continuing our engagement on this matter.

Yours sincerely

Eric Lumsden PSM  
Director General

*JL* 12009

## ***DPI Comments on ERA Issues Paper - Inquiry into Water Resource Management and Planning Charges***

DPI has an interest in those functions of the DoW that support integrated land and water planning, including drainage and land-use planning. We are providing responses only to those questions that are pertinent to our interest in those activities.

In summation, we argue that those functions of the DoW that support integrated land and water planning do not fall within the categories of water services for which costs should be re-couped.

### ***What activities of the Department of Water fall within the scope of water resource management and planning?***

One of the five listed functions of the Department of Water (p7) is:

- *"setting a framework within which development can proceed in a way that is suitable to the area and does not inappropriately impact on the quantity and quality of the Crown's water resources. This involves the Department assessing monitoring and managing flood and drainage activities, setting guidelines and industry standards in relation to development activities, setting water management plans and providing advice to developers, local government and other planning agencies, such as the WAPC."*

This function is an important one. Whilst much of the work of the DoW focuses on water extraction and use, this function actually revolves around having a total water cycle approach to water resources. This function ensures that any extractable water resources are maintained in terms of quantity and quality. It ensures that land development supports the maintenance of natural hydrological cycles, where possible, thereby providing both environmental and other public good outcomes. This includes supporting recharge to underlying aquifers for later extractive use.

In its broadest sense, this function is a water resource management activity. However, traditionally water resource management has focussed on managing an extractable resource such as a river or aquifer. In the past, few resource management activities have concentrated on how water moves through the natural and urban environment *before* it becomes a part of the extractable resource. This function is more appropriately categorised as supporting the *integrated management of environment water* (cl 78) and the *urban water reform* (cl 90) categories of the NWI.

This function is critical to support the implementation of *Better Urban Water Management* (WAPC, 2008), a framework driving the integration of land and water planning across WA. Integration has been a long-term concern for the Government and was a key action in the *State Water Plan* (DPC, 2007).

***Which tasks or activities undertaken in the efficient management of the State's water resources, by the Department of Water, are appropriately recovered from water users?***

The focus of the CoAG agreement on water (1994) and much of the National Water Initiative (NWI) has been on developing efficient markets and secure, equitable entitlements systems for extractable water resources. A key requirement for a functioning market is establishing the underlying value of the extracted resource, which is what water charges and administration fees were meant to help achieve. It was also intended to drive market efficiency in resource use by ensuring water was fully valued by direct users including the costs of previously unaccounted externalities.

Extractive users of water resources, including the customers of service providers, are legitimate targets for cost recovery associated with extractive impacts. Users can be directly identified and targeted based on licensing and metering.

The activities of the DoW that directly support and implement total water cycle management, water sensitive urban design, and integrated land and water planning can rarely be attributed to support or off-set the actions of any water user. This inhibits any equitable attempt to recover costs. These activities support the healthy functioning and interaction of water within the urban environment in a manner that provides a public good rather than a private service. No single individual or group benefits from these activities. Instead there are multiple benefits, some direct but many indirect, to multiple stakeholders including the Crown as owner of the resource and other government agencies. Such a complex web of benefits would not be readily translated into a 'fee-for-service' arrangement when direct beneficiaries are hard to identify. The NWI (cl 67 ii (b)) explicitly states that charges should be linked as closely as possible to the costs of activities or products.

Cost recovery is not merely about recovering every administrative cost associated with undertaking the functions of the DoW. NWI provides clear directions regarding cost recovery for specified outcomes.

As stated earlier, the activities of the DoW that focus on drainage and land use planning support the *integrated management of environment water* (cl 78), and the *urban water reform* (cl 90) categories of the NWI. The NWI did not identify cost recovery requirements for either of these categories excluding changes to pricing for metropolitan water consumers.

There are significant ramifications if the DoW introduces charges to cover their costs in undertaking its land use planning and drainage management functions. For instance, charging for the assessment of water management strategies required under *BUWM* would certainly trigger protests from the development sector and local government about the increasing costs of regulatory compliance.

There would be similar issues in trying to recover the costs of undertaking drainage water management plans that currently provide detailed hydrological information about connected surface and groundwater flows. This information is essential to ensure that any intended development will not significantly alter surface or groundwater hydrology, impact upon dependent systems, or result in downstream impacts on other development. A multitude of large and small developers, government agencies, environmental groups and others all benefit from this information being available. This information is necessary to achieve the best management practices in integrated land and water planning.

There is no meaningful way to determine how the direct and indirect beneficiaries of such a function could be charged as there is no way to apportion the benefit. Similarly, it would not be equitable to charge local extractive users for the costs of developing drainage water management plans as they would be neither contributing to any relevant externality nor benefiting measurably in terms of their extractive use.