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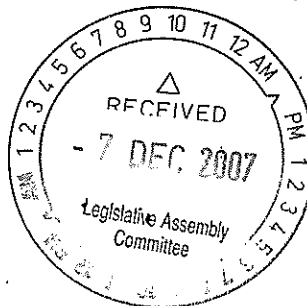


Department of Agriculture and Food
Government of Western Australia



WLS SUB 15

5 December 2007



Dr Loraine Abernethie
Principal Research Officer
Economics and Industry Standing Committee
Parliament House
PERTH WA 6000

Dear Dr Abernethie

**ECONOMICS AND INDUSTRY STANDING COMMITTEE
PARLIAMENTARY INQUIRY - WATER LICENSING AND SERVICES**

Thank you for the invitation to the Department of Agriculture and Food (DAFWA) to make a submission to the Inquiry into Water Licensing and Services.

The submission prepared by DAFWA provides responses under the Terms of Reference set for the Committee. In doing so I would like to point out that DAFWA is not in a position to comment on the pricing and costs structures that relate to the supply and administration of water in this State. DAFWA however, sees that security of supply and trading rights for water, which an accurate and reliable licensing system can provide, are important to the continued advancement of sustainable agricultural production in Western Australia.

Yours sincerely


for Ian Longson
DIRECTOR GENERAL

Attachment Department of Agriculture and Food Submission

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ECONOMICS AND INDUSTRY STANDING COMMITTEE
PARLIAMENTARY INQUIRY - WATER LICENSING AND SERVICES
SUBMISSION PREPARED BY THE DEPARTMENT OF AGRICULTURE
AND FOOD WESTERN AUSTRALIA

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;*

While the Department has modelled the costs of production for a range of selected horticultural crops, it has not specifically modelled for the impact of water licence fees or for all agricultural production that maybe effected by the new water license fees. DAFWA has the capacity to undertake modelling of this nature. However, it is worth noting there are several issues that make it difficult to generalise about the impact of these costs on producers.

In relation to horticulture the results will vary significantly between crops, producers, seasons and regions. In addition, the cost of water application and rates vary significantly dependent on the scale of production. Water usage will alter the impact of the schedule of fees and model costs must also account for the:

- base source infrastructure costs which can vary significantly from entity to entity;
- water supply mechanisms that change the costs of water usage - pumping from waterways for example incurs low capital infrastructure costs whereas deep bores of the Gin Gin sand plain, or Gully Dams in the southwest, incur significant capital investment;
- energy sources employed to assist water supply and differing energy demands such as between single and multiple pumping requirements.

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

As indicated above DAFWA could attempt to model the impact of the fees on a sample basis if more time was available. In looking at the impact the most important would be the impact of the new fees on *profit*, as well as what they add to the cost of production. The *margin* (or Earnings before Interest and Tax) is the best indicator of the impact of any additional costs or charges. As a general rule those producers already operating on small margins are likely to be the most affected.

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;*

DAFWA has no information to provide in relation to this Term of Reference but supports transparency in the setting of any pricing regime.

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;*

DAFWA has no information to provide in relation to this Term of Reference.

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;*

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Water licences are a mechanism that can insure the security of water entitlement to land owners or users, and have been explored fully under the water law reform process over the last 2 years. In order for agriculture to develop sustainably and efficiently into the future the security of water entitlement is required.

The recouping of costs for the administration of a licensing scheme is a separate issue and a matter for the Department of Water and the Department of Treasury and Finance in consultation with users.

Additionally, water licensing also provides a methodology for accurately identifying and recording water resources allocated and used in a region and would support State Planning Policy 2.9 Water Resources (Gazetted March 27 2007). Under Schedule 1, Guidance for incorporation of policy measures into planning mechanisms there is a requirement for the mapping of water resources requiring best available information.

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

As indicated in relation to the Committee's first term of reference, infrastructure costs may vary significantly from region to region; entity to entity and activity to activity. Producers who have invested in the security of supply for their own water supply should not be penalised for their investments.

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

DAFWA has no information to provide in relation to this Term of Reference.