

20th December, 2010

Our Ref: 05-064-01-0006 SM

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

To Whom it may Concern,

INQUIRY INTO WATER RESOURCE MANAGEMENT AND PLANNING CHARGES: SECOND DRAFT REPORT

Thank you for the opportunity to provide comments on the Second Draft Report into Water Resource Management and Planning Charges. This interim submission has been prepared in consultation with individual stakeholders within the sector and internally through the WA Local Government Association (WALGA or 'The Association'). 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 February 2011.

The Association recognises the obligations on the State under the National Water Initiative to identify all costs associated with water management and planning. However, as suggested in the Association's submission to the First Report, 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 in the context of cost recovery.

An interim response to the Recommendations in the Second Draft Report has been provided with this letter. Of particular interest is Recommendation 13, which is not supported by the Association because of the implications it will have for the Local Government and development sectors, as well as the potential implications for sustainable water management.

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 Second Draft Report

The Western Australian Local Government Association ('The Association') 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.

The Association provides comment on each of the Recommendations of the Second Draft Report below:

Changes to Draft Recommendations in the First Draft Report

- 1) For public open spaces, water resource management and planning costs be recovered from public funds.

This is supported. The costs of water resource management and planning that are caused by a Local Government should not be passed on to local rate payers but rather recovered from public funds. It is very difficult to determine who the beneficiaries are for public open spaces. Public open space can be used by a wider community and may even be used predominantly by non rate-payers.

The Association acknowledges the Economic Regulation Authority's (the Authority) recognition of the recommendation in the previous submission for the First Draft Report "*Therefore the Association recommends costs for water resource management and planning for Local Government is recuperated through public funds.*" Public funds are defined by the Association as essentially State or Federal taxation revenue.

- 2) The Department of Water to not reimburse license holders for the costs of information provided in license applications.

This recommendation is supported, however the issue of information provided for 'broader water resource assessment processes' has not been covered. The Association acknowledges that information provided for licence applications contributes to the applicant receiving a licence and has a direct benefit to that applicant. Ongoing data collection under a groundwater or surface water licence is not covered in this recommendation. As stated in the previous submission, Local Government undertakes water resource management activities which have a broader public good outcome including water extraction monitoring, water table monitoring, salinity and water quality

monitoring as well as an indirect recharge of groundwater aquifers through drainage systems which is not factored in to any water allocation process.

It is recommended that these water resource management activities be acknowledged in a reduced license fee for Local Government licence holders.

- 3) The costs incurred by the Department of Water in managing garden bores not be recovered from bore owners.

The Association does not wish to comment on this recommendation.

Accountability, Effectiveness and Efficiency in Water Resource Management and Planning Activities

- 4) The Authority estimates that in 2008-09 the Department of Water incurred a total of \$29.2 million of costs that it considered to be efficiently incurred on behalf of identifiable private parties and provides an appropriate basis for service fees and charges.

The Association suggests the Authority and the Department of Water (the Department) consider where efficiencies can be gained. This could be in the form of whole of government cooperation, red tape reduction, data provision and electronic planning forms etc. There are a number of areas which should be investigated for efficiency gains to reduce the costs borne by the Department – considering the cost will be passed on to third parties.

Processing and Assessment of Applications for Water Licences and Permits

- 5) The upfront application fees for new 5C licences and 5C licence renewals be differentiated based on the level of effort applied to applications of different risk categories (low, medium, high).

Supported, however recommend that the risk level be re-evaluated at each renewal to capture any licences which may have had a reduced or increased water access entitlement or other changes in circumstance.

- 6) The Department of Water to continue collecting data on the level of effort required to assess licence applications of different risk categories. This includes collecting data on groundwater and surface water licence applications, and applications from large customers.

This is supported.

- 7) Other licence permit application fees be based on the average cost incurred by the Department of Water in assessing and processing each type of instrument.

This is supported.

- 8) The Department of Water to collect data and analyse the results to establish the different levels of effort required to assess and process other licence and permit application fees which are currently based on average costs.

This is supported.

Providing Water Allocations and Managing the Ongoing Use of Water

- 9) The efficient water allocation planning and environmental water planning costs, and the efficient costs of other activities that support allocation planning, be recovered annually from users based on the total (aggregated across regions) level of effort involved in undertaking the allocation planning and related activities, but differentiated according to resource management categories and risk level. Appendix G provides information on the impact of the Authority's proposed fees and charges for a range of different licence holders.

Water allocation planning has a public and environmental benefit because it ensures water is protected for environmental flows and public use and amenity. These are considered 'outputs' of the water allocation process. Although there are benefits to users, the Association recommends a proportion of funding comes from public funds to reflect this.

A single licence fee is recommended to ease the administrative burden for Local Government. The introduction of any fees for Local Government should not occur before amalgamations of groundwater licences are finalised.

Licensing of Water Corporation in the IWSS

- 10) The direct licensing costs for the IWSS that are incurred each year by the Department of Water be recovered from the Water Corporation through an annual charge.

The Association does not wish to comment on this recommendation.

Water Metering

- 11) The costs incurred by the Department of Water on behalf of metered customers on the Gnangara Mound and in the Carnarvon Groundwater Area be recovered from those customers, in the form of:
 - An up-front charge per meter to recover the costs of meter supply and installation for new customers (and existing customers when meters are replaced); and
 - An annual charge per meter to recover the average costs per meter reading and maintenance for existing and new customers.

This is supported provided licence holders have the option to purchase, install, maintain and read their own meters in accordance with their Operating Strategy. This is often a more efficient and cost effective method of monitoring extraction.

Water Source Protection

- 12) The efficient actual costs incurred by the Department of Water in providing water source protection services be recovered from the service providers (Water Corporation, Aqwest and Busselton Water) at the end of each financial year.

The Association does not wish to comment on this recommendation.

Cost Recovery and Indicative Fees and Charges for Other Services

- 13) The efficient costs incurred by the Department of Water in assessing sub-division and development applications, clearing subdivision conditions and local planning proposals be recovered from users of the services. The proposed fee to be based on the Department's average cost of assessment.

This recommendation is not supported. It is, however, reassuring to see that the Department is working with Local Governments to increase their capacity to assess water management issues but the reality is that many Local Governments are under resourced, in both skills and funding (Local Government does not undertake cost recovery for many of its services) to undertake this task.

The introduction of an additional fee for Department of Water services will not lead to the best water management outcome. Firstly, development applications may not be referred to the Department in the first place because of the onerous fee structure. Secondly, if the application was referred, the fee structure could be an impediment to the implementation of best practice and innovation. Thirdly, the impact on housing affordability needs to be considered with development costs increasing considerably over the last decade and also the demand for residential land. This would be inconsistent with State Government strategic planning, documented in Directions 2031 and the forthcoming State Housing Strategy.

Data from the Department of Water into the levels of effort for statutory referrals is limited and those referrals requiring little effort will be charged more because of more complex ones requiring analysis of technical reports.

Local Government is the approval agency for development applications and charges a small fee for its planning services. The minimum fee for development applications is \$135 and increases incrementally depending on scale. The proposed charge of \$610 for development applications would increase the charge considerably for some developments. This would discourage Local Government, potentially, from referring development applications to the Department. Water issues are complex and may require the expert advice from the Department, but if the scale of the project is low, the costs would increase considerably. This may also become a barrier to development, as proponents weigh up costs and benefits.

The introductions of fees of \$610 for development applications and \$768 for clearance of subdivision conditions should not be passed on to developers through the existing charges by Local Governments for development applications. The State Government has used Local Government as a collection agency in the past and this has impacted

negatively on the sector. Any effort to use Local Government to collect funds for the State Government is not supported by the Association as it removes all responsibility and liability from the State Government and shifts it to Local Government.

In relation to the fee of \$2,967 for the provision of advice on local planning proposals, "*If it is possible, local governments could choose to pass these charges onto customers who use local planning services,*" Local Government does not have a say in what fees it can charge for these services. These are determined by the WAPC and before any charges were introduced by the Department of Water, the Local Government sector would require a mechanism to ensure this cost could be recouped. That said, the Association opposes any charges for Department of Water planning services. If fees were introduced, it would be a further cost impost for the WAPC who would need to review regulations and policy.

There is also concern that the Department will impose charges for activities which are collaborative in nature (between the Department and Local Government) and that any increase in charges to developers may reduce motivation for best practice and innovation. Local Governments work directly with developers to implement water sensitive urban design and this relationship could be damaged if Local Governments were forced into increasing their charges.

The introduction of fees for Department of Water planning referral services will set a precedent that cannot be sustained. If each referral agency introduced fees for their services, the cost of development and subdivision would increase substantially. Referral agencies for development and subdivision applications can include Department of Health, FESA, and the Department of Environment and Conservation. The Department is a State Government agency that has policy objectives to manage WA's water resources. A move to make it a service delivery organisation would be detrimental to the sustainable management of water resources.

The purpose of referrals is not to enable a development but to prevent an adverse outcome. These adverse impacts are generally public in nature and therefore the referrals process benefits the wider community, rather than the proponent.

Department of Water referrals on subdivision, development and local planning proposals have a public good outcome as the water issues are not necessarily locally constrained. Improved water quality, for example, in a small sub-catchment can benefit residents and visitors throughout the catchment.

The Association also does not support the introduction of fees to the WAPC for subdivision applications or development applications. The involvement of the Department in these proposals is important; however a fee structure may be a barrier to collaboration. The introduction of fees will not support the strategic policy objectives and mission of the Department to manage and protect WA's water resources and could potentially be a barrier to development and redevelopment in the State.

- 14) The Department of Water to continue collection of data on the level of effort required to assess statutory referrals with low, medium or high levels of complexity to enable the introduction of more cost reflective fees in the future.

No fees for statutory referrals are supported. The fee structure proposed is not equitable as the costs of large scale projects have been absorbed into the costs of smaller scale projects and the Association questions the value of further investigation in terms of Departmental efficiency.

- 15) The efficient costs incurred by the Department of Water in providing information for district planning proposals and regional planning proposals not be recovered from users of these services.

This is supported

- 16) As the cost per unit output for the Department of Water's services to guide urban drainage and management are not available, the costs incurred by the Department in providing these services not be recovered from users at this stage. The Department of Water to continue collection of information about these services and their cost to enable the introduction of fees in the future.

The costs of providing advice and information on urban drainage and management are a public good and should not be recovered from private users except where the benefit can be clearly attributed. Advice to Local Government is a public good because it provides drainage services for the community, mostly to protect roads from flooding. This is a public good as it can not exclude anyone from its benefit and users include both local ratepayers and those from other jurisdictions.

- 17) The efficient costs incurred by the Department of Water in providing floodplain management advice and water information to private parties be recovered from users of these services, unless the Department of Water provides information which shows that the costs of implementing fees for these services would outweigh the benefits.

As stated above, advice of floodplain management in many cases is a public good. This service should be available to those seeking information at no cost. The Department of Water could reduce its own costs if the basic data, which has already been publicly funded, be made freely available. The Department would then only receive requests for more detailed information or analysis.

- 18) In addition, if the provision of water information becomes available for free from the Bureau of Meteorology, the Department of Water to wind back its water information provision service and refer any inquiries to the Bureau of Meteorology.

The Department should consider providing floodplain and other water information at no cost to the wider community in a format that is accessible. If this information was freely available on-line, the Department would reduce its costs in providing this service. As the lead agency for water management in the State, it is concerning that the Department would look to wind back its water information service. There is no efficiency in duplication but there certainly seems to be a lack of leadership shown by the Department in this area.

Impacts of Fees and Charges and Implementation

- 19) The Authority invites stakeholders to make submissions with information about capacity to pay issues in relations to the proposed water resource management and planning fees and charges.

Any charges incurred by Local Government and not recouped from others will be paid from rates revenue. Rates burden is not strongly related to income or wealth of rate payers.

- 20) The Authority recommends that the proposed water resource management and planning charges be phased in over a three year period as outlined in Appendix F.

A phased approach is supported for the fees that are deemed appropriate.