

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

Inquiry into Water Licensing and Services

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
TUESDAY, 15 JANUARY 2008**

SESSION THREE

Members

Mr R.C. Kucera (Chairman)
Mr G.A. Woodhams (Deputy Chairman)
Dr J.M. Edwards
Mr M.P. Murray
Mr A.J. Simpson

Hearing commenced at 1.04 pm

DILLEY, MR STEPHEN BERESFORD
Water Spokesman, WA Farmers Federation,
PO Box 137,
Donnybrook 6239, examined:

TURLEY, MR JIM
Executive Officer, vegetablesWA,
103 Outram Street,
West Perth 6005, examined:

The CHAIRMAN: Firstly, I thank you for coming in to see us. As you are probably aware, a very tight set of terms of reference and a very short time frame for reporting on this issue have been imposed on us by Parliament. There was a suggestion that we visit all the areas, but it is just impossible in the time that we have been allowed. If we went to one area, we would have to go to virtually every area in the state to make sure that we had a degree of fairness in the inquiry. I thank you for coming in to see us, because it makes the job a little easier for us.

The committee hearing is a proceeding of Parliament and warrants the same respect the proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Have you both completed the “Details of Witnesses” forms?

The Witnesses: Yes.

The CHAIRMAN: Did you understand the notes at the bottom of the form?

The Witnesses: Yes.

The CHAIRMAN: Did you receive and read an information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

The Witnesses: Yes.

The CHAIRMAN: Do you have any questions relating to your appearance specifically before the committee today?

The Witnesses: No.

The CHAIRMAN: We have received your submission. Do you wish to propose any formal amendments to the submission, as opposed to simply being examined or giving evidence today?

The Witnesses: No.

The CHAIRMAN: Before we ask any questions, do you want to make any statements in addition to the submission, apart from obviously the evidence that you will give today?

The Witnesses: No.

The CHAIRMAN: You have copies of the terms of reference. The easiest way for us to do it is either listen to your presentations as you want to give them to us, or work through the individual terms of reference, whichever is the easiest for you, or a combination of both.

Mr Dilley: Thank you, Mr Chairman. What I might do is go through a bit of a presentation and touch on some of the points in our written submission as well. I thought it might be helpful if I did

a very quick review of how we got to this point. It might be beneficial to members of the committee. As we all remember, this all started in October 2002 when Premier Gallop instigated the first water symposium. That was obviously as a result of a very dry winter in 2001 and probably more so a crisis with Perth's drinking water supply with the dams along the Darling escarpment. One of the key points to come out of that water symposium was the irrigation review. That was the first Ross Kelly-chaired committee. The first point we would like to make is that we strongly believe that self-supply water users were not represented on that water review, and we believe things started to go awry from that point. Certainly, there were some very good people on there, but we believe that self-supply water users - more or less family farms with their own water supplies - were not sufficiently represented on that committee.

The CHAIRMAN: Was the Farmers Federation represented on that?

Mr Dilley: No, we were not. Effectively, from memory, there was Michael Lowe, who I think was on the board of Harvey Water at the time from the Harvey irrigation cooperative, and Neil Delroy, who was a large corporate farming-type manager. From memory, they were the two who were on there. I do not think there was anyone representing self-supply water users. One of the recommendations of the irrigation review was that the Department of Water and/or the subsequent implementation committee develop a fee structure to recover some of the costs associated with water licensing and administration. That happened between the time that the irrigation review was completed and the water implementation committee was formed in 2006. That is the one that Ross Kelly was also invited to continue on and chair. I believe that was formed in early 2006. Once again, self-supply water users were not represented on that committee. Unfortunately, from the perspective of WA Farmers Federation and the alliance with vegetablesWA, on both those committees the real focus was on the big water cooperatives - Ord, Harvey and, to a lesser extent, Gascoyne and the Preston irrigation co-op. Although they are using two-thirds of the state's irrigated water, another third is used by thousands of family farms from their own water supplies. We believe they were not adequately represented on those two committees. That is why we believe that we have probably got to the point that we have now. Obviously, part of the job of the implementation committee was to come up with a draft blueprint, which it did early in 2006. Then it went through a fairly extensive consultation process right across the state. I remember it started in Albany and finished in Kununurra. Two of the meetings that were probably the best attended and were quite vocal and quite emotional were the Donnybrook and Manjimup meetings, probably as a result of the fact that that is where a lot of the self-supply water users are, in particular the ones who built their own surface water dams. There were some quite strong feelings at those meetings in about July 2006.

[1.10 pm]

Probably around that same time, during the same year, if my memory serves me correctly, Alan Carpenter signed the National Water Initiative in April 2006. I would like to put on the record here from the start that the WA Farmers Federation, and, I think, most of the other peak farm industry bodies, supported the signing of the National Water Initiative for one reason and one reason alone, and that was perpetual water entitlements; in other words, longer-term, better security for farmers so that they can invest and go to their banks, and so that instead of a five or 10-year licence, they might have a 20 or 40-year licence or a perpetual entitlement. It is very important that fact is recognised. That is the only reason why the Farmers Federation and other peak industry bodies supported the signing of the NWI. We were obviously aware at the time that part of the NWI required full cost recovery for water administration and those types of things, but we believed that the positives would probably outweigh the negatives. In hindsight, because of the way self-supply water users have been treated since the government made its position known in February of last year, we would never have supported signing the NWI if we had known we would be treated as we have been over the past 12 months - in effect, bringing in the full cost recovery for water administration fees when the positives like local water management and longer-term licence security are still some years

down the track. We believe the sequence of implementation has been very poor and has been very unfair and, unfortunately, that is seen by water users, certainly self-supply water users, as a betrayal of goodwill. There was quite a deal of goodwill during the draft blueprint consultation during 2006.

As I said, when industry got to see the government response to the blueprint, which was announced on, I think, 27 February of last year, we were actually quite shocked by how little the final blueprint had changed from the draft blueprint. There was a real feeling there that yes, the consultation process was just a complete ruse and there was very little that actually changed. That sadly is something which is still a view strongly held by a lot of self-supply water users.

The CHAIRMAN: Is that only in relation to the actual schedule of fees that is being mooted?

Mr Dilley: I think the schedule of fees has probably been the catalyst of it all, but I think as well it is actually the sequence of implementation. That is one of the other points I would like to raise as well about when the Carpenter government actually signed the National Water Initiative, that was great, okay, but then, unfortunately, the Department of Water went away in isolation and developed what is called WA's National Water Initiative implementation plan. That is effectively how it was going to set out how it would introduce the elements of the National Water Initiative. To my mind, if any fair-minded person would expect -

The CHAIRMAN: That is the document I have here of April 2007.

Mr Dilley: Yes, that is the one there.

The CHAIRMAN: That is "Western Australia's Implementation Plan for the National Water Initiative"?

Mr Dilley: That is correct. Unfortunately, industry had absolutely no input into that implementation plan, and that is something that industry is very disappointed in. We would have thought that something which has got far-reaching implications for water users, be they corporate, agricultural or whatever they may be, and the general public, meant that there would be some stakeholder input into how the Department of Water in WA would implement the National Water Initiative. In particular - if we could just pick on the point of the licence administration fees - it was actually the Department of Water which nominated the 1 July deadline to implement the fees. From my knowledge anyway, there is not some kind of unilateral authorisation or directive from the National Water Commission saying that every state across Australia must implement fees on 1 July 2007. It was pretty much left up to the states to more or less negotiate when they were going to implement different facets. It was not like the National Water Commission coming in and saying, "You must do this by this day" and every state being the same. There was a bit of flexibility and a bit of difference in there.

The CHAIRMAN: What is your understanding of what the National Water Initiative indicates that each state should do? Does it indicate a process within the National Water Initiative for establishing a licensing regime and an entitlement regime?

Mr Dilley: There is. They are all part of the principles. I think the principles are fine, Mr Chairman, but I think where we take issue is the sequence of implementation. That is where we have got to the point we are today. As I am saying, there was absolutely zero consultation between the Department of Water and industry groups on how they were actually going to implement the National Water Initiative.

The CHAIRMAN: I do not want to bore the committee members, but I suppose our understanding as a committee is that the National Water Initiative indicates that the each state should establish an overall - the term is - consumptive pool made up of a number of small pools which represent the various catchment areas that are going to be measured, regulated and licensed. Within each of those catchment areas or consumptive pools - it sounds as if I have TB, doesn't it? - we would then establish a management regime, which is known as a statutory management plan, for the use and allocation of water from within that area. That water would be managed and the cost of the

management of that particular catchment area would be shared by the users within that consumptive pool. Is that a fair summary of what the NWI is suggesting?

Mr Dilley: That is a fair summation. Sorry, Jim?

Mr Turley: Yes, I would just like to say that since we have been on the NWI that vegetablesWA did not support signing. We were certainly in Geoff Gallop's field. I am on the Horticultural Water Initiative committee and have a lot to do with the National Water Initiative. Basically, we could see no good for our state. You have got to understand that in those days, which were before the money was about to be handed out by COAG "if you do this", we could not see any positive outcomes for our people - that is, our irrigators in respect of horticulture - by signing the National Water Initiative. I know that there was a lot of pressure put on the state in the end to sign it, but the facts remain that a lot of the National Water Initiative rules were drawn up as a result of bad management in the Murray-Darling Basin and those rules were put in place to try to fix a real problem. In those days there was no flexibility from the National Water Initiative and they had a one-fits-all approach. Of course, we certainly were opposed to that. Then we had the signing in Western Australia. I still believe it was as a result of the COAG inducements, if you like, which flowed on from the national competition policy. If our state adhered to the rules of the National Water Initiative, it would receive so much money. I believe that has been a failure to date. Our vegetable industry and potato industry have been very disappointed in that situation and where we are today. It is a real mess.

[1.20 pm]

The CHAIRMAN: I refer back to our overview of the NWI. It seems to me that the blueprint that came out of the reform processes and the consultations that took place very much reflect the view of the NWI that we have the overall pool and the various pools in the catchment areas, which will be managed. If we accept that that is a reasonable plan, and then accept that each of the catchment areas puts in place its statutory management plan - not so much in terms of the statutory plan because the legislation is not there yet, but in terms of the process of measurement, monitoring, allocation and licensing - that has already occurred in three areas we know of; namely, the area of Harvey where there is a single co-op, which is essentially a single user with 700 recipients; in the Gascoyne, where there is a measured amount of water in a consumptive pool that they can measure; and to a lesser extent in Kununurra in the Kimberley. It is not yet occurring in the area of Manjimup because it is a different set-up where, as you said, there are a lot of individual farmers. Providing that regime is in place and the management structure is there - in other words we reach the stage where there is a statutory management plan; we know the size of the pool and how it should be allocated - is there any reason why there should not be a regime of licensing etc as is being proposed?

Mr Turley: In simplistic terms, what you are saying is correct. On the surface, we are not opposed to areas having management plans over them at all. However, the details underpinning those plans and the implementation of that detail have us hugely concerned - metering, licensing fees, etc. It was the view of the National Water Initiative to have a great deal of user group or user input into those local committees that ran that area. It just happens that in the Manjimup-Pemberton area there is the Lefroy advisory group that had been working with the Department of Water for something like 40 years. To a large extent, it has been a very successful operation. That is a model that we should follow. The problem has been the underlying detail. When we get into close examination of that detail, we really run into problems. We pointed that out, Mr Chairman, in the so-called consultation period, but no-one was listening to what we were saying. When the detail did come out, of course, it caused all kinds of disruption, which we do not want, incidentally.

The CHAIRMAN: Of course.

Mr A.J. SIMPSON: As a group of vegetable growers you are not opposed to licensing as such?

Mr Turley: Not at all.

Mr A.J. SIMPSON: It is just the process of monitoring, charging fees, usage and that kind of thing?

Mr Turley: Absolutely. You cannot grab a fee out of the air. The minister grabbed \$5.8 million out of the air and could not justify it. Now he has brought it down to \$3.1 million, and still cannot justify it. These figures must be justified.

Mr A.J. SIMPSON: It is my understanding from the vegetable growers, that even though, through a process of a licence fee and whatever that fee may be for that farmer, you cannot just add another two cents to the cost of potatoes or cauliflowers. Your market cannot get that because of your contracts.

Mr Turley: That is right; we are price takers.

Mr A.J. SIMPSON: Correct; that it is the other issue you are always fighting in that process.

Mr Turley: We would like to talk to the committee later on that licence. How long do we have, Mr Chairman?

The CHAIRMAN: Essentially, until two o'clock - we have a little bit of leeway.

Mr Dilley: To reiterate what Jim said, the majority of self-supply water users in Western Australia are happy to pay a licence administration fee, but they realise that if they have a water licence, it is probably worth something to them and gives them security. They understand there is a cost in administering that licence, so there is general recognition; that is fine and they are happy to pay something. The issue is the real lack of transparency and that we now face a second set of fees which were gazetted in Parliament at the end of January. With the first set of fees, there is very little change from the draft blueprint. In fact, when the final blueprint came out they had gone up apparently as a result of the number of licences falling. It is a simple division, where all of a sudden licence fees increased.

The CHAIRMAN: The point you are making is that, according to the blueprint, the department has estimated it will cost \$5.8 million to administer the overall state management water resources.

Mr Dilley: The \$5.8 million was to administer just the existing licences. That raises the issue of fairness and equity. At the moment, to explain briefly, you might have heard about different areas that have been proclaimed.

The CHAIRMAN: Yes.

Mr Dilley: That happened particularly in just a few surface water areas. A brief history of that: the Warren-Lefroy area in Manjimup, which Jim mentioned, was proclaimed in 1963. Similarly, in the Donnybrook area, the Capel catchment and the Preston River and a couple of its tributaries were proclaimed in 1969. They were proclaimed because the fruit and vegetable industry was going gangbusters in those days, largely as a result of direct pumping from the Preston and Capel Rivers. Obviously there was high demand for water in those days. The industry was expanding rapidly and there was quite a bit of conflict.

The CHAIRMAN: Before we go onto the history, I refer to the original point, which you are and I think Jim is suggesting is that it was estimated that the cost of measuring, monitoring and administering a licence fee was \$5.8 million. That has been divided among all the licensees in the state, depending on the size of the allocation they have been given. If there are three licences in the Gascoyne drawing 5 000 gegalitres each, they are charged the same amount for a licence as are the 700 users in the Manjimup area using a similar amount of water. Is that your understanding?

Mr Dilley: No. The \$5.8 million is there to recover the cost of administering what was 18 000 licences but is now down to just under 10 000 licences. That is what the \$5.8 million is for. Under the previous regulations, which were disallowed late last year, if you were over a certain threshold, basically the big users such as some of the Water Corporation licences, Ord River and Harvey irrigation, paid a maximum of \$3 000 per licence regardless of how much water they used.

The CHAIRMAN: That is what I am saying. Harvey, for instance, is one user even though it has 700 customers.

Mr Dilley: That is right. They had a vast amount of water there. Their fees, if you look at it at face value, are minuscule. If you work it out on a per megalitre basis, obviously the smaller users, someone with a farm dam or small bore irrigating vegetables -

The CHAIRMAN: That is what I am saying; the calculation for recovery has been established on the number of licences as opposed to the usage of water.

Mr Dilley: They tried to tie it in. One of the issues I want to bring forward is the lack of transparency in how that was calculated. One of the big problems - Jim will back me up here - with the previous regulations, which have been disallowed and even the new ones, which have been gazetted now, the Department of Water is still rolling the cost of assessing new licences into the annual fee, if you like. In effect, at the moment for argument's sake -

The CHAIRMAN: Do they not assess annually?

Mr Dilley: They do not. Most of the licences are anywhere from five to 10 years' duration, particularly for users of surface water, for example.

The CHAIRMAN: Is there not ongoing monitoring and measurement of water being used in a given area?

[1.30 pm]

Mr Dilley: There is. It depends on how highly allocated the area is. If it is a highly allocated area, more monitoring is required. Certainly in the case of underground water, most groundwater licences have a metering requirement as well, which is obviously monitored.

The CHAIRMAN: Is it your understanding that that cost is included in the assessment fee?

Mr Dilley: No, that is actually in the annual administration fee. The current rationale is that the Department of Water is charging a flat \$200 application fee. That application fee is basically nothing more than a desk audit which checks that Mr Bob Kucera owns land and wants to draw water, and what he is going to grow. The actual cost of assessing the application to see whether or not they will grant you a licence is when they go out and look at your property, assess all the surrounding landholders, and there might be some advertising in there as well. The actual physical assessment of the licence, which constitutes 71 per cent of the administration fee, is currently rolled into the annual fee. In effect, what is happening is that the assessment cost of new licences is loaded onto the 10 000 existing licence holders. Effectively, the existing licence holders are cross-subsidising the new licence applicants. From the beginning, our argument has been that once all the hard work has been done in the actual assessment, the Department of Water has all the information, such as where you are, what you are growing, how much water you are actually using on an annual basis. That should just be a small annual fee. Effectively, it is running a database. There might be some compliance issues in there as well, maybe, depending on how often Department of Water officers have to come out and check you are not taking more water from your bore than you should be.

The CHAIRMAN: Should that have been taken care of when they established a statutory management plan?

Mr Dilley: Not necessarily. It is different, because the statutory water management plans will, effectively, set out how much water is being used. They will define the consumptive pool, how much water is being used by the licence holders, how much for the environment. In that statutory water planning process, they also have to take into account environmental, economic and social needs. Unfortunately, that has not been done to date. That is an important point: we strongly believe that the costs of assessing a new licence application should not be loaded and cross-subsidised onto existing licence holders.

Mr Turley: That is 71 per cent of the \$5.8 million. Not only is it discriminatory, but it is also not equitable. Big cooperatives are paying a lot less than individual growers are paying. You can argue that it is their negotiating skills or whatever happened, I do not know, but it is clearly not equitable. Steve has pointed out about assessments, which are 71 per cent of that \$5.8 million. I believe that should be taken out. Mind you, the new regulations now before Parliament only raised just over \$3 million, so we are talking about a new figure that has been plucked out of the air. Nevertheless, that assessment charge is still in there. The basis of all the angst, all this real concern from everybody, the big trouble the minister has stirred up, is principally down to the fact that these charges, which are meant to be equitable, are not equitable. They cannot be justified. Under the National Water Initiative, you have to be able to justify it. That is something that the minister has not done. It is widely recognised. In our submission we have set out the assessment and we go on to say about the licensing database. We think, sure, that should be in. No arguments about that. Then you get checking compliance, which we do not believe should be in. We do not believe we should be caught up in the appeals. Why should my money be caught up in the appeals? We certainly do not believe in the broader thrust of community awareness. We believe those items should be taken on by the state government. Having said that, it is very, very disappointing that we are all here today. The vegetable industry is by far the largest group of water users in these areas, it produces \$300 million worth of vegetables, and we are talking about the responsibility of providing fresh product to the consumers of Western Australia. We are being discriminated against and the whole charges are inequitable, as I said. It is of huge concern, when this gigantic water bill is proposed to go through Parliament. It was supposed to be in Parliament in November 2007, and debated in March 2008. Now, the minister is saying you would be lucky to get it through Parliament by the elections. As an industry, water is our livelihoods. We have to work with government. Government, I am sure, although they have not given us a great deal of support, apart from Kim Chance who has given us tremendous support, want us to produce the food in Western Australia, and yet we are getting hammered. We are only arguing about a small amount of this huge bill, and yet we cannot even get off the ground. It has been of great concern to us.

The CHAIRMAN: In the areas where there is a clear pool of water - that is not a pun, either - such as the Gascoyne etc, where they are able to measure it, there is already an interlinking, is there not, of the water there?

Mr Turley: Yes.

The CHAIRMAN: There is a way of delivering it, I suppose, and there is a way of measuring what is there. Is the problem that that sort of regime does not exist in your catchment areas?

Mr Turley: Well, it does not, to the extent of cooperatives.

The CHAIRMAN: The only thing that cooperatives have done, essentially, is given government a mechanism for measurement and monitoring, has it not?

Mr Turley: It has got the users together, which is what you were saying earlier. We have no objections to those management groups coming together over their particular regional areas, such as in Manjimup, Preston River, Wanneroo, Gngangara mound, and the Gingin area. All those areas will come together under those particular plans you were talking about earlier, and work it all out.

The CHAIRMAN: Could one say, then, that until you have established that machinery for measurement and monitoring etc, fees cannot be allocated if that kind of regime is not in place?

Mr Turley: No, we do not believe you can. First of all, we do not know what is in the legislation, for a start, so we do not really know what we are up against. The National Water Initiative states that these rules and regulations will be created pertaining to areas. In some areas it is "one fixes all", but they have kind of abandoned one fixes all, and recognised that one fixes all does not work throughout Australia. Certainly in Western Australia it does not work. You have indicated three

areas that are working, but those same rules may not apply to those surface areas down in Manjimup, Pemberton.

The CHAIRMAN: Exactly. Some of your growers up in Chittering, for instance, would have a very different management regime than somebody down in Manjimup.

Mr Turley: Absolutely.

The CHAIRMAN: That is appreciated. Is there any reason why the actual registration and licensing fee for saying, "I am going to be a water user", should not be applied?

Mr Turley: No, I would agree with that, providing it can be justified.

The CHAIRMAN: I am talking about the actual registration as a user.

Mr Turley: No problem.

The CHAIRMAN: If you look at the five elements that make up that licence fee, certain elements of that could, and probably should, be applied a little broader than they are now.

Mr Turley: We would agree with that. I would like to know the committee's views on how far do you go down. Remember, we started with 18 000, now we are down to nine -

The CHAIRMAN: The committee has not formed a view yet. That is why we have got experts like you telling us. Let me put it to you this way: if you have a management plan and the whole consumptive pool of water to be allocated is made up of 100 shares, let us say, of which 20 per cent of that share may be native forest, 10 per cent might be plantations, 40 per cent might be irrigators, and the rest is domestic use, agricultural use that does not fall into the categories we are talking about, and perhaps a percentage of it is being drawn off to supply water to Bunbury as part of the metropolitan water scheme. Each of those uses is a portion or a share of the total consumptive pool, is it not?

[1.40 pm]

Mr Turley: It is.

The CHAIRMAN: In your view, how can we properly manage that overall consumptive pool? Should every area be part of a licensing regime?

Mr Turley: I believe so. It is essential that the users in an area who share that pool, whether they are large or small or domestic or whatever, have a say and be listened to. That is the secret. If that is to work, the users must work with the Department of Water, in this case. They must.

The CHAIRMAN: Perhaps that is where the difficulty in your area has come about - I am talking about Manjimup and those areas - in that there is no cooperative mechanism. Although there are patches of it in certain river areas, the overall catchment does not currently have the statutory plan that was talked about in the blueprint. Are the fees being applied prematurely?

Mr Dilley: I certainly agree that they are very premature. That was one issue that we pushed very hard with the Department of Water and the minister. I mentioned a little while ago that only a few surface water areas in the state are actually proclaimed. Those areas were proclaimed because of the scarcity of water or because of extreme demand during the growth spurt of industry back in the 1960s. Since that time, only one new area has been proclaimed in Margaret River. The vast majority of the state is still unproclaimed. That brings with it an issue of real fairness. Some people in the Shire of Donnybrook-Balingup are in the Capel catchment. If those people have an on-stream dam, they have to pay a licence fee, otherwise they are in breach of their licence conditions. However, somebody who lives on the other side of the hill in a slightly different valley but in the same shire gets away scot-free because that area is not proclaimed. We recognise that the sequence of initiating the National Water Initiative involved putting the nasties up front - the water fees were brought in first. The positives, such as local water management groups, statutory water management plans and all those things, are still some years down the track. We have said in very

strong terms that in the interests of procedural fairness to water reform in Western Australia, the minister and the department should wait 12 months, because we believe that the Department of Water intends to proclaim the whole state once the legislation goes through in the next 12 to 18 months, and then everybody will be licensed. There will then be some fairness. As long as there is some transparency in how the licence administration fees are calculated, I think they will be largely accepted, particularly if they are delivered to water users and licence holders as a package. We will accept transparent fees that we have had a hand in helping to develop as long as we are given some better security and the ability to manage areas locally. Gascoyne Water Cooperative, Ord Irrigation Cooperative and Harvey Water are all cooperative structures. They are government built but effectively the Water Corporation handed them back to manage themselves. There are a lot of groups like the Warren Water Management Area Advisory Committee in the Manjimup area. A new Capel River water user group has also just started in the Capel catchment, which runs into the back of the Shire of Donnybrook-Balingup as well. There is a really strong desire from the local community and water users to take over the management of those water licences as well. The local management groups would look after the compliance of licence conditions. The Department of Water would do the assessment of whether a new licence would be granted and then effectively hand over -

The CHAIRMAN: It will also be in a position to assess whether a person will be given an allocation of 5 000 gegalitres this year but, if there is a drought in the following year, it may say that the person can draw only 3 000 gegalitres that year.

Mr Dilley: That is right, and share it equitably amongst everyone. That is the issue at the moment. We have argued strongly that it makes commonsense. The minister has even acknowledged it. It sounds fair. It is a fair way to go to wait until the new legislation is in place and to then deliver some of the positives. Unfortunately, he seems hell-bent on proceeding with recovering fees straightaway.

Mr M.P. MURRAY: You spoke about the local area management groups. Some of them are going to be quite small. Do you see that as being an impediment to some degree? The licensing fee for those smaller groups could be higher than for the bigger groups because they are too small in themselves. You said that there may be two areas in the south west - Manjimup and Donnybrook would probably be the split. Then there is the capes area, so there may be three. Those areas could have some subcommittees under them. Would it be too cumbersome to do that?

Mr Dilley: The kind of local management structures that there would be is still open for debate. We are not talking about the cooperatives.

The CHAIRMAN: Yes, I know.

Mr Dilley: They could be split in half. One involves surface water; that is, farmers who have dams built on gullies. There is probably not a lot of difference between an on-stream dam in the Donnybrook and Preston areas just over the back from you, Mick, and those down in Manjimup. We could almost have a south west surface water management group. I think we could also have a south west groundwater group on the Swan coastal plain, starting at Augusta on the Scott coastal plain and going right around to Busselton, Bunbury and up through Myalup as well. All those groundwater bores would be the same as well.

The CHAIRMAN: Regardless of how that is brought about, it generally would follow catchment areas, regardless of the size. Mick is right; economies of scale in this area would make for lower costs, if we look at it logically. It seems to me from what you are saying and from what is being advanced to us that those people who have taken the time and trouble to license their operations, whether it is a bore, a dam or whatever, are the ones who are now being hit with the fees, whereas those who are outside the proclaimed areas or who are conducting management or farming practices that exempt them from the current licensing fee are not contributing to the overall management of the state pool of water.

Mr Turley: Also, the Department of Water cannot justify the fees that are being charged to existing growers. That is very important. I was wondering whether I could table, with your permission, Mr Chairman, an email that I received from the Patane family in Myalup. They have 430 acres down there and they grow vegetables -potatoes, cauliflowers, lettuces etc. They said -

Our total water allocation is only 815,000 kl -

That is not a megalitre -

and our expenditure on irrigation for the last calendar year was \$665,000.

They provided a break-up of costs. Could I leave that email with you to give you some idea of what I have been talking about in this so-called consultation period? Our growers are really getting nailed by everything, and this is just another impost on our growers' costs. I am losing them that fast that it would not matter.

The CHAIRMAN: I suppose that comes down to business cases too.

Mr Turley: Absolutely.

The CHAIRMAN: For instance, an example was given to us the other day of somebody who was growing a particular stone fruit close to the metropolitan area whose costs were about 10 times what

Mr A.J. SIMPSON: A representative from the Western Australian Fruit Growers Association told us about a guy in the hills in Perth who was using X litres of water per kilogram of fruit produced. When he said the amount, his colleague said, "How much?" They were quite shocked. That is the thing that we are picking up on. Sometimes the business case needs to be looked at in terms of how many litres of water are used to produce one kilogram of produce. Maybe the back of the hills in Perth is not the greatest place to grow stone fruit. Maybe that is the option we have to look at. We take on board what you are saying, but sometimes water has to be managed. That is where we are heading.

[1.50 pm]

Mr Turley: Look, you are absolutely right. I have been trying to get an audience with the Premier just to have cabinet recognise whether they want fresh vegetables grown in Western Australia. If they do, then they must look after us. We do not want handouts -

The CHAIRMAN: Jim, I suppose that comes back to what I was saying. If you take that pool of water and you say that X percentage is being used by native forests, that then becomes a cost to the overall taxpayer. If X amount is being used for consumption in the metropolitan area through the Water Corporation, again, there would be a demand for them to pay their share of that allocation and so on as you break it up; that is the way you subsidise it. I suppose that at the end of the day it comes down to what is the most economic use of that. You, from a business perspective, will make a choice as to whether you will grow potatoes if the water is going to cost too much. Therefore, I suppose the only way around that is for government to, as you say, pick up more of the cost of the water; in other words, by direct subsidy from taxpayers.

Mr Dilley: Mr Chairman, I think that principle you have outlined is fine in which, basically, all the different users of the pool pay their share. I think that is a pretty fine principle to use.

The CHAIRMAN: As a committee, we express some surprise on two counts. In some instances, the business cases have not been done or it has just been a historical fact that a particular industry has grown up in an area but nowadays there needs to be more assessment than that. That was the example that Tony just used. The other thing that surprised us was the lack of relevant data that we can get in relation to how these charges are set and you have reinforced that today.

Mr Dilley: We have the same problem, Mr Chairman. There has not been and I think, as well, we have tried very hard. It is interesting. One of the other points we would like to make about the

principle is that, number one, there has been a lack of transparency on how the initial fee structure had come about and obviously, over time and pressure that we applied through our lobbying we found 71 per cent of the annual licence administration fee was actually in the assessing of new licences. Therefore, if you took the assessment cost of new licences off the annual fee, the annual fees would become quite a small part and would probably be a lot more palatable to those existing licence holders out there.

The CHAIRMAN: What happens in the case of places like Harvey? Has an assessment already been done of what the pool is?

Mr Dilley: Once a licence has been granted, effectively, the Department of Water will have a requirement that, obviously, the licence complies with its conditions. Therefore, in the case of the irrigation cooperatives - Harvey Water is one of those, to my knowledge, though you might need to check with them as well - instead of the Department of Water checking compliance on their licence conditions, if you like, they actually do that role themselves. That is a significant cost to them and it is something that is easy to forget. It is easy to say, "Okay, well, the big water co-ops are only paying a few cents a megalitre" but you also need to recognise that they have significant costs; they have staff running around measuring, checking on meters and things like that as well. Therefore, that needs to be recognised in any kind of fee structure as well.

The CHAIRMAN: I recently had the opportunity to visit Israel and look at its water usage. When I spoke to firms like Netafim and people like that, the cost of metering in Israel is not great nowadays. Through telemetering and other systems that they can put in place, they can tell you down to the nearest drop how much water is being used on a given property.

Mr Dilley: Yes, so that is using telemetry; it is a way, obviously, of reducing the actual cost of checking as well. I just want to pursue, if I could, sorry, Jim -

Mr Turley: Can I just say that freely available evidence shows that vegetable crops have a very high return on water value.

The CHAIRMAN: I have no doubt, again though, that comes back to the way you use the water too, does it not?

Mr A.J. SIMPSON: And how you apply it.

Mr Turley: How you apply it; but when it comes down to the per litre cost as opposed to what that litre is producing, vegetables are right at the top.

Mr A.J. SIMPSON: Yes.

Mr Dilley: In addition to that glaring flaw in the annual administration fee, which, at the moment, is including the assessment cost in the annual fee, the other issue we would like to bring up is the principle, if you like, of how they actually calculate it. The previous regulations that were disallowed were effectively a seven-class system, which is, effectively, a "seven sizes fit all" system. Hopefully, in our submission you will have seen our five principles, which are endorsed by a lot of organisations that represent self-supply water users. The second principle is that we strongly believe that fees must recognise the differing management requirements or costs between individual catchments and aquifers, similar to the approach in New South Wales where the Independent Pricing and Regulatory Tribunal transparently set fees that are directly related to the level of government resources expended. What that means is that the fees in New South Wales - it is a very fair way to do it - if you happen to be in a catchment that is fully allocated and a lot of management and man hours are obviously needed there, then your fees will be higher than somebody who is in a catchment that has very, very little use and requires very little time to be spent on managing it. The "Government Response to the Report of the Irrigation Review Steering Committee", which was Ross Kelly's first report, on the bottom of page 17 says this is in relation to recovering water fees -

The Government intends to:

...

- Evaluate funding requirements at a regional level to ensure that these are linked directly to the actual water resource management effort required in specific water management areas

Now that is a very commonsense approach; a very practical approach.

The CHAIRMAN: Which document are you referring to?

Mr Dilley: This is the government response to the irrigation review. You may not have that document, Mr Chairman.

The CHAIRMAN: I do not have it.

Mr Dilley: It is from the Policy Division in August 2005. It is the last dot point at the bottom of page 17. We believe, interestingly enough, that our second key principle, which has been endorsed by a number of organisations, is exactly that dot point, which was the government's response to the irrigation review in 2005. We believe that instead of the "seven size fits all" system, fees need to recognise that if you are in an aquifer or a catchment that has very little demand on it; that is, the Department of Water needs to take hardly any time to monitor it, then your fees will be quite small, whereas if you are in an area that is heavily allocated and conflict and all sorts of things are going on that involve Department of Water people, then your annual fees will cost a bit more in those areas.

The CHAIRMAN: So, in the case of somewhere like the Harvey catchment area where virtually all of their water use is metered anyway, and they can, essentially, measure most of what is used, you are saying that the costs are less than what they would be in your area where you will have a whole range of -

Mr Dilley: Mr Chairman, we are really talking about self-supply. The reason we are here today is that we believe self-supply water users are the ones who have been discriminated against and penalised over the past year or two during this water reform process. Therefore, what we are saying is that if you are in an aquifer or a catchment that has few licences and only a fraction of the consumptive pool is being used, then the Department of Water will probably hardly ever have to go out and check what is going on. However, if you are in an aquifer or a catchment where there is strong competition for water, fights and conflict between neighbours and the Department of Water has to keep sending someone out every week, then your licence fees, if you like, to manage that licence will be higher. That is a fair principle; it is the same principle they use in New South Wales where instead of just a blind "seven sizes fits all" model, they have set up an independent body, which is the same as our ERA. This body will find out from the department of water in New South Wales the number of man hours that the department's inspectors go out and check. It will ask, "Can you prove and justify to us how many department of water man hours you take?" and "How much do you spend in this little catchment?" and they set the fees according to that, instead of this "untransparent", if there is such a word, way it has gone about here where it is like a "seven size fits all".

[2.00 pm]

Mr M.P. MURRAY: Just on that, surely it would take a couple of years before the data became available to be able to set that up and to determine your local administration costs associated with your local administration management group.

Mr Dilley: Absolutely.

Mr M.P. MURRAY: That is not going to happen right in the first instance, is it?

Mr Dilley: No.

Mr M.P. MURRAY: That is going to take some time. How do you make a start if you are going to do that?

Mr Dilley: At the moment, the Department of Water knows, if they want to go to the trouble, how many inspector hours, if you like, they are actually using. We have seen some figures from them, which are more or less in a broad area, like the south west and up in the Kimberley, but they have not actually broken it down into the Capel catchment or the Preston River catchment. They have actually got that information now. It is just that when we asked them why they have not gone down the route that they said they were going to of evaluating the different costs . . .

Mr M.P. MURRAY: On the negative side of that, to talk about that small Capel catchment area - and I am not aware of it - but if there was a major problem there that took up half the year's allocation of water, that could send all the blokes there broke.

Mr Dilley: The fees would definitely be higher.

Mr M.P. MURRAY: Therefore, while I agree with user pays to a degree, in this case here, if you are not careful it could be a huge imposition and possibly cause some people to walk away from vegetable growing or whatever they are doing. Therefore, we need to be a bit careful about that one.

Mr Turley: You are right. It comes back to what the Chairman was saying in the first place. Perhaps we should all concentrate on just paying a registration fee first up, and wait until the legislation gets through and then work it out area by area. That is in my view the best way to go.

The CHAIRMAN: That may not be necessary in places like Harvey and the Gascoyne, where already you have a fully allocated and managed pool of water that is being assessed and monitored on a constant basis, and they can work out pretty well within that catchment area what the cost of that is, and that cost can then be passed on within reason.

Mr Turley: Sure.

The CHAIRMAN: Again, you are right; I am not disagreeing with you there. However, in an area where that has not yet been established, perhaps there is a need for that to be revisited.

Mr Turley: Yes. I just want to make a comment, Mr Chairman, while I have this opportunity, because we have come pretty close to getting onto metering. I am very passionate about what I am about to say. Our industry is very clearly in favour of metering bores, because you cannot see what is underneath and you cannot see what you are using -

Mr Dilley: Shared resources.

Mr Turley: Yes, shared resources - but we are not in favour at all of metering on dams, because they can be measured. That is our submission. Down at Manjimup or Pemberton, for example, all the dams are measured. When you register a dam, the dam is measured, so you know how deep it is; therefore, you know what the volume is. In Queensland at the moment they have got all these things that they use to measure the depth, and that gives you the volume. We do not want a new cost put on us for meters on dams. That is all we are saying.

The CHAIRMAN: If it comes to pass that people sell their water, they will do that anyway. I do not think there is any suggestion of that occurring at this stage, but it is a good point.

Mr Turley: I am raising that only because of the huge suspicion that our industry has towards the Department of Water and the minister with regard to what may come over the horizon next. I am not saying that to be -

The CHAIRMAN: One of the difficulties, I suppose, that we are all labouring under is that the new legislation is not yet before the Parliament. As I understand it, the legislation proposes to put in place the regime that I have talked about; namely, of recognising the overall pool of water in the state and dividing that up into consumptive pools, and then licensing the people within those

consumptive pools and monitoring the water, etc, according to the overall statutory management plans for each particular area. The legislation proposes to support that concept, because that is the concept that has come out of the NWI. Let us face it. That is already in place in certain areas of the state, even if not yet in name. In other areas of the state, it is not in place. Until that is put in place, it is a little difficult for any of us to start writing in. The time for arguments about things like metering will come when we start to put that legislation in place. If all of a sudden that bobs up in the legislation, you would be absolutely entitled to raise that as an issue. We were assured by the minister, and by the debate that went through the Parliament, that there is no hidden agenda in any of this. That is about what has been proposed in the blueprint. We are simply looking at whether or not the stage we have reached at the moment - that is, the application of fees - is fair and equitable.

Mr Turley: In our view it is not.

The CHAIRMAN: Okay. I want to raise a couple of things quickly, because we are starting to run out of time; a couple of us have appointments at 2.30 pm. I want to take you to point (5) of our terms of reference; namely, whether water licences and/or licence administration fees should be required for taking water under arrangements that are currently exempt. I do not want to get onto residential bores just yet. I just want to take you to the word “exempt”. In your view are there any areas within the catchments that you are dealing with that are exempt but that should not be exempt?

Mr Turley: Yes. I will give you an example. We have a man called Figaro Natoli who lives on Ross Road in Wanneroo. Surrounding him are landowners, with bores. He lives next to a T-junction. Over the road from him is a pile of lifestylers, to use the minister’s words, and hobby farmers. They are drawing what they like when they like, etc, etc, yet he has to pay, and he is right in the middle of them. That is just not fair, and, Mr Chairman, it is discriminatory.

The CHAIRMAN: Okay. So what would you put in place in an area like Wanneroo, which falls within the metropolitan catchment area?

Mr Turley: I believe that if we are serious about using water in Western Australia and the shortage of water in Western Australia, every person who uses water should be required to pay for it. Now, I am not saying that we should place huge charges on residential bores or anything like that, but there should be registration of all bores in Western Australia.

Mr A.J. SIMPSON: How are you going to do that, Jim? How are you going to work out who has a bore and who does not have a bore?

Mr Turley: Look, I do not know the answer to that, but I know what you are saying. You are implying that it would involve huge administration. However, at the same time, why penalise us? Do you know what I am saying?

Mr A.J. SIMPSON: Yes.

Mr Turley: Surely there are some records in local government. Surely there are some records somewhere in respect of the bores that have been put down.

Mr A.J. SIMPSON: The only argument I would put forward, to use your man in Wanneroo, is that he is making a living off the land, whereas the others are hobby farmers. However, I hear your point; namely, why can some people use as much water as they like, whenever they like, yet he has to pay for his water.

Mr Turley: Absolutely.

The CHAIRMAN: Is this not about the management of the water pool, though?

Mr Turley: Yes.

The CHAIRMAN: Are there not two ways of doing that? What is happening in the metropolitan area at the moment is that those people who are using water for commercial purposes are licensed

and pay an annual licence fee, and those people who have put down bores are managed by the restrictions that are now placed on the use of bores in that they can use them only two days a week instead of seven days a week. There is some recognition by the Water Corporation of how much those domestic bores can pump. There is a middle ground there - I agree with you - where this sort of lifestyle thing is coming into play. That probably does need to be re-examined. However, as Tony has said, when it comes to this idea of registering all residential bores, surely that can be equally managed by simply placing restrictions on their use.

Mr Turley: But collectively that is a lot of water.

The CHAIRMAN: It is, but collectively it is also being managed by using that restrictive process. I do not disagree with you that there may be a need to give some consideration to charging a water management resource fee overall in this state for that. That is an issue that perhaps should be examined also in the metropolitan area to get some equity back in there. There are different ways of managing the pool of water in that area than simply licensing it or registering it. We have the capacity to register basically by how much the water level is going up and down, particularly in the metropolitan area.

Mr M.P. MURRAY: In my view it may become more of an environmental-type fee than a bore registration fee, because if the water level is down, as it is now, the restrictions come in. However, someone still has to manage it and measure it. Therefore, these people should pay a fee. Perhaps that will become an environmental fee - I am not sure that it will - but that is something that should be looked at very strongly.

The CHAIRMAN: My second question is what recognition needs to be given to the cost incurred by landholders in harvesting water, including dam construction costs? I am sure there will be an obvious answer from you guys!

Mr Turley: Yes. There is an obvious answer. There needs to be a real recognition, because as pointed out in those figures that I gave you from that one small property down at Myalup, the cost is huge.

[2.10 pm]

The CHAIRMAN: When you say recognition, do you mean in terms of the allocation of water or the fees that they pay?

Mr Turley: I believe that there should be recognition. If there is a consumptive pool and a heap of growers who have put a lot of money into self-preservation by installing dams and bores, then that should be clearly recognised in the fees that they are charged for that water use.

The CHAIRMAN: Is not that part of their business case and part of the business of doing business?

Mr Turley: Absolutely. Nevertheless, that is what they pay.

The CHAIRMAN: Is not the value that they get in the allocation that they are given?

Mr Turley: Yes. But you could argue around the other way and say that they paid for the cost of the infrastructure and that they use it for a very sound purpose.

The CHAIRMAN: But they are not paying anything for the water itself whereas those places in which infrastructure has been put in place pay a cost for that water, and I suspect that that cost is far greater than the amount that those people spent to put in their own infrastructure. Perhaps if that were amortised out over the life of the infrastructure, it would be the same. I do not know. For instance, the fellow in Wanneroo could equally draw his water straight from the water supply pipes. However, I am sure it would cost him -

Mr Turley: He would not be there, Mr Chairman.

The CHAIRMAN: Exactly. There are arguments for and against. I take your point on board. I think that term of reference (7) has become obsolete. It refers to the extent to which the NWI provides for a range of different licensing systems. You started off by saying that the NWI is a one size fits all proposition and that it has no flexibility. You then went on to say that you felt -

Mr Dilley: There is quite a bit, Mr Chairman. I think it has been recognised that the approach first taken was having a big social impact. Jim has had more to do with the NWI and has travelled to the east on a regular basis to attend meetings. There is a lot more flexibility now than when the National Water Initiative was first introduced.

I want to raise a point about the National Water Initiative, one that has been used by the minister to defend his decision to implement the water licence administration fees right away. He has said that the state government is likely to suffer a penalty from the National Water Commission. I hope that the committee will investigate whether that is true. The WA Farmers Federation has written to the National Water Commission - Minister Kobelke is aware of this - effectively asking it to not penalise the state government if the minister decides to withdraw water licence administration regulations for reasons of procedural fairness. We believe that there should be a degree of flexibility in the pursuit of a fair and better outcome for everyone. If no penalty is forthcoming, the only other issue that the minister must address is the shortfall in the Department of Water's budget. Quite presumptuously Treasury removed \$5.8 million from its budget last year. It is now between a rock and a hard place.

The CHAIRMAN: That is something that the committee will not enter into. That is entirely a matter for Treasury. However, we want to determine whether the fee structure is aimed at the recovery of that or an equitable licensing regime. That is an issue.

Mr Turley: Is the committee involved in the justification? In our view clearly there is no justification for that amount.

The CHAIRMAN: That is the basis of the committee's deliberations. Yes, the committee will provide its views on that in due course and it will consider the benefits, the cost and the imposts.

Mr Dilley: I reiterate in closing that just under 10 000 licence holders are effectively being forced to carry the can. After the new legislation goes through, the whole state will be proclaimed and there may be between 20 000 and 30 000 licence holders. I believe that there will be a much fairer system when all areas are licensed. As you mentioned, taxpayers will pay their share for the environment, which is not happening at the moment.

The CHAIRMAN: I am not saying that that is what should happen. I am saying that that needs to be a consideration if you look at that model of usage. It seems to us that certain ways of estimating have not been taken into consideration. We will have a look at that.

Gents, thanks for coming in. I thank you for your consideration. I formally thank you for your evidence before the committee today. A transcript of the hearing will be forwarded to you for the correction of minor errors. Please make these corrections and return the transcript within 10 days of receiving it. If the transcript is not returned within that period, it will be deemed to be correct. If there is a communication or transference of information issue, please let Loraine know. If there are any other issues you think would be helpful to the committee, I am more than happy for you to include those in your corrections so that they can be considered in our final report. I am sorry that we were not able to get down to your neck of the woods. It is impossible for us to do that given the time constraints. We hope to report by February or March this year. Thank you for your input.

Hearing concluded at 2.16 pm