

WATER RESOURCE MANAGEMENT AND PLANNING CHARGES

Inquiry by WA Economic Regulatory Authority

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1. Introduction

Engineers Australia is the peak body for engineering practitioners in Australia, representing all disciplines and branches of engineering. Membership is now approximately 89,000 Australia wide and Engineers Australia is the largest and most diverse professional engineering association in Australia. All Engineers Australia members are bound by a common commitment to promote engineering and to facilitate its practice for the common good.

Engineers Australia has had in place sustainable development principles to guide members in the conduct of their engineering practice for over 20 years. Sustainable development is an integral component of Engineers Australia's code of ethics which are agreed by all members. Engineers Australia has also formally endorsed a Sustainability Charter and a comprehensive policy on Australia's energy future and climate change.

Engineers Australia strongly supports the inclusion of water planning and resource management costs into all water prices. Failing to recover these costs in this way subsidizes water costs and results in sub-optimal water decisions. Engineers Australia appreciates that there may be periodic circumstances when assistance to offset water prices, particularly for irrigators, may be warranted. When decisions along these lines are proposed, the circumstances, the assistance provided and the costs involved should be completely transparent. Engineers Australia believes that the work already undertaken by the National Water Initiative Steering Group on water charges provides a suitable basis for the Authority's Inquiry into how WA arrangements should proceed.

2. Water Pricing

The Preamble to the National Water Initiative (NWI) describes water as part of the Nation's capital resources and that in the Agreement parties recognize the continuing national imperative to increase the productivity and efficiency of water resources. So far as the present Inquiry is concerned the relevant objectives of the NWI are to establish policy settings which facilitate water use efficiency and innovation in urban and rural areas and to address future adjustment issues that may impact on water users and communities. The primary mechanisms set out in the NWI to improve efficiency in water use and adjustments to water policy and water availability by water users were water trading and water pricing.

Engineers Australia strongly supports full economic pricing for water used in urban and regional areas. Water itself is not priced anywhere in Australia. Although there are serious arguments in favour of adopting water scarcity pricing, this approach has not yet received formal endorsement by Governments. In practise water prices should recover the costs of water collection and storage infrastructure, water delivery and reticulation infrastructure and operational and maintenance costs associated with these infrastructure. For the purposes of water pricing Engineers Australia believes that it is insufficient to focus simply on physical water infrastructure. Water infrastructure comprises physical infrastructure and the planning and resource management infrastructure which underpins it.

Experience has demonstrated that water planning and resource management requires the application of greater knowledge about surface and groundwater than is currently available and increasingly sophisticated water resource planning and management processes and techniques.

These issues have assumed critical importance in balancing the demand for and supply of water sustainably against a background of reduced rainfall and runoff as a result of climate change. In other words, water planning and resource management requirements and their costs are increasing to deal with these problems. Engineers Australia believes that these costs should be included in both urban and regional water prices.

3. Progress in WA

Recommendation 42 of the WA Water Reform Blueprint¹ proposed a partial response to inclusion of water planning and resource management costs in water prices in the form of a series of non-refundable fees on a range of water license transactions. Recommendation 44 provided for no further action to be taken by the Western Australian Government until a nationally consistent approach is adopted and substantial water reform progress has been achieved in WA. The formal Government response² to these recommendations accepted Recommendation 42 with some modifications to the proposed fee schedule and in respect of Recommendation 44 noted that the WA Government is bound by the requirements of the NWI.

The present Inquiry arises from Recommendation 43 in the Blueprint and its acceptance by Government that the Economic Regulation Authority undertakes a review of the structure and amount of the license fees proposed in Recommendation 42. As the Authorities discussion paper notes, attempts to progress these arrangements failed to gain the approval of the WA Parliament and in effect a new process has been initiated.

4. Progress in Other Jurisdictions

In its First Biennial Review of the NWI, the National Water Commission (NWC) noted that cost recovery for water planning and resource management still lagged behind other NWI commitments³. The Commission noted that drought conditions had led to suspension of license fees and delays to the implementation of water planning and resource management water recovery in several jurisdictions. Engineers Australia agrees with the Commission that some temporary relief arrangements are warranted in these circumstances providing these subsidies are transparent and time limited. Drought conditions illustrate why water reform is essential and are not adequate reasons for delaying water reform.

Significant work on the development of a national framework for cost recovery of water planning and resource management costs has been undertaken by the NWI Steering Group on Water Charges⁴. The framework proposed by the Group included the following characterisation of water planning and resource management activities:

¹ Water Reform Implementation Committee, A Blueprint for Water reform in Western Australia, Final Advice to the Western Australian Government, December 2006, px, www.water.wa.gov.au

² Western Australian Government, Government Response to A Blueprint for Water Reform In Western Australia, February 2007, www.water.wa.gov.au

³ National Water Commission, First Biennial Assessment of Progress in the Implementation of the National Water Initiative, October 2007, p55, www.nwc.gov.au

⁴ NWI Steering Group on Water Charges, Water Storage and Delivery Charges and Water Planning and Management Costs in the Rural And Urban Sectors in Australia, February 2007, www.nwc.gov.au

- Water administration and regulation
 - Administration of entitlements and permits
 - Development of entitlement frameworks
 - Development of water trading arrangements
 - Administration of water pricing arrangements
 - Administration of water metering arrangements
- Water planning
 - Water sharing plans
 - Environmental and ecosystem management planning
- Water management
 - Measures to improve water use
 - Construction of works
 - Environmental works
- Government water operations
 - Flood management and planning
 - Pumping controls
 - Water availability and distribution
 - Flood warnings
- Information management and reporting
 - Water resource accounting
 - Publication of water resource information
- Water monitoring and evaluation
 - Monitoring and evaluation of water resources
 - Monitoring and evaluation of water dependent eco-systems
- Water industry regulation
 - Compliance monitoring

Engineers Australia believes this research deals with all important issues and leaves more than sufficient room for jurisdictional flexibility. Engineers Australia commends this work to the Authority as the most suitable blueprint for its Inquiry.