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Inquiry into Water Resource Management Charges  
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### **SUBMISSION: INQUIRY INTO WATER RESOURCE MANAGEMENT AND PLANNING CHARGES – DRAFT REPORT**

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia funded by its member companies who generate 90% of all mineral and energy production and employ 80% 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.

In 2009 it is estimated there were between 240,000 and 270,000 Western Australians employed directly or indirectly as a result of the resources sector, which represents around one-fifth of the State's total employment. Data from the Department of Mines and Petroleum shows the value of Western Australia's resources sector reached \$71.3 billion in 2008-09.

Water is an essential input to mining, minerals processing and energy generation. In turn, the value added to water by mining and petroleum operations is between \$50 and \$1200 per kilolitre. In this regard, CME notes that facilitating movement of water to its highest value use is a central principle of the National Water Initiative.

CME welcomes this opportunity to comment on the Inquiry into Water Resource Management and Planning Charges – Draft Report, as detailed in the following pages.

Yours/sincerely

**Reg Howard-Smith**  
Chief Executive

## Draft Report - Comments

The current review of Water Resource Management and Planning Charges is being considered in isolation from the general direction of water reform. As such, the costs and benefits of water reform are separated. CME urges Government to progress these reforms in parallel and to present the totality of proposals for review as a single omnibus package, to enable the benefits of reform to be considered directly against any costs and downsides. This will enable the overall costs and benefits of the water reform process to be more transparently and accurately assessed.

In relation to costs, it is not possible for CME to support the proposals in the Draft Report without the details of costs being provided. We are also concerned that several layers of costs appear to be contemplated: for licensing, for metering and for more general water resource planning. There is a lack of clarity as to how these charges interrelate: what is actually being charged for and what order of magnitude of costs are involved. These costs apparently include many indirect head office overheads that should remain the responsibility of government. Inclusion of overhead costs not directly attributable to management of a given water region is opposed by CME.

The Draft Report refers to the concept of efficient costs. The interpretation of this concept in regard to water planning charges should be explicitly explained rather than assumed. Indeed, without a proper definition of "efficient" costs, it is difficult to accurately establish future fees and charges.

The following points made by CME in a previous submission are still relevant to this Draft Report:

- While agreeing that ability to pay concerns should not be the dominant factor in determining water charges, it is imperative that the impact of any water cost impost on the international competitiveness of WA industry be taken into account as a reality check against excessive user charges for water.
- Volumetric charges are opposed.
- Investments made by licence holders in water management that provide benefits to other water users or generally, should be credited against water charges.
- The importance of independent scrutiny of water charges and the need for control of cost increases over time is stressed.
- Clarity is still needed with regard to how water management charges will be applied in a non-competitive environment, for example for remote mining operations accessing saline water where ongoing costs to Government are minimal once these licences are established.

Water Resource Planning is poorly defined in the Draft Report. A notable example is the preparation of statutory water plans (water sharing plans). This is a major obligation of the NWI and yet is not discussed. This is another reason why the future water management and planning system needs to be addressed, not just the present system.

With regard to a proposal to expand the scope of work required of a licence holder beyond that which would be required to obtain a licence, with additional costs met by the Department, (p14 of the Draft Report), this requires the closest consultation with affected companies to avoid any impact on project schedules and should be entirely voluntary.

With regard to the draft recommendations (D/R) of this Draft Report, CME offers the following comments:

D/R 1) CME agrees that costs of activities to assess the impact *directly* arising from the use of water resources be recovered from the party creating that impact but only where costs are clearly "efficiently" incurred, are transparent and equitable and can be implemented such that benefits exceed costs.

D/R 5) CME notes the varying of charges to licence holders by region, to reflect expenditure on water resource management in that particular region. In CME's view, it is imperative that there is no loading of water planning charges in low cost areas with averaged overheads from higher cost areas. Also, the definition of "regions" becomes important. This is an administrative concept and does not fit with catchment or aquifer basis for future strategy plans.

D/R 6) CME strongly supports the principle that licence holders who carry out work that contributes to allocation plans be entitled to a reduction in their licence fees.

D/R 11) CME notes that mining operations already meter their water consumption as a condition of their licence, so no additional costs would be incurred by the Department of Water. Charges are not acceptable if water metering is provided and monitored by the user.

D/R 13) Costs associated with ongoing water resource management should be determined separately for each consumptive pool, depending on the geography, hydrology/hydrogeology and number of users.

D/R 15) For "fee for service" CME supports the principles of cost recovery reflecting varying levels of complexity, transparency and discounting to reflect public benefits.

D/R 21) Legislation providing for recovery of water resource management and planning costs should only be presented to Parliament in conjunction with other legislative changes that provide corresponding benefits to water users. In fact, if there is not a current legislative power to support these charges, this clearly illustrates why these charges should be part of the broader water reform agenda.

In general comment on costs, CME remains concerned that no details of cost control measures have been provided in this Draft Report. Without Departmental cost controls and caps, the open ended nature of charging arrangements proposed in the Draft Report allow the Department of Water to expand its planning function without limit, knowing that ever-increasing costs will be allocated to current water users.

CME notes that the "fee for service" model proposed by the Department of Water and preferred by the ERA also includes a component arising from the combination of allocation size and percentage catchment allocation. This cost element is strongly opposed since it ignores the enormous geographical variations in management input required and does not conform to the ERA's cost recovery principles. Any charge structure needs to include a mechanism, such as a cap, whereby Department of Water management hours are not broadly redistributed or averaged across the State to the disadvantage of areas requiring only low management input.

In addition we would seek assurance and ongoing demonstration that:

1. cost recovered management input is commensurate with the requirements on a region-by-region basis and that the planning function is not expanded as a quasi-commercial function; and
2. the percentage of cost recovery is broadly consistent across the regions.

In this regard CME supports the suggestion that charges be set and reviewed every three years by the Authority.

There are also some gaps in the analysis in that, in other systems which levy industry-based fees and charges, there is some involvement of industry in the decision-making and implementation. This has occurred in other sectors such as Fisheries. This should be addressed via a formal consultative process established with industry representation.