

February 26, 2010

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

Dear Sir/Madam

The Western Australian Farmers Federation (Inc) (WAFarmers) thanks you for the opportunity to make a submission to the Inquiry into Water Resource Management and Planning Charges' Draft Report (further referred to in this submission as 'the Draft Report').

As background, WAFarmers completed submissions to the Inquiry into Water Resource Management and Planning Charges' Issues Paper (June 2009) and Discussion Paper (August 2009), and we participated in the round table arranged by the Economic Regulation Authority (the ERA) on August 10, 2009.

Given this previous involvement, in this submission WAFarmers will not repeat the information that we presented in those phases of the Inquiry however we expect that the ERA will consider those comments in their overall assessment of responses to the Draft Report.

Department of Water's accountability

WAFarmers has strong concerns that the Department of Water is unable to provide to the ERA *'the information needed for the Authority to determine the efficiency or cost reflectivity of the costs to be allocated to license holders'*, despite having had some six months (April-December 2009) to do so. This lack of accountability provides stakeholders with no confidence that the Department of Water is able to account for, and allocate costs to, management activity for water management and planning charges. This is incredible, when you consider that two years ago, the same department was trying to convince stakeholders that their management system had identified \$5.8 million in water license administration fees.

As such, WAFarmers believes that it is premature to comment on Water Resource Management and Planning Costs until we have had an opportunity to review the Department of Water's cost estimates, if and when they are able to provide them.

Allocation of costs towards public and private users

The anomaly which exists with the application of fees and charges to water users is that the 'true cost' cannot be applied equitably to all parties. The Draft Report's recommendations state that *"the costs of water used as an input into commercial operations, including farming enterprises, would include the associated costs of water resource management and planning"* however both proposed 'water licensing' models (Page 36) introduce inequity. The proposed charges increase with the level of water allocation in a catchment area, bringing in a differential in pricing for licensees allocated the same amount of water but are located in different catchments. In 'regionalising costs', the ERA is promoting inequitable costs for water license fees across the State. This appears to be contrary to the Draft Report's comments that *"consumption and production decisions should not be distorted by treating one user of water differently to another."*

Further to this, the recommendations note difficulty in attributing costs to some water users (mainly in an urban environment) and then also promote the need for subsidies for some users. WAFarmers highlights the inequity in this approach, when considered in the approach taken to licensed water users. Simply holding a water license should not attract inequitable costs, under the guise of these charges being a true reflection of the management costs of the resource.

"Efficient management" of the resource

As of November 2009 there were 84 groundwater sub-areas in the State which were allocated at or over 100%. This raises questions about the Department of Water's capacity to manage the resource as it should, and WAFarmers has strong concerns that any future charge on resource management and licensing will contribute significantly to rectifying these failings. We would not consider this 'efficiency'. As concerning as this data is, perhaps even more worrying is that, at the time of our inquiry, similar evaluation for surface water areas was not available.

Rights and Responsibilities

WAFarmers has consistently lobbied for the simultaneous delivery of rights and responsibilities in relation to the water reform outcomes defined by the National Water Initiative and for the efficient use of water in maintaining Western Australia's capacity to produce safe, quality food products for both local and export markets.

The Draft Report references the National Water Commission's recent criticism of the State's performance in water management, and therefore the ERA must recognise that the intent of the National Water Initiative (the NWI) is not being met within Western Australia. Despite the NWI commitments, there is still no nationally consistent definition of water planning and management activities and therefore the costs, and associated charges for water planning and management activities differ between jurisdictions.

WAFarmers maintains that the ongoing implementation of the NWI requires a nationally consistent and agreed approach which involves legislative reform. WAFarmers has been advised that the introduction to parliament of the State's key piece of water legislation reform, the Water Resources Management Bill may take up to two years. As we have previously stated to this Inquiry, any future water management and planning charges must be a component of the delivery of other sections of the NWI, as without the delivery of the NWI as a 'package', simply discussing 'user pays' is a fairly meaningless activity

I thank you for consideration of this submission. Should you wish to discuss this matter please do not hesitate to contact me or WAFarmers Director of Policy, Alan Hill on 9486 2100.

Yours sincerely

Mike Norton
WAFarmers President