

ECONOMICS AND INDUSTRY STANDING COMMITTEE

Geoff Calder
 General Manager
 Harvey Water
 PO Box 456
 HARVEY WA 6220



PARLIAMENTARY INQUIRY – WATER LICENSING AND SERVICES

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;

- 1.1 Harvey Water supports the licensing of major water users in Western Australia and recognises that the cost of administering these licences must and will be paid for, one way or another, either indirectly through taxes or directly by fees. As the NWI IGA requires that licensing fees be transparent and fully recovered, the move by DoW to apply these fees is consistent with that document.
- 1.2 Payment of a fee for a licence by the licence holder is normal practice in many other situations in which the beneficiary pays for some or all of the cost of administration. The right to drive, fish or conduct a wide range of trades or businesses is covered by licences for which a fee is payable.
- 1.3 It is understood that the purpose of licences is to ensure controls which regulate the particular industry or, in the case of water, the use of the resource.
- 1.4 It is highly desirable that with climate related reductions in the total volume of non sea water all of society needs to be involved in its allocation and use. In general, government plays a major role in acting on behalf of the community in managing community resources, of which water is but one.
- 1.5 The cost of licence administration is based on the number and complexity of the licence conditions which need to be satisfied. In many cases government outsources the cost of licence compliance by requiring that the licensee does the compliance work to a greater or lesser degree.
- 1.6 Not all licences are the same and have the same conditions. In general the greater the degree of impact on other people who are directly affected by the activity being licensed, the more complex the conditions. For this reason a licence to supply potable water is very much more stringent and with many more conditions than one to

supply irrigation water and, in comparison, a self supply licence has minimal conditions.

- 1.7 It clearly follows that the more licence conditions there are then the greater is the cost of administering them, whether they be wholly or partly administered by government or licensee.
- 1.8 Harvey Water categorically rejects the simplistic notion that a licence fee should be directly and wholly related to the volume of water licensed for use, albeit that DoW has used this convenient method of distinguishing between fee levels.
- 1.9 There is no doubt that administering licences is not only necessary but also can be expensive. The trick is always to find a balance between the benefit of administration and its cost.
- 1.10 For example, we no longer have licences for radios and TVs or registration fees for bicycles because the cost and effort to administer them simply did not justify the benefit. And to some degree there can be the situation where the imposition of a fee is a revenue raiser or offset rather than necessary to implement controls.
- 1.11 Harvey Water believes that access to water is a precious right which is bestowed upon users by society as represented by government through its agencies. And it is very important to understand who those users actually are.
- 1.12 The use of water for productive purposes benefits wider society through the production of food for others who can't or elect not to produce it for themselves. What irks all food producers is that while it is possible to mount a case for the user must pay for the service given, it is not possible for that licensee to pass that cost along to the final consumer because of the market structure which applies. Agriculture is not like other businesses where extra costs can simply be passed along. It is every food producer's view that the final consumer of water is the person who eats the food not the grower who is merely the intermediary along the way who turns water into food.
- 1.13 However this does not mean that those producers can be profligate with its use and it is fair and reasonable to inform society (through government agencies) on the ways in which that water is being used. Water supplies are decreasing and must be managed for the best interests of the whole of society and the understanding of the management needed is usually provided by government through licenses and regulation. Whether or not a licensee agrees that there should be a cost attached is not material. The administration of that license will be paid for either indirectly through taxes or directly through a fee.

1.14 In the interests of value to the taxpaying public and focusing on services which are more appropriate to government in modern economies it is common for agencies to be regulators of an industry or resource rather than managers as had often previously been the case. In this situation, the regulator sets the rules and requires the licensee to demonstrate that they comply. Harvey Water accepts this as a more efficient way to proceed and that a licensee should be prepared to accept the benefits of a license by doing all those things which allow them to retain the license.

2. The full cost incurred by the Department of Water for administration of the current water license system;

2.1 Harvey Water participated in the consultation process which led to the development of the State Water Strategy and notes that license fees were discussed at length and in depth over that period. It is therefore disappointing that this has been raised again at this very late stage and has received attention beyond that which is warranted. During the consultation process the DoW undertook a major exercise in identifying and working out the cost of each function of the DOW. This was in direct response to the questions and issues that were raised by the participants.

2.2 Harvey Water has no reason to believe that this study was not done competently and fairly and that it represents the true costs, within reason, of license administration in this case. Neither have we any reason to believe that a review of that exercise would yield a better estimate or a different result to justify the expense.

2.3 Harvey Water therefore believes that the costs to administer the different license fees were competently and fairly derived and represent a reasonable approach to the requirements under the NWI.

2.4 It is also important to understand that the licensing process outsources the cost of license administration to licensees as the conditions become more complex. For example, Harvey Water has 3 licenses and our estimate is that it costs the company in the order of \$300 000 each year to administer those licenses.

2.5 Harvey Water notes that very recently there has been a review of the license fees which has resulted in the doubling of the fees which apply to our licenses. Our cooperative is resigned to accepting this cost increase, albeit there has not been any reason given to justify it, in the interests of moving the management of water in WA forward. Our proviso is that the issue and cost of license fees should be reviewed by an independent body such as the Economic Regulation Authority within a reasonable time frame which we nominally put at 2 years.

3. The extent to which the water license administration fees meet cost recovery requirements the National Water Initiative (NWI) places on the State with respect to services delivered to water users;

- 3.1 The IGA contemplates transparency and full cost recovery of license fees in water administration. As noted in other parts of this submission, Harvey Water believes that the cost of license fee administration to the DOW has been fairly calculated. Whether this has been fairly translated to the cost of administering individual licenses given the amount of outsourcing which has been built into license administration is a question for DoW to explain.
- 3.2 Harvey Water believes that given the differences between licenses and conditions that it would be fair and reasonable to suspect that an averaging process of some kind has taken place using assumptions and the estimated full cost of \$5.8 m. As long as this is not grossly overestimated (or underestimated for that matter), Harvey Water is prepared to accept the calculations and fees.

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;

- 4.1 This matter is properly one which is guided by the NWI IGA for discussion between governments.
- 4.2 Harvey Water has spent some time in consultation with NWI about the meaning and intent of the IGA conditions. It is abundantly clear that they are formulated solely for the purpose of managing the Murray Darling Basin and they are simply hopeful that Western Australia will comply without demur. It is also abundantly clear that the situation in WA is not the same as in the MDB and that there is a need for WA to be a bit more perspicacious and develop local solutions which conform to the intent behind the IGA. That is, WA should not slavishly conform to the letter with the IGA but negotiate to obtain satisfactory solutions which suit our water management strategies, policies and practices, as these are arguably better developed than many eastern states systems and certainly are generally operating well in WA.

5. Whether water licenses and/or license administration fees should be required for taking water under arrangements that are currently exempt; for example, residential bores drawing from an unconfined aquifer;

- 5.1 There has frequently been the call for urban backyard bores to be licensed, presumably on the basis of some form of equity between small rural water users and urban users. This is really not a rational basis for licensing and in a sense equates to the radio licenses that

used to exist and for which people can reasonably ask "Why?" Backyard bores use relatively tiny volumes of water; they use untreated groundwater not high quality potable water which comes through the Water Corporation system and a lot of the water simply recycles through the sandy soil into the superficial aquifer and then is re-pumped.

- 5.2 The rationale for licensing rural users is that they are using the water for a productive commercial purpose, usually some form of agriculture which suggests there is some kind of economic return to the licensee, and there is competition for that water as rainfall and run-off continue to decline. Urban users simply water their yards and are not in competition with their neighbours to the extent that they may be limiting their neighbours' supply because the volumes used are relatively small.
- 5.3 For example the average volume of water used per household for the garden or outside use is about 150 kilolitres per year. The smallest irrigation volume for which a licence fee is necessary is 1500 kilolitres or about as much water as an urban bore owner would use in 10 years. So, if you were to license each urban bore user then for equity reasons you would also have to license just about every water user in the state and that is just plainly silly.
- 5.4 If backyard bores were licensed you then run directly into the situation where government collects a huge volume of data and records and the question is then, For what useful purpose? Certainly, knowing how many bores is a useful thing. But having full details on where they all are and how much water they are using isn't necessarily vital information given the urban use characteristics noted above. A sampling approach to these issues would provide a good enough information data base. And public servants have to be employed to manage it all. And you can easily ask if that is the best thing that we can get government employees to do?

6. What recognition needs to be given to the cost incurred by landholders in harvesting water, including dam construction costs; and

- 6.1 It is hard to think why self supply land owners should receive recognition for costs involved in harvesting water.
- 6.2 Every licensed user pays a cost of this kind. For example bores and their operating costs are of the same ilk as dam construction costs. Irrigation utilities such as Harvey Water pay a cost for the service it obtains from storing its water in the dams, all of which are owned by Water Corporation. Harvey Water pays a fee for the operating costs of the dams and also for the maintenance of dams in a safe operating condition, consistent with the other risks and costs borne by society in general.

- 6.3 Even Water Corporation must pay for the dams they build and operate so it doesn't seem as if there are grounds for a special case for some water users and not others, for equity reasons.

7. The extent to which the NWI provides for a range of different licensing systems.

- 7.1 Harvey Water understands this to refer to the "unbundling" of water rights and therefore licences which might apply to each. We understand these separate rights to include the right to draw water, to transport water and to use water.
- 7.2 While these are interesting concepts and Harvey Water has discussed how we might apply them in our context, we are not sure that they have particular importance or relevance in WA, or at least for our situation and at this time.