

IRRIGATION AUSTRALIA



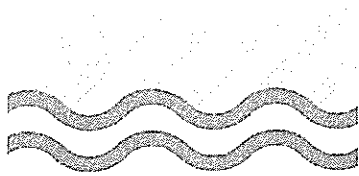
**Submission by
Irrigation Australia – WA Region**

to the

**Legislative Assembly
Economics and Industry Standing Committee**

Inquiry into Water Licensing and Services

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The WA Region of Irrigation Australia (IAL-WA) has been an active and constructive participant in the State Water planning process. We welcome the opportunity provided by the Economics and Industry Standing Committee's Inquiry into Water Licensing and Services to make a further contribution.

IAL-WA would appreciate the opportunity to appear before the Standing Committee if hearings are held.

Before commenting on the terms of reference, our submission provides a brief background on Irrigation Australia and the WA Region.

Irrigation Australia (IAL)

The IAL is Australia's leading organisation representing the breadth of the Australian irrigation industry. It was created in August 2007, through the merger of two significant irrigation bodies: The Irrigation Association of Australia (IAA) and the Australian National Committee on Irrigation and Drainage (ANCID).

IAL is a whole of supply chain organisation with members from all sectors of the industry, including water suppliers and users, manufacturers, retailers, designers, installers, researchers, consultants, educational institutions, and government. It covers all uses of irrigation, rural through to urban.

IAL represents most irrigation water providers in Australia, with over \$6 billion in assets (at replacement value), in 73 supply systems managed by 31 irrigation water provider businesses servicing over 46,000 irrigators and 270 towns as customers, (ANCID 2004/05 benchmarking report). Many of our stakeholders are groundwater users and managers.

IAL is actively involved in national and regional policy development, education, training and certification, to ensure the continued economic viability and environmental sustainability of the irrigation, allied and dependent industries.

IAL has a significant role at the Federal policy level, working closely with the National Water Commission, the Australia Water Association, Water Services Association of Australia and other stakeholder groups.

Internationally, IAL is the Australian representative body of the International Commission on Irrigation and Drainage (ICID). The Commission is dedicated to enhancing the worldwide supply of food and fibre for all people by improving water and land management and the productivity of irrigated and drained lands through appropriate management of water, environment and application of irrigation, drainage and flood management techniques.

Irrigation Australia - WA Region

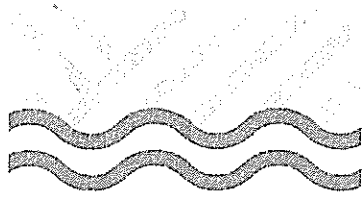
The WA Region of Irrigation Australia (IAL-WA) is one IAL's most active regions and provides services for the irrigation, allied and dependent industries in WA. There are currently about 200 members in WA, and steadily growing. Three of WA's four rural irrigation cooperatives are members of the WA Region: Harvey Water, Gascoyne Water and Ord Irrigation. We are currently in membership discussions with the Preston Valley Irrigation Cooperative.

IAL-WA has excellent working relationships with WA Government stakeholder groups including Premier and Cabinet, Department of Water, Department of Agriculture and Food, Department of Housing & Works, Department of Planning & Infrastructure, and the Water Corporation. We also have excellent working relationships with many associations and organisations involved in urban and rural irrigation.

IAL-WA actively promotes training and professional certifications to all stakeholders and is working with stakeholder groups to develop and implement appropriate quality management systems to ensure that irrigation systems are professionally designed, installed, operated and maintained.

IAL-WA manages two Waterwise programs on behalf of the Water Corporation and the WA Government:

- Waterwise Garden Irrigator Program (WGIP) - http://www.watercorporation.com.au/W/waterwise_garden_irrigators.cfm
- Waterwise Irrigation Design Shop (WIDS) - http://www.watercorporation.com.au/W/waterwise_irrigation_shop.cfm



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Comments on Terms of Reference

1. 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:

IAL-WA believes that a properly developed, implemented and managed licensing system is an important component of a modern evidence-based management system for water.

We believe that licensing should be used where it adds value to the overall management of water resources. For example, licensing will be absolutely necessary where competition for water is high or water is over-allocated. In other areas, where there is low competition for water or water is under-allocated, a licensing system may add little value and be very expensive to implement and manage.

However, IAL-WA does not support the implementation of licensing systems simply to support government regulation. Also, irrespective of what the drivers for introduction are, licensing systems need to be implemented and managed in a manner that minimizes compliance costs and maximizes practical benefits to irrigators and supports the adoption of best practice and continual improvement.

IAL-WA believes that water should only be used by those who can demonstrate competence in its efficient and sustainable use. Therefore, where licensing systems are implemented they should be linked to the recognition of professional and competent use of water.

A properly developed, implemented and managed licensing system would deliver the following benefits:

- increased certainty over current and future access to available water – essential to give business and government the confidence to borrow and invest in water dependent projects
- a framework to adjust licensed allocations in a fair and equitable manner as overall availability of water fluctuates up or down, or when allocations are in excess of what the community judges to be sustainable.

Historically, water in WA has been free or undervalued. This is a low base to start a process of change from. It is therefore expected that some water users and organizations will strongly resist the implementation of any licensing framework or charges.

However, IAL-WA believes that the information, regulation of water use and monitoring that flows from a licensing system will benefit all water users, including the environment. As water supplies diminish, due to the impact of climate change or population growth, a licensing system will be the foundation upon which equitable and fair decisions on the future allocation of water will be made.

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

As a general principal, IAL-WA supports full cost recovery. Less than full cost recovery means that non-customers will be subsidizing a service that they may not benefit from. At the same time, where benefits are enjoyed by the broader community, or include the shifting of responsibility for the implementation of government policy and tasks to irrigators, then recognition and allowance for this should be reflected in the apportionment of costs. For example, if environmental benefits are derived from the activities of irrigation cooperatives and/or irrigators, this should be reflected in the cost of apportionment.

IAL-WA believes that DOW currently is under resourced relative to the management task they are responsible for. Funding the shortfall is therefore a major challenge.



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If full cost recovery is implemented, then it is essential that the funds raised stay within DOW and are only utilized for water management.

To give license holders, water users and the general public confidence in this framework, we recommend two mechanisms:

- establish a Water Resources Management Board with industry and community representative to ensure proper governance and use of funds; and
- require the Economic Regulation Authority to regularly monitor the quality, quantity and fitness for purpose of DOW's water resource management framework to ensure a 'lean' operation and prevent bureaucratic expansion.

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:

IAL-WA believes that the DOW license cost recovery process is broadly consistent with the NWI Intergovernmental Agreement. However, IAL-WA recognizes that elements of the NWI framework designed to address the needs of the Murray Darling and the Great Artesian Basins, will probably not be relevant or useful in WA. The WA Government may therefore need to develop mechanisms appropriate to WA that do not meet NWI requirements.

IAL-WA believes that charges should relate only to related costs. That is:

- License Administration Fees should cover the cost of administering licensing and not other activities;
- Water Resource Management Fees should cover the cost of managing water resources and not other activities.

Where the NWI places requirements on States to implement policy and reporting requirements, these are common good benefits, and license holders should not bear the full cost of their implementation.

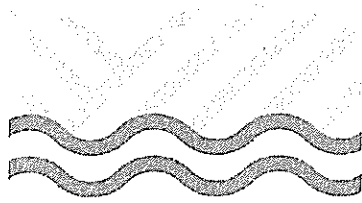
4. The penalty or cost that might be applied to Western Australia by the Commonwealth under the NWI, if there was minimal or no cost recovery for services provided to water users by the Department of Water

IAL-WA believes that full cost recovery for services sends transparent price and value signals to customers and the broader community. We also believe that full cost recovery represents a strong driver for improving efficiency in service delivery. Less than full cost recovery means that non-customers will be subsidizing a service that they may not benefit from.

Any penalties or costs applied to WA by the Commonwealth for not meeting minimum NWI requirements would represent an additional subsidization by non-customers of the services in question.

Therefore, IAL-WA believes that the WA Government must ensure that WA will not be liable to receive any penalties or costs for not meeting NWI requirements. The Department of Water can ensure this by implementing a cost recovery framework and timetable that meets our obligations under NWI.

However, in developing an implementation plan for cost recovery, it is important that modern change management principals and techniques are used to minimize resistance to change and maximize acceptance and uptake. Clear articulation of a change management strategy and realistic goals, taking into account WA's history of water licensing, should be included in any submission to the Commonwealth.



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5. Whether water licenses 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:

IAL-WA believes that licensing should be used where it adds value to the management of water resources and where it makes sense on a triple bottom line basis.

It is generally recognized that residential bores pose little risk to the environment if managed responsibly.

In some cases residential bores can deliver positive services:

- allowing use of 'second class' water for irrigation of lawns and gardens
- use excess run-off resulting from urbanization
- reduced cost of Water Corporation infrastructure
- reduced demand for potable water

In those areas where residential bore use is resulting in a dangerous lowering of groundwater levels, appropriate management systems need to be implemented. While some individuals and organizations have argued for licensing of all residential bore owners, the associated cost and bureaucratic complexity would be debilitating especially when we face a skills shortage in the water sector. It is also important to recognize the very small volumes the average bore owner uses per year relative to commercial operators.

IAL-WA believes that a staged approach should be used in residential areas, whereby restrictions on bore use are incrementally applied as required so that groundwater levels return to acceptable levels. This adaptive management approach allows for a balance between need to manage and regulate behaviour against pragmatism.

IAL-WA notes that essentially this approach has been recommended for the Water Resources Management Bill.

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

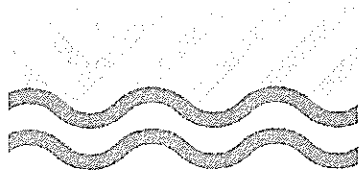
With respect to licensing costs, IAL-WA does not believe that costs incurred by landholders in harvesting water should be taken into consideration. These costs are business decisions taken by landholders in how they will operate their business. These choices could be sound business decisions or otherwise. Any financial consideration of 'water harvesting' costs leading to a reduction in cost recovery would amount to subsidization of a business operation.

However, IAL-WA does believe that any 'water resource management' costs incurred by landholders should be recognized, and if approved/accredited by DOW should be ascribed a realistic monetary value as though the activity was performed by DOW itself or a consultancy. In effect such DOW approved/accredited 'water resource management' activities would be 'outsourcing' parts of the overall management of water.

Examples of 'water resource management' activities that landholders could conduct are:

- the construction and monitoring of exploratory boreholes, and analysis of data
- the construction (or installation) and management of monitoring devices on streams or dams, and analysis of data

If part of the water harvesting infrastructure was directly used in a DOW approved/accredited 'water resource management' activity, then an agreed proportion of the water harvesting infrastructure should be given recognition and a monetary value.



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The approved/accredited 'water resource management' activities could be included as elements of a license agreement.

With respect to how the monetary value ascribed to any 'water resource management' activity is transacted, IAL-WA believes that a clear distinction needs to be made between License Administration Charges and Water Resource Management Charges. The monetary value for 'water resource management' activities could be paid directly to the landholder in recognition of an 'outsourced' service. Alternatively, the monetary value could be deducted from any Water Resource Management Charges levied against a landholder. However, the monetary value of any 'water resource management' activities should not be deducted from any License Administration Charges.

Depending on the level of DOW approved/accredited 'water resource management' activities that a landholder undertakes, it is conceivable that a landholder may have zero net Water Resource Management Charges or indeed DOW may pay the landholder.

IAL-WA believes that if 'water harvesting' infrastructure delivers public or environmental benefits then the landholder should receive recognition and a realistic monetary value be ascribed. Again following the philosophy of clear separation of different services, payment for any public or environmental service should be completely separate from any Licensing Administration Fee or Water Resource Management Charge transactions.

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

IAL-WA is not fully aware of the technical aspects of NWI's provision for a range of licensing systems.

In general, we believe licensing systems:

- across Australia should be harmonized as much as possible. This is particularly important where water resources encompass more than one Government jurisdiction (eg. Murray-Darling and Great Artesian Basin);
- need to be flexible enough to suit regional and local water resource characteristics that require different methods of management; and
- should not be an end in themselves but a means of delivering effective price signals and sustainable resource management.