



12 June 2009

Inquiry into Water Resource Management Charges
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

Email: watercharges@era.wa.gov.au
Fax 9213 1999

The Conservation Council of WA thanks the ERA for the opportunity to comment on the Inquiry into Water Resource Management and Planning Charges.

CCWA regards the management of water resources to be of prime importance, all life depends on the availability of appropriate quantities and qualities of water across Western Australia. CCWA believes that the role of the market (underpinned by cost-reflective pricing) is fundamentally important in managing water resource use; however it is clear that on its own the market will not deliver socially equitable and environmentally sustainable water management outcomes. As such, a range of complimentary policy approaches will be required to overcome persistent market failures and to make adjustments for social equity reasons.

The impacts of climate change will continue to be a major determinant of water availability in Western Australia, and this is just one of the dynamic factors that must be taken into account in setting appropriate cost-reflective water pricing arrangements. In this context, the precautionary approach becomes extremely important as a planning tool in the face of uncertainty.

A precautionary approach to the allocation of water requires constant improvement in science based investigations, social reviews and acknowledgement of cultural uses of water *in-situ*. Only once these values and quanta have been determined can we determine sustainable yields or allocations from surface and groundwater management areas, and only then can we determine pricing mechanisms for water use that will allow the market to accurately reflect optimal water use efficiency.

CCWA believes that intergenerational equity should apply for all decisions regarding allocation of limited water resources from the environment for consumptive use. Accordingly a water management and planning regime should consider the impacts of extractive consumptive use on the environment from which the water is extracted and apply precautionary principles which seek to manage water in Western Australia over many generations. What is happening in WA today appears to be an unmitigated rush towards maximum water allocation, without any serious concern for climate change impacts, reduced rainfall and reduced streamflows and infiltrations to superficial and deeper aquifers.

CCWA consider that the Terms of Reference for this inquiry allow for the introduction of volumetric charging in addition to a water planning and management fee for service. This would allow real-cost recovery by reflecting environmental and cultural costs of water use. Currently no such mechanism exists, and would be the next step in encouraging consumptive users to embrace best irrigation practices and water efficiency measures. Clearly there is a market failure in the present system in which pricing does not reflect the full-costs of water use. As such, optimal water efficiency will not be realised.

CCWA consider metering and volumetric charging an ideal complement to the water resource management and planning charge.

Recommendation: WA water usage charges should shift towards volumetric charging that reflects the true costs of water use, including environmental and cultural costs.

Even with cost-reflective pricing, other market failures will persist including information asymmetry and split incentives and as such there will still be a strong economic case for additional demand-management programs such as, educational materials, rebate schemes, watering restrictions for gardens, and

Recommendation: The cost of demand management programs should be recovered through cost-reflective water usage charges.

We believe that water trading would be the obvious next step to follow from cost-reflective volumetric charging.

CCWA consider there to be weaknesses in DoW's approach to water licenses exemptions. Which sectors of the water industry pays for the monitoring and planning process for the estimated 165,000 backyard groundwater bores in the Perth metropolitan area? Individually the bores do not have a large detrimental impact on local and regional groundwater quality and quantity. Taken in total the estimates of usage from these unmetered and uncontrolled users is quantifiable, and the costs of such management and monitoring is paid by all WA taxpayers. This seemingly goes against the users pays bases underpinning COAG and the NWI. It does seem inequitable that those possessing a water allocation entitlement should bear the costs of unlicensed and unmetered, and in many ways unmanaged consumptive water use.

Recommendation: cost-reflective volumetric water pricing should be phased-in for commercial and backyard bores.

CCWA looks forward to working with the ERA to develop a water management and planning framework that seeks to manage water into the future for all Western Australians – emphasizing water use efficiency and the appropriate pricing and other market mechanisms to drive such outcomes.

Yours Sincerely

PIERS VERSTEGEN
Director