



INTERIM SUBMISSION

**Economics and Industry Standing Committee
Legislative Assembly**

**PARLIAMENTARY INQUIRY INTO
WATER LICENSING AND SERVICES**

DECEMBER 2007

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EXECUTIVE SUMMARY

Local Governments account for approximately 3% of consumptive water use in Western Australia in providing sporting and recreational facilities for the community which deliver a wide range of public benefits including improved health and lifestyle outcomes. Although comparatively small water consumers, many Local Governments demonstrate leadership in improving water use efficiency and maximizing public benefit for each unit of water consumed. Local governments are also actively involved in delivering improved environmental outcomes within their jurisdictions and so are key stakeholders in effective water resource management.

Local governments on the Swan Coastal Plain are heavily dependent on groundwater to irrigate public open space and sports facilities. Many of the groundwater bores used for this are licensed under existing arrangements.

Both direct and indirect implications of a wider licensing and charging regime for use of ground water and stream flow have been considered in developing the following recommendations to this Economics and Industry Standing Committee Inquiry into Water Licensing and Services:

1. Sufficient time is allowed for consultation with local government on key issues which impact upon the sector.
2. Local Governments continue to be permitted and facilitated to combine water licences to promote administrative efficiency and reduce costs.
3. The State meets the cost of installing and maintaining any additional water meters required as a result of the proposed licensing system.
4. All funds raised via licence charges be hypothecated to the appropriate section of the Department of Water.
5. The Economic Regulation Authority reviews the licence charges within two years and provides advice concerning the efficiency and equity of the arrangements.
6. Water licence charges are waived or concessions applied where water drawn from a groundwater source or stream flow is for public benefit outcomes.
7. The West Australian Government provide financial assistance to local governments and other not for profit organisations to implement improved water efficiency measures and move to lower water consumption alternatives including;
 - a. Synthetic sporting surfaces;
 - b. Rationalization of irrigated sporting areas; and
 - c. Intensive management of irrigated playing surfaces using best practices and technologies.
8. Water sourced from stormwater run-off or re-use of waste water should not be licensed as stream flow.
9. If Licensing Charges are applicable, concessions should apply where a dam or aquifer is partly supplied by water reclaimed from waste water or urban storm water.
10. The State Government, in consultation with WALGA and the sector, thoroughly investigate the consequences of licensing groundwater and surface water use on local government revenue, and the equity of rates collection across the community; and make any necessary changes to related legislation.

ABOUT WALGA

The West 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 142 Local Governments in Western Australia.

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

WALGA welcomes this inquiry by the Legislative Assembly Economics and Industry Standing Committee into Water Licensing and Services and its Terms of Reference:

1. the benefits to, cost to and imposts on irrigators, industry, community and environment of a licensing system for the taking of water from groundwater or stream flow;
2. the full cost incurred by the Department of Water for administration of the current water licence system;
3. the extent to which the water licence administration fees meet cost recovery requirements the National Water Initiative (NWI) places on the State with respect to services delivered to water users;
4. the penalty or cost that might be applied to Western Australia by the Commonwealth under the NWI, if there was minimal or no cost recovery for services provided to water users by the Department of Water;
5. whether water licences and/or licence administration fees should be required for taking water under arrangements that are currently exempt; for example, residential bores drawing from an unconfined aquifer;
6. what recognition needs to be given to the cost incurred by landholders in harvesting water, including dam construction costs; and
7. the extent to which the NWI provides for a range of different licensing systems.

This Interim Submission on behalf of the Local Government sector has been prepared with limited consultation due to the tight time frames provided by this Inquiry.

BACKGROUND

Local governments in Western Australia are key stakeholders in effective management of water, directly as users of groundwater for maintaining recreation facilities and landscaped areas and indirectly through the impact of water on the environmental and economic sustainability of their jurisdiction.

Local governments account for a small proportion (approximately 3%) of the State's water consumption. In this context, WALGA urges the State to consider water use by all sectors in order to develop and implement effective water resource management strategies, including the NWI, in the context of an integrated strategy to manage climate change.

CONSULTATION

The State – Local Government Partnership Agreement on Communication and Consultation (2004) commits both parties to a minimum 12 week period for consultation on matters concerning each party. It is noted, that on this occasion only 6 weeks has been made available following release of the Issues Paper for preparation of a response by the sector. WALGA is concerned that the complexity inherent in the broad water reform agenda of the State Government cannot be adequately considered or addressed without the due process required by the Partnership Agreement.

Recommendation: Sufficient time is allowed for consultation with local government on key issues which impact upon the sector.

COSTS AND BENEFITS TO STAKEHOLDERS

The benefits to, cost to and imposts on irrigators, industry, community and environment of a licensing system for the taking of water from groundwater or stream flow.
(Terms of Reference Item 1)

The proposed licensing system for taking water from groundwater or stream flow has a number of objectives. These are particularly focussed on gathering sufficient data on actual use of the water to enable sustainable management of the resource and providing a framework for efficient water trading. The beneficiaries of these outcomes include;

- future water users;
- current irrigators;
- industries developed on the basis of irrigated agriculture; and
- the wider community reflecting the preservation of environmental values.

As a matter of principle, the beneficiaries should share the costs, according to the benefits they derive.

The majority of local governments located on the Swan Coastal Plain rely heavily on groundwater to irrigate sports and recreation facilities, as well as maintain other public landscaped areas. Many of these bores are currently licensed. The valuation of water for these purposes (compared with use as potable water, environmental water, irrigated agriculture etc) raises a range of issues. It is clear that water used for irrigating public open space differs from residential use and irrigated agriculture in a number of dimensions including its impact on economic development, community health and social cohesion.

The costs of the proposed groundwater and stream water licensing arrangements have a number of components:

a) Licence Fees

The areas managed by local governments such as recreation grounds and public open space are typically discontinuous and so are often irrigated using a number of smaller groundwater bores drawing from the same aquifer. Notwithstanding comments and recommendations made under the Licensing Exemptions section below, Local Government submits that if a charging regime is to be based on a large "recording fee" plus a volumetric charge (or a tiered charging system), then the multiple groundwater bores within one local government area be amalgamated under a single licence. It is noted that local governments have been permitted to combine licences in the past and it is recommended that this option be allowed and facilitated in the future.

Recommendation

That Local Governments continue to be permitted and facilitated to combine water licences to promote administrative efficiency and reduce costs.

b) Metering

While details have not been made clear, a water licensing system which will provide detailed information on water use will require the installing, maintaining and reading of meters. While these costs have been met for a limited pilot program on the Gngangara Mound, and there has been some reference to Federal Funding sources, the capital and on-going costs of metering are significant. The State Government is responsible for the management of water resources in the state, and therefore in situations where there is no private benefit from water use, the state should meet all of the costs of gathering information and managing a community resource.

Recommendation

That the State meets the cost of installing and maintaining any additional water meters required as a result of the proposed licensing system.

A benefit to current water users from a licensing regime is to increase the certainty of supply. However, it is noted that arrangements to more thoroughly determine consumptive pools and allocations are not part of the proposed regulations, and in some areas are likely to be several years away.

COSTING

The full cost incurred by the Department of Water for administration of the current water licence system.

(Terms of Reference Item 2)

The information made available does not make it possible to comment on the cost incurred by the Department of Water for administration of the current water licence system and how this might relate to any proposed future system. It would appear, however, that a large proportion is required for assessments.

Recommendation

All funds raised via licence charges be hypothecated to the appropriate section of the Department of Water.

Recommendation

That the Economic Regulation Authority reviews the licence charges within two years and provides advice concerning the efficiency and equity of the arrangements.

LICENSING EXEMPTIONS AND RECOGNITION OF EXISTING INVESTMENTS

Whether water licences and / or licence administration fees should be required for taking water under arrangements that are currently exempt.

(Terms of Reference Item 5)

What recognition needs to be given to the cost incurred in harvesting water.

(Terms of Reference Item 6)

Public Good and Private Benefits

The WA Local Government Association supports the principle of establishing a licensing system to assist in ensuring the adequate accounting for water and facilitate trading in water entitlements. It is appropriate that at least part of this cost is borne by those who extract a private benefit from that knowledge or opportunity. It is contended however,

that it is inappropriate to impose such a regime on Local Government as there is no private benefit.

Section 35 of the Inter-government Agreement on a National Water Initiative (NWI) identifies the need for water to be provided by the State to meet “environmental and other public benefit outcomes”. Section 36 of the NWI identifies that statutory water plans need to be informed in part by socio – economic analysis.

WALGA contends that the provision of public open space is consistent with this objective, and therefore it needs to be recognised that any impost or cost proposed, such as regulatory charges, changes to licensing fees or additional conditions placed on the existing licensing arrangements for local government all need to adequately recognise the public good of the consumptive water use.

Local Governments are not-for-profit entities charged with the responsibility to provide and manage significant areas of public open space for the community of Western Australia. The infrastructure required to do this effectively is conservatively valued at several hundreds of millions of dollars in the Perth metropolitan area alone (for example the replacement value of the irrigation systems for public open space in the City of Melville alone is estimated at \$14 million) and the full life cycle cost of providing this infrastructure is often beyond the capacity of Local Government rate revenues to adequately service.

Many groundwater bores operated by local government authorities are licensed under existing regulations. However, it is recommended that in determining charges for these, consideration be given to the use of the water and charges be waived or concessions applied where the water is primarily for public benefit (including environmental use).

Recommendation

That water licence charges are waived or concessions applied where water drawn from a groundwater source or stream flow is for public benefit outcomes.

The development of a licensing regime that adequately considers the existing financial and technical investment and the maximum public good value that Local Government seeks to extract from the resource (e.g. the health and well being of the community via sport and recreation) needs to be an essential consideration to developing or evaluating an equitable licensing regime.

Water Conservation Planning and Management

The requirement of water conservation plans for local government, as part of their license conditions, will have a major impact on the social fabric of communities as the ability of local government to maintain existing active reserves will become problematic due to the existing over allocation of water resources. Sports ground rationalisations will have major consequential effects on the community. The cost of transitioning the state's

grassed sports surfaces to cope in a drier climate is far beyond the financial capacity of voluntary sporting organisations and local governments.

The threat to sporting activity from drought is very real and has potentially devastating social consequences including reduced physical and mental health levels, increased obesity and anti-social behaviour, as well as financial impacts and job losses.

Recommendation

That the West Australian Government provide financial assistance to local governments and other not for profit organisations to implement improved water efficiency measures and move to lower water consumption alternatives including;

- **Synthetic sporting surfaces;**
- **Rationalization of irrigated sporting areas; and**
- **Intensive management of irrigated playing surfaces using best practices and technologies.**

The local government sector strongly supports measures designed to increase the efficiency of water use. This includes adopting innovative approaches, especially in regional areas, to capture and re-use water for irrigation of public open space.

Water harvesting and reuse is an example of ensuring that every reasonable endeavour is being made to conserve water resources, regardless of its source (surface waters, groundwater, and harvested rain water). In a number of instances, Local Governments are capturing runoff from irrigated public open space for reuse via storage in dams, and often capturing recycled and/or stormwater runoff through the same process to maximise reclamation and extract the highest possible value of the resource, for the public good.

The licensing regime appears to penalise (via the license and its conditions) those who are optimising their investment in extracting maximum value from the resource, as much as those users who are not. This “one size fits” approach appears inequitable, creates perverse incentives and fails to recognise the considerable financial and technical investment made by Local Government and expected by the community in the provision of public open space. For example, there is no incentive within the proposed system to minimise the administrative costs of licence management and water usage data recording through the use of technology or self reporting.

Water sourced from stormwater run-off or re-use of waste water should not be licensed as stream flow. An objective of the National Water Initiative and the WA State Government is to increase the efficiency of water use, and these types of measures should be actively encouraged, at all opportunities.

Recommendations

Water sourced from stormwater run-off or re-use of waste water should not be licensed as stream flow.

If Licensing Charges are applicable, concessions should apply where a dam or aquifer is partly supplied by water reclaimed from waste water or urban storm water.

Water that is collected in order to address drainage or secondary salinity should not be subject to licensing under the proposed regulations as it is not part of a limited consumptive pool.

To assist the State meet its water use efficiency objectives the Association in conjunction with the Department of Water (DoW) and a number of urban councils participated in a pilot project to develop Water Efficiency Plans for the Local Government sector. This process will improve the accountability for the small portion (3%) of the State's water consumption that is used by Local Government.

OTHER RELATED MATTERS

WALGA wishes to highlight potential consequential issues arising from the implementation of a water licensing regime, which is an important pillar in facilitating water trading between licence holders.

As was highlighted by Mr R Hammond (Director Water Resource Use, Department of Water) in the Legislative Council Estimates Hearing (June 2007), "A (water) licence is a valuable item. Whether one is in Manjimup or Carnarvon, a property with a licence can often be worth double to 10 times a property without a licence."

Local Governments in Western Australia on average derive more than 50% of their operating revenue from property rates, which are based on land valuations provided by the Valuer General's Office. If in preparing land valuations a water licence is regarded as a personal chattel by the Valuer General and therefore not included in the land valuation, this will have major impact on the ability of local governments with irrigated land within their boundaries to raise sufficient revenue in the short term and on the distribution of the rate burden in the long term.

Recommendation

The State Government, in consultation with WALGA and the sector, thoroughly investigate the consequences of licensing groundwater and surface water use on local government revenue, and the equity of rates collection across the community; and make any necessary changes to related legislation.