

February 19, 2010

Our Ref: 05-064-01-0006MJB

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

Dear Sir,

INQUIRY INTO WATER RESOURCE MANAGEMENT AND PLANNING CHARGES

Thank you for the opportunity to provide comments on the Water Resource Management and Planning Charges Draft Report. This interim submission has been prepared in consultation with individual stakeholders within the sector and internally through the organisation. It will be considered by the WALGA Zones and State Council at the next opportunity. Any amendments will be forwarded following the next State Council meeting in April 2010.

The Association recognises the obligations on the State under the National Water Initiative to identify all costs associated with water management and planning. However, it is our view that meeting the requirements of this obligation is broader than the scope of this inquiry, which deals only with costs incurred by the Department of Water. Other stakeholders, including Local Governments, incur costs in water resource management and assist the Department of Water to meet its obligations. Contributions from these stakeholders need to be considered when estimating total costs and developing a charging regime.

An interim response to the principles in the Draft Report has been provided with this letter. The Draft Report and this response deal only with the proposed principles under which water resource management charges will be determined and applied. The Association believes that it is appropriate to publicly examine the implications arising from application of these principles once reliable data concerning efficient costs incurred by the Department of Water and others has been identified and charges calculated.

If you would like to discuss any issues raised in the submission further please contact Sarah Molloy on 9213 2049 or at smolloy@walga.asn.au.

Yours sincerely,

Ricky Burges
Chief Executive Officer

WALGA Response to the
Water Resource Management and Planning Charges Draft Report

The Western Australian Local Government Association (WALGA) is the united voice of Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of all 139 Local Governments in Western Australia, plus the Christmas Island and Cocos (Keeling) Island Councils.

The Association provides an essential voice for almost 1,400 elected members and over 12,000 employees of the Local Governments in Western Australia. The Association also provides professional advice and offers services that deliver financial benefits to Local Governments and the communities they serve.

Local Government Contribution to Water Resource Management

Although the Terms of Reference for this Inquiry considers only recovery of costs incurred by the Department of Water (the Department), other public and private sector organisations, including Local Governments, contribute to water resource planning and management. As some of these organisations are also water users it is appropriate to consider these contributions (activities) which would otherwise add to the costs incurred by the Department. A brief overview and comment on the role and contribution of Local Government to water resource management and planning is below.

Public Open Space

Local Governments manages the vast majority of green spaces, including sporting ovals, public open space, foreshore areas and landscaping in urban areas utilising around 3% of total water use in Western Australia for this purpose. Local Government makes a significant investment in public open space to ensure high quality recreation areas are available to the community and water resources are managed responsibly. Local Government irrigation infrastructure is a multi-million dollar asset which is continuously being maintained and upgraded. Local Government irrigation efficiency investment is significant and is helping to protect the State's water resources.

Between 2007 -2009, Local Governments in the metropolitan region completed Water Conservation Plans to help improve water efficiency and comply with Department of Water licensing requirements. These were part of the Department's water efficiency measures which also introduced a day time sprinkler ban for Local Government and compulsory extraction and water quality monitoring. Local Government is now required to install meters on all bores, monitor on a monthly basis and provide this data to the Department on an annual basis. Some Local Governments are also required to conduct ongoing water quality testing to measure salinity and a comprehensive water quality report is required when a new bore is installed. This information is provided to the Department, without charge, to assist them determine license allocation and to evaluate aquifer condition.

Planning

Local Government also contributes to water resource management through the planning process. *Better Urban Water Management* (Western Australia Planning Commission 2008) outlines the role of each stakeholder through each planning stage.

At the district level, Local Government assists to:

- refine the arterial drainage plan;
- define ongoing management arrangements and responsibilities for urban water management; and
- prepare a district water management strategy which provides input into the local planning strategy, district structure plan or region scheme amendment report (which would include a chapter on water resource management).

At the local level, Local Government works with developers on the:

- results of detailed monitoring and modeling of surface water and groundwater quality and quantity;
- local-scale water balance – options for water reuse and conservation strategy, including required approvals;
- identification of water management infrastructure and strategies required to meet design objectives;
- completion of site investigations, particularly where acid sulfate soils occur and contamination likely;
- definition of ongoing management arrangement and responsibilities for urban water management; and
- preparation of local water management strategy, including requirements for monitoring and urban water management plans.

At the Subdivision application stage, Local Government works with developers on:

- Further modeling of groundwater and surface water systems – build on previous results;
- Specific best management practices and design of water management system, including stormwater, to meet design objectives;
- Further acid sulfate soils/contaminated sites assessment where required; and
- Preparation of urban water management plan, including management of construction works, monitoring and maintenance arrangements.

At the Subdivision clearance conditions and construction of subdivision stage, Local Government works with developers on the:

- Necessary clearances for contamination;
- Completion of subdivision conditions requirements;
- Construction and management consistent with urban water management plan; and
- Acid sulfate soils/contaminated site clearance.

At the Development stage, Local Government works with developers on the:

- Identification of design requirements via developer covenant; site works and management consistent with urban water management plan;

- Compliance with Water Corporation's Waterwise Land Development Program;
- Initiation of monitoring program and;
- Acid sulfate soils/contaminated site issues are addressed.

At the post-development stage, Local Government assists in the collection and management of data.

Local Government has limited capacity to charge for these services. A set fee is applied for development and subdivision applications however this does not take into account the complexity of water issues that may exist in the area. Some Local Governments are also proactive in encouraging and working with developers to implement water sensitive urban design and innovations in water management. There is a concern that the Department will impose charges for activities which are collaborative in nature and that any increase in charges to developers may reduce motivation for best practice and innovation.

Drainage

Local Government is the largest drainage service provider in the state. Local Government drainage networks were built to prevent flooding and protect property. These traditional conveyance systems are very effective in meeting the original objectives. However, Local Governments now recognise the value to the community to also address water quality and water resource protection objectives. The implementation of water sensitive urban design has revolutionised the business of Local Government drainage services. Stormwater harvesting, vegetated swales, infiltration basins, foreshore rehabilitation and integration of water into the urban landscape have helped to improve water resource condition. Local Government drainage systems also facilitate groundwater recharge. Drainage sumps were developed to collect stormwater and allow it to infiltrate back into the superficial aquifer. This infrastructure is increasing the amount of groundwater available to all license holders. Improvements in drainage therefore have both a 'local' and a wider catchment benefit. The connection between surface and groundwater sources could even suggest the benefit of these works is much wider. The funding for these works currently comes from external sources or internally from Local Government budgets.

National Water Initiative

The National Water Initiative (NWI) refers to protection of 'environmental and other public benefit outcomes'. This is defined as part of the water planning process and specified in water plans. It may include –

- environmental outcomes; maintaining ecosystems function (eg through periodic inundation of floodplain wetlands); biodiversity, water quality, river health targets
- other public benefits: mitigating pollution, public health (eg limiting noxious algal blooms), indigenous and cultural values, recreation, fisheries, tourism, navigation and amenity values.

The NWI does not separate environmental and public benefits and therefore in compliance with this, the Department should not impose charges through different mechanisms for environmental and public benefits. These are shared by the whole community whether or not they are considered local or regional. Therefore the

Association recommends that the mechanism for environmental water resource charges be applied to other public benefits, including public open space and water for wetlands.

Local Public Good

The idea of a 'local public good' is not covered by the NWI and should therefore be excluded from any State charging regime. By definition a public good cannot be exclusive or connected solely to any one group. The definition provided on page 9 of the Draft Report states: *"The nature of public goods is that it is not possible to exclude individuals from the consumption of these goods, and the use of those goods by one person does not prevent others from using them."* In the Authority's response to the WALGA submission on the Discussion Paper, the idea of a 'local public good' is mentioned and argued that the costs of water resource management and planning that are caused by the local authority should be passed on to local rate payers, or through fees to park users, just as other management costs associated with local parks and facilities are passed on". It is very difficult to determine who the beneficiaries are to a park. Facilities are generally used by local sporting groups who can be identified as the beneficiaries. Public open space can be used by a wider community and may even be used predominantly by non rate-payers. The different scales of public open space also make it difficult to apply charges and justify additional costs to ratepayers who also have different scales of access and use of public open space.

The provision of public open space is not a commercial activity (as per agriculture) and therefore should not be charged. The arguments used to include the agriculture industry in the charging regime cannot be applied to Local Government because they have inherently different core business.

Therefore the Association recommends costs for water resource management and planning for Local Government is recuperated through public funds.

Water Metering

Local Government undertake meter installation, monitoring and reporting to the Department of Water. This is the most efficient way to read Local Government meters as Local Government Officers are on the ground and working in the area on a regular basis. Local Government should therefore be excluded from any charges associated with metering.

Water Licensing

Typically land developers acquire a licence to extract water in order to establish and reticulate public open space in new developments. This social infrastructure is then handed over to the Local Government. An efficient way to achieve handover of the associated developer license to Local Government should be considered. A second application for the same license may not be the most efficient method and will result in costs for both developers and Local Government.

Water licensing policy is listed under water resource management and planning activities that could be recovered through an annual charge. However, Section 67 of the NWI (as quoted in the Draft Report) states that activities undertaken for the Government,

including policy development, is excluded from any charges. Water license policy is a subset of policy development and should therefore be excluded from all charges.

Implementation of Water Resource Management and Planning Charges

The Association requests that the findings of this Inquiry regarding the efficient costs incurred by the Department of Water and the allocation of these costs amongst license holders according to the proposed principles be subject to public consultation. The Association also believes it appropriate to wait for the National Water Commission's inter-jurisdictional working group's set of pricing principles to be publicly released, to ensure national consistency.

Local Government makes a significant investment in water efficiency and conservation. It is imperative that any charging regime for water resource management supports these environmental initiatives and does not conflict with them.

Lastly, the Association would like to comment on the disconnect between this Issues Paper and the Department of Water's Discussion Paper on Water Resource Management Options. The comment period for the Discussion Paper ended on January 29, 2010 and although Cost Recovery was a major theme of this Paper, this Inquiry into Charges was only mentioned briefly in the Information sheet with no contact or link to the Draft Report. The timing was obviously a barrier to the two documents being more strongly linked so a direct reference should have been made by the Department that any comments on cost recovery should be directed to the Authority. This lack of communication may lead to comments being submitted to the Department of Water on their Cost Recovery proposal which are more suitable to this Inquiry.

The Association therefore recommends the Authority contact the Department of Water to view any comments on the Cost Recovery component of the Department of Water Discussion Paper on Water Resource Management Options.