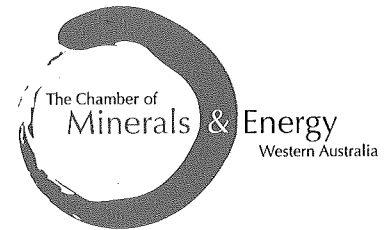


31 August 2009



Inquiry into Water Resource Management and Planning Charges
Economic Regulation Authority
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Dear Lyndon Rowe,

INQUIRY INTO WATER RESOURCE MANAGEMENT AND PLANNING CHARGES - DISCUSSION PAPER

The Chamber of Minerals and Energy of WA (CME) welcomes the opportunity to formally respond to the ERA *Inquiry into Water Resource Management and Planning Charges Discussion Paper*.

The CME is the peak resources sector representative body in Western Australia funded by its member companies who generate 90 per cent of all mineral and energy production and employ 80 per cent of the resources sector workforce in the State.

The Western Australian resources sector is diverse and complex covering exploration, processing, downstream value adding and refining of over 40 different types of mineral and energy resources and also incorporates power generation.

Western Australian exports of both minerals and oil and gas were worth around \$56.6 billion in 2007-08. The resources sector is also the largest private employer in regional and remote Western Australia, and the largest private sector employer of Indigenous Australians.

Water is an essential input in mining, minerals processing and energy generation. The resources sector recognises the importance of managing water resources in a sustainable way. Water resource management and planning charges are a key issue for CME members and we have been engaged in the ERA inquiry process. CME submitted a response to the ERA Issues Paper release in April 2009, a CME representative attended the round table discussion in early August 2009, we invited a representative from the ERA to attend our recent Water Issues Group meeting and discuss the inquiry with our member companies.

CME has also encouraged our member companies to submit comments directly to the ERA in relation to this inquiry, both the issues and discussion papers and by attending the round table discussion.

The National Water Initiative (NWI) is Australia's blueprint for national water reform and lists water pricing, including full cost recovery, as a key element of water management. As part of the overall water reform process in WA the Department of Water (DoW) has been drafting new water legislation including a Water Resource Management Bill. This process has taken some time and it is understood that the new legislation will prompt a new water resource management system in WA as proposed under the NWI.

For this reason the CME and our members believe the water resource management and planning charges should not be developed in isolation, but rather as part of the overall water reform process. This will enable the overall cost and benefits of the water reform process to be more transparent rather than charges being proposed in an ad hoc fashion.

As part of our submission process the CME has been examining the charging regimes in the Eastern States to gather information on how water resource management and planning charges are collected and administered. ERA should be cognisant of the ACCC report, *Water charge rules for water planning and management*, a draft of which was released in May 2009. This draft report examined the anomalies of water resources management and planning regimes in other states. The general consensus is the apparent lack of transparency of charging regimes and the inconsistency between states. It would appear that few, if any, of these regimes are NWI compliant.

As discussed with a representative from the ERA, the CME has listed the comments our members wish to make in dot point form to ensure they are concise and accurate.

The following are the key points the CME wishes to raise with regards to the ERA inquiry into water resource management and planning charges - Discussion paper:

- It is imperative that any cost impost will not impact the international competitiveness of any of WA's operations. WA cost structures cannot compromise WA in the international market.
- The ERA must account for the fact that industry already pays heavy levies and royalties.
- The need to account for investments made in water management by the mining industry.
- CME believes the ERA should examine the costing models and structures in place in the eastern states.
- The importance of independent scrutiny of the DoW charges - the need for control of cost increases over time and the monitoring of those costs. At this stage there does not appear to be any cost constraints within the DoW.
- There will need to be transparency with regards to which authority is responsible for setting the pricing.
- The governance structures to administer fees and expenditure needs to be transparent.
- Volumetric charges: The size of the licence is not directly related to the required effort to administer/manage it and therefore should not be the only consideration as a basis for charging. In terms of reflecting the costs of water resource management and planning the 'size of the allocation' should not be a factor, but rather the relative size within a consumptive pool.
- Concerns with the process - The costing models should be done independently. ERA has delegated the modelling to the DoW, the entity that will benefit from the charges.

- Comment regarding cross subsidisation - if some industries are being subsidised the shortfall needs to come from taxpayers (CME understands the ERA will not be recommending cross subsidisation).
- Clarity is needed with regards to how water management charges will impact water used in a non-competitive environment. Once these licences are established there is a minimal cost to Government.
- Clarification if there will still be licence fees if water resource management and planning charges are in place.

We look forward to contributing further throughout this ERA inquiry process. Please contact Michele Chiasson on (08) 9220 8534 or via m.chiasson@cmewa.com if you wish to discuss any of the matters raised in the content of this submission.

Yours sincerely

Reg Howard Smith
Chief Executive, CME