

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

Inquiry into Water Licensing and Services

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

SESSION ONE

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 10.11 am

HUBBLE, MR JEREMY STUART
Chief Executive Officer, Shire of Manjimup,
PO Box 1,
Manjimup 6258, examined:

The CHAIRMAN: Thank you for coming, and a happy New Year to you!

The committee hearing is a procedure of Parliament and warrants the same respect that 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 completed the “Details of Witnesses” form?

Mr Hubble: I did that at reception.

The CHAIRMAN: Thank you. Do you understand the notes at the bottom of the form?

Mr Hubble: Yes.

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

Mr Hubble: Yes.

The CHAIRMAN: Do you have any questions relating specifically to your appearance before the committee today, bearing in mind we will take other evidence? You need to say either yes or no.

Mr Hubble: No.

The CHAIRMAN: Thank you. I am sorry; I should have mentioned to you that these two lovely people here are actually recording the proceedings today for Hansard. They cannot write down a nod, so you need to say either yes or no!

We have received your submission. Do you want to propose any amendments to that submission, or do you wish to give that as part of your general evidence today?

Mr Hubble: I would like the submission to remain as evidence, but I understand the reason for my being asked to appear today is to elaborate on that and perhaps to frame the submission within the committee’s terms of reference. I have done that, and I am happy to walk the committee through it.

The CHAIRMAN: That would be most helpful; thank you. Before the committee asks you any questions, do you wish to make any statements in addition to the submission other than what you will provide today as part of your normal evidence?

Mr Hubble: No.

The CHAIRMAN: Thank you. Would you like to box on with what you have prepared in your submission?

Mr Hubble: Thank you. I do not propose to make any comment at all on points four and seven of the terms of reference. On behalf of council, I think these matters are largely for the state, and the state has already committed to the National Water Initiative, so it is not a matter for us to comment on.

The CHAIRMAN: Before you start, can I ask what your understanding is about what the National Water Initiative outlines? Do you have a clear understanding of it?

Mr Hubble: I do not profess to be an expert on it, no. I understand that it is agreement between the states for which there is compensation, providing a certain regime or forms of regime are introduced to manage water resources. I understand it was predominantly driven by the challenges present in the Murray-Darling Basin. Perhaps part of our angst is that it seems that the proposed solutions better fit that model than our model.

The CHAIRMAN: Does your shire see any flexibility in the NWI?

Mr Hubble: It has been reported to us that there is not a lot of flexibility in the NWI, and that that is the rationale for some of the policy decisions. From our perspective we are therefore critical, and our president raised concerns with the previous commonwealth government that the water initiative was not flexible enough. That is council's position on that.

The CHAIRMAN: Who raised these concerns?

Mr Hubble: The shire president, Wade de Campo.

The CHAIRMAN: Thank you.

Mr Hubble: I think he raised the matter with Turnbull. I am not aware of what has happened over the past month or two.

Mr A.J. SIMPSON: To clarify where Manjimup shire is coming from, I presume there are a lot of farmers growing fruit and using bores and dams to irrigate. Is that correct?

Mr Hubble: Yes, that is correct. The Department of Agriculture and Food figures are pretty old, but there is in excess of \$100 million worth of annual produce. It is intensive horticulture; fruit, avocados and potatoes. It is predicated on a large number of small growers.

Mr A.J. SIMPSON: Do they use bores or dams, or a combination of both?

Mr Hubble: There are some deep bores, but the predominant water source is from on-farm dams.

Mr A.J. SIMPSON: Are they using water streams and damming them? Is that the process?

Mr Hubble: Predominantly, yes.

Mr A.J. SIMPSON: With regard to the legislation under which it is proposed to introduce water licences, do producers in the area feel that it is their water and that they should not have to pay for it, or do they feel it is reasonable to be asked to pay something for it?

Mr Hubble: It is a good question.

Mr A.J. SIMPSON: Yes, this is the issue that seems to come back all the time. It is the issue we face in Western Australia; we have a bowl of water and everyone is tapping into it.

Mr Hubble: I think there is an acceptance that the water belongs to the state. There is debate as to whether one should pay if one is collecting the water privately.

Mr A.J. SIMPSON: Users argue that they pay for the dam infrastructure and ask why they should pay?

Mr Hubble: Yes, there is debate about that, but I think there is broad acceptance that water is a state asset.

Mr A.J. SIMPSON: It is an asset now.

The CHAIRMAN: Essentially that is what the NWI is saying, is it not? That is my view; I am asking your view on it. It seems to the committee that the NWI says that the state should measure its overall pool of water, divide it up into consumption pools, measure the amount of water that is in it, and then regulate, monitor and licence its use.

Mr Hubble: That is not something unfamiliar to our district. We have been in a regulatory environment for water for the past 40 years, unlike most of the state. Farmers down our way are very familiar with licensing.

Mr A.J. SIMPSON: Which means self-regulation and working with each other.

Mr Hubble: Absolutely.

Mr A.J. SIMPSON: Does it also mean trading water with each other to help out?

Mr Hubble: There was not the ability to trade, but there was a licence regime that was self-managed within the region. Only 23 per cent to 25 per cent of the sustainable water yield had been allocated, and to the best of my knowledge there have not been any significant disputes over water in our district. We have had a self-managed licence regime for nearly 40 years.

Mr M.P. MURRAY: There have been no disputes down there. We have already heard in some submissions that there are problems in the hills with regard to allocation. There were certainly a few problems in my area. For example, people living at the bottom of gullies complain about the size of dams further up the hill. Does any of that happen in your area? Some of the licencing issues are about allocation and trying to prevent the kind of over-allocation of resources that is happening on the east coast.

[10.20 am]

Mr Hubble: We can understand where that is coming from. I would not profess to be an expert on what is happening in other districts. I am aware that there has been over-allocation of water to the west of us, and I am aware that in a drying climate it could also be the case to the north of us. In our area the only instances when there have been issues have been at the lowest level in the summertime when sometimes it has not flowed through and people have had to let water out of a stream for someone downstream to get some. However, that seems to have been worked out amicably between the farmers. Apart from that, it has not seemed to have been an issue for us.

The CHAIRMAN: Coming back to your comments about the regulatory regime that you have had down your way for 40 years, it seems that there is no objection to some regime of managing your consumptive pool in the area.

Mr Hubble: No, there is not. I think council's position, and I am here representing council -

The CHAIRMAN: Of course.

Mr Hubble: We have accepted that there is a need to do this. We also accept that it is not unreasonable to pay a fee for that service. We do take issue with how the fees are being calculated. We think that is discriminating against our area in a relative sense. There are a couple of other things. We take issue with things that are exempt. I am happy to go through those. I would like to step through each of those.

The CHAIRMAN: I would like you to do that, if you could.

Mr Hubble: We also take particular issue with the concept of separating water title from land title. I am happy to go through the rationale for that as well.

The CHAIRMAN: Coming back to your objection to the way fees are calculated, firstly how do you see that they are calculated and what do they achieve?

Mr Hubble: Again, I am happy to address those individually as I go through because they tend to fall under the headings in your terms of reference.

The CHAIRMAN: You will go through each term of reference, will you?

Mr Hubble: Yes.

The CHAIRMAN: Maybe we should start that.

Mr Hubble: If that is helpful.

The CHAIRMAN: Yes, we will do it that way. I am sorry; I misunderstood.

Mr Hubble: I have four key points on the benefit and cost to and impost on irrigators. The first is that the Warren-Donnelly River catchments have been proclaimed, licensed and administered by the Warren water management authority committee for the past 40-odd years, with only 25 per cent of the sustainable yield allocated. I am unaware of any significant issues arising. This system is self-managed, low cost and effective. Council is not convinced that the same can be said of the new system. The second point is that other areas, particularly the regions to our east and north, are not proclaimed, yet they are still market competitors. A good example might be the wine industry and vineyards. The application of fees selectively to farmers in the Warren region is therefore seen as anticompetitive. The third point is that farming is still a marginal business in our area and has suffered from various government policy decisions, such as dairy industry deregulation, and sharply increased environmental standards. Any additional costs are therefore unwelcome. Of greatest concern is the uncertainty about where this may end. There is likely to also be additional fees for metering and management planning. Probably the big one is the potential for annual water usage charges. All of these are being imposed on farmers who have provided their own infrastructure, managed their own area water allocation and experienced few, if any, problems over the past 40 years. What is now being provided and the value of it are somewhat unclear. We are talking about a certain level of fees now, but the bigger picture is also of concern. The fourth point is in relation to the separation of water titles from land titles. We think this is a serious mistake. Water infrastructure in our area is not interconnected and therefore purported water trading cannot occur as perhaps has been optimistically envisaged. There is concern at the real possibility of productive land being rendered impotent due to water rights being traded. The proposal to allow separation of titles appears to contradict state planning principles requiring local governments to identify and protect priority agricultural land. Priority agricultural land is identified as having good soil, a good and adequate water supply and good topography with access to transport etc. The Shire of Manjimup was one of the first shires to complete a local planning strategy under the new planning regime. We spent a lot of time and money identifying priority agricultural land. What is the point of identifying such land if it can become barren through a lack of water? We think one policy for the whole state does not make a lot of sense in an area where a dam is not interconnected.

The CHAIRMAN: Would it not be fair to say that there is provision in both the NWI and the state water plan for the establishment of statutory water management plans for given consumptive pools? That being the case, would virtually all those issues that you are talking about not be overcome by the introduction of a statutory water management plan for that given consumptive area? We are talking about your Manjimup area now.

Mr Hubble: I cannot answer that. The plan has not been developed. We made a submission to the original blueprint when it was proposed to allow separation of titles, and our submission was not accepted, which tends to suggest to us that if there is a hierarchy of plans and the top plan suggests the separation of titles, it is very unlikely that a plan lower down in the hierarchy will say something different.

The CHAIRMAN: Would that not be dealt with on a case-by-case basis within the structure of that particular statutory management regime?

Mr Hubble: I do not know. I am not across that.

The CHAIRMAN: It seems to us from listening to the submissions that if we look at the original blueprint for water reform, it proposed that new legislation would take the place of the water rights act, the establishment of proclaimed areas or consumptive pools, and the establishment within those consumptive pools of a statutory management regime, which would be supported by the legislation. That would include the kinds of break-ups that you are talking about. Flowing from that would be monitoring and measurement regimes to support that statutory management plan, and flowing from that would be the licensing of the various shares within that water pool. From that would come a fee structure and the charging of fees and all the issues that flow from the allocation of water. That

seems to have been the model that has been established in the Murray-Darling basin. It appears that flexibility has been built in for that to be the model that would apply across the state in the various catchment areas. I do not know whether my colleagues agree with me, but that seems to be the model that is emerging from what you have said. However, what we have been told and what you have said this morning is that those first steps are not yet in place. In your case, they are in place in an ad hoc or informal way and you have been doing it for the past 40 years. However, the rest of the considerations are not yet in place. Would that indicate why there is a degree of angst about the imposition of fees and licensing at this stage?

Mr Hubble: Yes; I think that is a fair assessment. Two things have happened. One is that you have had -

The CHAIRMAN: I am not saying that that is the case, but that is what is coming out of the -
[10.30 am]

Mr Hubble: I guess I am agreeing with your summary in that the people from our area are concerned that they are being levied with fees now, yet there is uncertainty about how regional water management will pan out. My earlier comment was that some basic principles are being set today that will be very difficult to override down the track. I work in the statutory environment in planning. It is very difficult at a local level to have something that is different from a state planning policy - one overrides the other. If you are setting certain policies at this top level in your state water plan, then it will be, I suggest, nigh on impossible to have a contrary position in your local plans.

The CHAIRMAN: Even though there is obviously a great deal of difference between the Manjimup area and the Carnarvon area; for instance, there is very little concern in the Carnarvon area because already there is a fairly stringent management regime in place, which basically does follow what the NWI talks about. Could that not be overcome by having the statutory management plans within each proclaimed area?

Mr Hubble: We have worked locally in effectively running one of those plans for a long time. Nothing in that really scares us. To get back to the specific issues of the separation of water titles from land titles, I believe that is a statewide position. Correct me if I am wrong. It would therefore be difficult to say something otherwise in our local plan. To separate those water titles I think would be a gross mistake, particularly in our area, which is made up of a large number of small landholdings, all with a rainwater source, none of which is interconnected,. I am not sure that would be an issue that our current management body would have any say in. That is dealt with at a higher level.

The CHAIRMAN: It is difficult for the committee to comment on that because we have not yet seen the final legislative package.

Mr Hubble: I think that is a frustration down our way, too. There is a whole series of future things to come and no-one really knows how it is going to pan out.

The CHAIRMAN: Could I just come back to the separation of land rights and water? If I may use an example, I have often been down to Karri Valley, where there is a fairly extensive dam and the water is essentially for tourism purposes, but apart from the trap below is there is not great deal of usage of that water other than for the purpose of having a lake in front of the resort. Is that kind of usage included in the current regime that you see? Are they charged a licence fee for that?

Mr Hubble: I do not know.

The CHAIRMAN: It is outside your area, is it?

Mr Hubble: No, I am just not that precise on individual properties and whether it is in the proclaimed water source. It is probably off the Donnelly, so it probably is in the proclaimed area, in which case it would require a licence, but I cannot say for certain.

The CHAIRMAN: It just seems to me that is an example of where people would benefit from water trading or a capacity to sell off the water that they store there.

Mr Hubble: Yes, and there would be no dispute in our area that there should be a capacity to sell water from a property. What we just do not want to see is the actual entitlement uncoupled from the land title. If you have water storage capacity and you have a neighbour with a property downstream who needs some short-term contractual arrangement, you could let some water go. That is a good arrangement and everyone wins, but long-term if that property lost its long-term right to have any water, then you risk that property becoming non-productive. Because they are not interconnected and you cannot pump the water back upstream, that property's right to water would be lost for good.

The CHAIRMAN: That may be the case in your area, but what about the case, for instance, in other areas where there is a shortage of water and where people are storing water just for the sake of storing water? How do you get some control on behalf of the other users of water? "Control" is the wrong word. How can you better allocate that water to make sure that it is being used within that consumptive pool appropriately?

Mr Hubble: I do not have a position on that from the council's perspective.

The CHAIRMAN: The unbundling of the rights also gives people the capacity then to see the water, does it not, or to sell the rights to that particular piece of water?

Mr M.P. MURRAY: Or the allocation - not the water as such.

The CHAIRMAN: The allocation is what I meant. I am sorry.

Mr A.J. SIMPSON: The obvious concern would be if an owner of a property sold the property and did not transfer the water licence to the new owner but sold it to a neighbour down the road. Your concern is that it should be linked to the property itself.

Mr Hubble: Absolutely; the water entitlement should say with the land, particularly -

Mr A.J. SIMPSON: If it is producing, yes.

Mr Hubble: Yes, our little section of the world produces a lot of horticultural product. A large percentage of our shire is designated priority 1 agricultural land. Why would you do anything to jeopardise horticultural production in that area.

Mr A.J. SIMPSON: It would be a good point to link the two together. It is similar in my area of Serpentine-Jarrahdale where there are a lot of five and 10 acre lots. The only water they have got is the bore water they use. Basically, if they sold a property and did not give the bore, the new owner would be trucking water.

Mr Hubble: Yes, and the value of the property would decline and you would discourage agricultural activity.

Mr A.J. SIMPSON: You would have to ask if you could get another licence, which you probably could not, so to link the two together is a good point.

The CHAIRMAN: I come back to one of the points you raised. I think the number 2 point you raised was about inequity. You were saying that not everyone seems to be paying.

Mr Hubble: Yes, I address that further on, but the second point I made was that because our area is proclaimed and other areas are not and, therefore, people in our area have been charged a fee whereas others have not, you automatically have an anticompetitive environment, and the cost of production for a tonne of grapes in one area will be cheaper than in another.

The CHAIRMAN: That is a good point. What about within the proclaimed area itself? Are there inequities within the proclaimed area, as you see it? Are certain users not paying and others paying?

Mr Hubble: I will address that further on.

The CHAIRMAN: You will move onto that. Thank you.

Mr Hubble: That is all I had on point 1. Point 2, the full cost incurred by the Department of Water for administration, and points 2 and 3 are a little bit interrelated. I understand from the Department of Water information that the cost of administering the water licensing system is divided approximately 70 per cent towards assessing licences and 30 per cent towards ongoing licence administration, yet the allocation of these costs is lumped together and applied across all licence holders. This is inequitable because effectively what this is doing is charging small users, who are effectively subsidising the costs of processing applications for large licence facilities.

The CHAIRMAN: Even though in the schedule of fees the allocation really breaks it up to the giga-litre of the usage?

Mr Hubble: It does, but it does not break it up in terms of what you are paying for. In terms of fee for service, I can relate it; an analogy would be back to our local government planning application that comes in the door. It is probably not a whole lot different from a water application. Our fees are separated between assessing that planning application and if there is an ongoing licensing regime, an ongoing licensing arrangement. That would seem to be a far more appropriate basis. If you have a large proposal coming in - again, in our organisation a large planning application - you get charged a substantial fee because of the time involved in assessing it and doing the public consultation. If you are relatively minor, you pay a relatively minor fee. Ongoing licensing tends to have really quite a token fee in comparison. Some of our application fees for licences are \$100 a year, which really covers the cost of making sure there are no objections and no problems with sending out the renewal. The state has prescribed these fees, in the planning sense. While when that was introduced, which was only about two or three years ago, there was a bit of resistance, I think there has largely been acceptance of it now, and I see no reason why a similar model could not be applied here. There is a scale of fees, depending on the size of the application. Basically, what I am suggesting is that the Department of Water separate what is their assessment costs from their ongoing administration costs and recover separately, as we do. I will go on to point (3) because, as I said, points (2) and (3) are a little interrelated.

[10.40 am]

The CHAIRMAN: Before you do, are you saying that, at the moment, the licensing fee is not clear; it has not been spelt out? Is there no criterion there for evaluating that?

Mr Hubble: No, it has been clearly spelt out how the fee will be recouped. What they have not done is analyse what the fee is for. They have grouped “assessment” and “monitoring” into the one bucket and divided it among the users. That means that, if you had a massive water application that took all the Department of Water resources to assess, one of the small farmers would be paying for that. By separating it out you get true user pays. I think you would lose a lot of the gripe out of the system if you did that. I will go on to point (3), if you like.

Mr M.P. MURRAY: We probably had a submission on an issue such as that earlier. When you look at it, there is still some need for a cost to be put on those smaller holdings if a large one is developed because of the impact it will have on them anyway. I am in no way saying that all the cost should be put on them. Say the proponents want to develop a mixed accommodation-cum vegetable garden, or whatever is on the back of it, over 200 acres; it may also be a tourist resort. The proponent puts in the application but the whole valley then has to be assessed, so the impact will still be on the smaller ones. Perhaps there should be a graduated fee. It is no good saying that that is okay and then the person down the bottom suffers anyway.

Mr Hubble: I can accept that argument. I see myself that it is in everyone's interests that this be done properly.

Mr M.P. MURRAY: We certainly understand that.

Mr Hubble: Having said that, there are some basic rules of equity that need to be considered.

The CHAIRMAN: Is the current assessment process by the water department clear to the people who apply for licences? It seems to me that, unless there is some sort of management plan in place for that consumptive pool, how do you know what you are measuring and monitoring?

Mr Hubble: I am not in the Department of Water. I think it is a bit of an evolving process. I had a bit to do with this on plantations, which I will touch on later. The Department of Water, or whichever department it was two or three departments before that, did modelling. From what I understand, a lot of the modelling was based on data collected; in fact, from the Collie region. It makes certain assumptions about land form - whether it is native vegetation or clear pasture and what the run-offs are, rainfalls and those sorts of things. It is largely all computer modelled, but that is not something that is done by our organisation at all.

The CHAIRMAN: Okay, thanks for that.

Mr Hubble: The one comment I will make on that is that when we have inquired ourselves about the effect of water on a particular property, the response has been that the modelling tends to be on a catchment basis. It is not as refined as we would like to think it is. We cannot get down to finding out the effect on that immediate property or the neighbour.

Mr M.P. MURRAY: I refer to the “silent users”, I suppose we could call them, such as the state government and state forests, and blue gum growers. They are not people damming the water and using it in a visual sense, but they certainly use their share.

Mr Hubble: That fits quite nicely under point (5), where reference is made to whether licences should be required for people taking water who are currently exempt. We certainly have a view on that.

Mr M.P. MURRAY: Okay.

Mr Hubble: Point (3) is the extent to which administration fees meet the cost of recovery required for services delivered. Firstly, I refer to what I just said under point (2) because these two things talk to each other. The second point is that the inequity in the proposed fees scale is very much a concern for our district. We accept there should be a licensing regime and that we should pay something. Our barney is: how much and how should it be calculated? To summarise a couple of key points: the Warren-Donnelly district is being asked to pay \$137 000 for 40 gegalitres, bearing in mind that all the infrastructure in our district was paid for by the local farmer. Harvey Water is paying only \$18 000 for 153 gegalitres. I am not sure who paid for the Harvey infrastructure; whether it was state, farmer or a combination. The Ord system is paying \$6 000 for 335 gegalitres, and I am pretty sure the state paid for that infrastructure. These inequities are quite startling. If I can put it into perspective, Harvey Water comprises, I think, 700-odd farmers who share collectively in their water entitlements. On average, that works out to 217 megalitres per farmer. The average licence cost - we are talking only about licence cost at this stage - to those farmers is \$26. The same licence cost to farmers in our district for 217 megalitres would be \$700.

The CHAIRMAN: Was the difference explained by the Department of Water when it set the licence fees?

Mr Hubble: The argument has been that, the larger the facility, the less time needed to spend assessing and monitoring it.

The CHAIRMAN: I suppose the other issue with Harvey Water is that it is pretty well all metered anyway, and if it is not metered, it is easier to measure because it has the irrigation system, whereas yours are all individual operators.

Mr A.J. SIMPSON: I think the issue is the measurement, is it not?

Mr Hubble: It is, and that is also in debate. Also involved is that basic equity issue. There is a certain cost for a department that is to be applied across the state. These amounts are not even

close. The amount of \$26 compared to \$700 is not close; it is not within a bull's roar of being close. My final point on that is, especially when you consider who paid for the infrastructure. It is all very well to say that these things are metered, therefore it is easy to measure, and therefore no-one should pay for it. We should ask: who paid for the infrastructure to make it easy to measure?

The CHAIRMAN: No-one is arguing with you on that.

Mr Hubble: It seems to be a convenient argument that, to us, seems to be fatally flawed; that is, it is cheaper because the state built it. It did it well, but why penalise people who did it themselves. If these figures were remotely close we would not be making much of an issue at all, but the difference between \$700 and \$26 is ridiculous. That is based on Harvey's fees; I have not bothered to calculate the figure for the Ord.

The CHAIRMAN: Is the cost of monitoring shared in your area among the users?

Mr Hubble: Yes.

The CHAIRMAN: You are calling it licensing, but the licensing is made up of a series of components and within that is the component of measuring and monitoring. Because it costs more to measure and monitor in your area, your licence fees are higher than those in Harvey or Kununurra?

Mr Hubble: I am not clear on who is doing the monitoring and how it is proposed to be done now.

The CHAIRMAN: I asked you that, because I recently had the opportunity to visit Israel. I had the opportunity to look at its watering systems. Israel's consumptive pools are divided into shares. Each one is a share. Let us say there are 100 shares in the consumptive pool. They seem to distribute their costs by imposing on every person involved with the usage of water in that consumptive pool a share of the total cost. For instance, a state forest is said to draw 20 per cent of the share of the water pool, 20 per cent of the cost of that total pool is borne by the taxpayer because that is for everyone's use. If 10 per cent goes to the metropolitan area for domestic purposes and so on, individual householders who live in Harvey or who have a farm and require domestic usage, get so many shares and so on. The cost is borne, I suppose, right across the board within that consumptive pool. Is that happening with the current regime in your area? Is the cost split up, or is it just simply put onto the people that are licensed?

[10.50 am]

Mr Hubble: To date, there has not been a cost. Under the proposal, they are separating out assessment and monitoring from the other functions that the Department of Water performs. I presume those other functions that are in the broad community interest and the environment are not being adapted into this cost recovery model, but that is an assumption by me. I am not sure if that is true or it is not.

The CHAIRMAN: We cannot comment on that yet, we have not spoken to the department - well, we have, but we have not raised that specific issue with them.

Mr Hubble: The information we have received is that the costs that have been applied are only such costs in relation to assessment and monitoring.

The CHAIRMAN: It seems that the cost has come out of the original schedule of fees set within the reports that formed the basis of the water reform blueprint. In the water reform blueprint there is a schedule of fees, which is then reflected in the government's paper here, "A Blueprint for Water Reform". Recommendation 42 on page 20 states -

That the Department of Water introduce a water licence administration fee consisting of an application fee for all licences and permits under the *Rights in Water and Irrigation Act 1914*...

Which is what has given the government the power to put those regulations into place which were recently amended -

. . . and an annual administration fee for all section 5C licences to take water.

Then it breaks it up into the seven basic sections of each schedule, which is dependent on the entitlement to water that you have actually been given in terms of kilolitres. Is that difference in cost causing the angst? It seems to me there is a suggested fee there, which should be the same regardless of where you come from in the state, according to this.

Mr Hubble: That is right. That schedule of fees is a statewide schedule of fees. The angst is about how that has been determined and who has decided it is a fair and equitable way of allocating. As I pointed out, \$26, compared with \$700 for the same amount of water, does not seem to be fair and equitable. That is what is causing the grief.

The CHAIRMAN: I am a little confused about that. How does that come about? How do you get the 26 versus the -

Mr Hubble: That was taken on the average. Warren-Donnelly River was asked to pay \$137 000 for 40 gigalitres. Harvey was asked to pay \$18 000 for -

The CHAIRMAN: Surely that average would be governed by the number of licences, as opposed to the amount of water?

Mr Hubble: It is, but I am trying to compare like with like.

MR A.J. SIMPSON: He is trying to compare the \$137 000 with the amount of water.

The CHAIRMAN: But you are only using your basis for the averaging compared with the amount of water, as opposed to the numbers of licensees that are using that amount. You may get three licensees in Kununurra that use the same amount of water as 50 licensees down in -

Mr Hubble: The argument is, should the costs be divided up by the number of users or by the volume of water?

The CHAIRMAN: You have raised a very good point.

Mr Hubble: Our view is the scale of fees is weighted heavily towards the number of users, and in favour of those with large volumes. That is the argument.

The CHAIRMAN: Maybe because that is the easiest way of measuring it.

MR A.J. SIMPSON: It is the easiest way, yes.

Mr Hubble: We take exception to it. That is -

The CHAIRMAN: No, and you have raised a very good point. It is obviously something we would consider in terms of the equity. If I can go back to that model I saw in Israel, where every user of water is included in that total pool of water, there is an estimation of how much is used by the people that draw water by bores, from dams, for use on plantations, for public use and for tourism use. From the submissions we have so far, it seems the only people included in this licensing regime at the moment are those people that have taken the time and trouble to either license their bores or dams, or have been part of the regime since this new system has come in. Would that be a fair assumption?

Mr Hubble: Council do not have a position on it. You could draw, from our position in relation to plantations that are currently exempt, that we agree there are people exempt from charges and this whole process that probably should be included.

The CHAIRMAN: Should there be any exemptions at all?

Mr Hubble: No. I am happy to move on to that, because point (5) is really the next point we are up to; whether licence fees should be required for taking water.

MR A.J. SIMPSON: Before you move on to that, Jeremy, can you supply us with that breakdown of the \$137 000 versus the 40, as well as the 18, for our own record? I want to actually see it in writing on the *Hansard* script. Is that possible?

Mr Hubble: I am happy to give it to you. It will come through in *Hansard*, I presume, because I have just said it.

MR A.J. SIMPSON: I want to see it in written form with a little graph-type thing, so I am clear in my mind.

The CHAIRMAN: I must say that you are the first person that has actually pointed out that it is being divided up according to the number of users, as opposed to the usage of the consumptive pool.

Mr Hubble: I said it has been favoured on that scale. There is a bit of a blend, but the scale clearly is weighted against small users and in favour of large.

The CHAIRMAN: In the case of Harvey, you have only got one user.

Mr Hubble: Well, you have got one umbrella user, but 700 users.

The CHAIRMAN: Yes, I know, but they take delivery of that consumptive pool and then dole it out to the various people, who, in turn, pay them for it, which is essentially the same thing as the Water Corporation does when they draw water from various sections of the state and then supply it to cities and towns around the place. They are also exempt, I understand.

Mr Hubble: I will just go through (5), because the last two are relatively short: should licence fees be paid? In short, yes. Water is an issue affecting all. If there is to be a licence regime, it should apply to all. It is either all in, or it is not. We think this cherry picking is a bit wrong. In particular, we take issue with the exemption to domestic bores, which are estimated to consume 120 giganalitres per annum, compared with our entire district, which has been licensed and charged, which only consumes 40 giganalitres. One of the uses of our water is productive, and the other is essentially for beautification. It is suggested that it is only political convenience, and not any rational or logical reason, why non-productive uses, which are some three times greater than the sum of our commercial uses, are exempt.

The CHAIRMAN: The reason for licensing is to regulate and manage the pool of water. You can do that in two ways. You can do it through allocation or you can do it through restricting use. In the case of domestic bores, successive governments have chosen to manage it by restricting use, as opposed to allocating the use, as they do with a licensing regime. If those two things work in parallel, there should be some degree of balance, shouldn't there?

Mr Hubble: That is an argument. I still stay with our position, which is that it should be a uniform approach.

The CHAIRMAN: There is no reason that there should not be some resource management cost applied to the entire state when it comes to managing the state pool of water, should there?

[11.00 am]

Mr Hubble: There has been plenty of media suggesting that water is too cheap and people use it excessively because they are not paying for it. There was an attempt to address this inequity in the recent review of fees, in that dams with up to 5 000 kilolitres of water were not subject to any fee. That was an attempt to balance domestic water use on a farm with, say, an urban bore. I appreciate that that was done. The people whom it affects are happy, but to us it seems to be illogical. It is a quick fix rather than a logical solution.

The CHAIRMAN: The point I am making is that it would be impossible for governments to say to farmers that they cannot water their stock today, but the government is saying that to domestic bore users; that is, they can use their bores on only two days a week now instead of seven. There is also

an argument that domestic water users are using non-potable water as opposed to drawing treated, quality water. There are arguments to support both. I am not taking either side. I am just pointing out the difference in the arguments. Those arguments have been raised with us.

Mr Hubble: I understand that. I make the point that our water is not potable water either. The other issue I want to raise concerns plantations. I will probably be criticised for raising this.

The CHAIRMAN: You will not be criticised by this committee.

Mr Hubble: There seems to be a gap in the water planning fabric. We deal with it at the coalface. I have a thick file on one property. The owners of the property had a water licence for their property, but a plantation went in upstream and they are now not getting water through to their dam.

Mr A.J. SIMPSON: It sucks it out. The plantations are not paying a cent for any sort of water at all.

Mr Hubble: Every time they go to anyone, they are turned away and told that it is bad luck and that plantations do not require a water licence. We are being asked to make planning decisions in approving plantations. We do not have the in-house expertise to model what the effect could be. There is a department called the Department of Water that does have that expertise, yet it does not get involved with plantations - it refuses to get involved. Our position is clear. Compared with an open paddock, a plantation will reduce the water flow by about 30 per cent. I got that figure from a Department of Water document. Plantations consume a lot of the groundwater, so there is a drying out effect as well. You do not get a recharge, although the research that I have seen suggests that it does not go into the groundwater system. It goes down only 20 or 30 feet. What is happening is that it is drying that out so that when it rains heavily, all of that water is just soaked up again and you do not get run-off. This is having a profound effect on downstream water quantity. No-one will debate or argue at our end that plantations do not address salinity and water quality; they do. However, they are affecting water quantity.

Mr A.J. SIMPSON: Should they pay?

Mr Hubble: They should be licensed. If a downstream dam is licensed and a plantation is going to be plumped upstream -

Mr A.J. SIMPSON: They should be paying.

Mr Hubble: They should go through a licensing system. If the downstream dam's water licence cannot be satisfied because of the plantation going in, then that plantation should be refused.

The CHAIRMAN: Does that not come back to what we said earlier about having an overall statutory management plan for the consumptive pool that you are talking about? That would then mirror the model I was talking about; that is, if there are 100 shares of water and the plantation will draw off 10 of those shares, it should therefore be licensed to draw off that allocation of 10 shares.

Mr Hubble: We are not arguing with your position on that. We are clearly stating that we think that plantations should be licensed.

The CHAIRMAN: In fact, every user.

Mr Hubble: Yes. We do not have a position on state forests or the urban water supply, but we do have a strong position on plantations.

Mr M.P. MURRAY: Another issue is, to some degree, a bit opposite to that. The aquaculture industry may draw in water but it also puts water back through a circular system. The water may come out of a local stream and may then go back into the stream after meeting environmental standards. They are also having a say. They are saying that while X amount of water goes through, they do not actually use that water. That is a different argument again. We have certainly had some approaches from that area. What are your thoughts about that?

The CHAIRMAN: Are you talking about the marron and fish industries and people like that?

Mr M.P. MURRAY: Yes. They bring water in and use it in the sense that the fish swim in it, but it then goes back into the main stream, generally through a vegetation filtration system. The water is not actually taken out. Some water may be lost through evaporation and a few other bits and pieces - they might use only 10 per cent of the allocation. However, the water is allocated on the basis of how much comes in and there are no credits for how much goes out.

Mr Hubble: At the moment, we are talking about a licence to use a certain volume of water. Presumably they need that volume of water for their activities.

Mr M.P. MURRAY: But once they are full?

Mr Hubble: Yes, but they still need that volume of water for their activities. At this point, they are not actually being charged for using the water. I can see that argument being raised when we get to the water-use perspective, because they are letting the water through and are not using it. However, in terms of a licensing regime, they should be in.

Mr M.P. MURRAY: Fine.

The CHAIRMAN: You could also mount a counterargument that you are precluding the use of that water by other people by allowing them to store it for use in aquaculture. They are still using water, because they are stopping somebody else from using it. I suppose there is a counterargument. That comes back to it being a share of the consumptive pool.

Mr Hubble: Yes.

The CHAIRMAN: On that same issue, in your area there are instances of amenity being lost when water is used for potable water. I will use Karri Valley as an example. If that water were required for potable water, then that would preclude its use for swimming and recreation. Again, that begs the question of whether the people who use the water for lifestyle purposes should be licensed.

Mr Hubble: Yes. We have two of those situations in our district. The Quinninup Dam was originally for recreational use by people in the Quinninup estate. Now, all recreational use of that water has been prohibited because it is a water source. Big Brook Dam is proposed to go down a similar path. I guess we do not have a question about the licensing of that water but a broader question about -

The CHAIRMAN: Replacement of the amenity.

Mr Hubble: Replacement of the amenity or, if you analyse it, it seems that a cheap solution is to exclude amenity rather than putting in place infrastructure that can actually process and deal with the issue. I guess we are saying that it seems to be a very short-sighted strategy to simply exclude everyone from an area rather than putting in a better chlorination unit.

The CHAIRMAN: Do you know what stage the statutory planning has reached in your area? Has the establishment of a statutory management plan for your catchment gone anywhere yet?

Mr Hubble: No, I do not know where that is at.

The CHAIRMAN: So the council is not involved in that?

Mr Hubble: No, we do not have a representative on that.

The CHAIRMAN: Are there any other issues that you want to raise before you finish?

Mr Hubble: The final issue concerns point (6) on whether recognition should be given to the cost of infrastructure provided by landholders. Yes, recognition should be given. Currently, those who have provided their own infrastructure have been hit with a greater proportional share of the fee, as I pointed out earlier. Not only are they paying more, but also they paid for the infrastructure. That seems a bit harsh. However, we accept that it is very difficult to determine an equitable consideration. The primary reason that people install infrastructure is to undertake farming

activities, so they do it for their own good anyway. The point should not be lost, however, that it is only because of the infrastructure that the fee can be raised in the first place.

The CHAIRMAN: Is that not part of their business processes and plans?

[11.10 am]

Mr Hubble: Yes. That was the point I made earlier. A farmer would not put in a dam if he did not need it for his business activities. Had he not put in the dam, there would not be a fee anyway. It is a bit circular. At the very least, it should be taken into account when reviewing the fee scale. That is where we are coming from. Therefore, as I highlighted earlier, if you have been asked to pay the lion's share proportionally but you have also provided all the infrastructure, it seems to me that you have been hit twice. I do not think council or I would suggest that anywhere in the system we should recompense farmers for their dams. I know that argument has been put up; I do not see it having any weight. However, I think it needs to be taken into consideration when you are working out who is paying for what. As I said earlier, the argument is that the large Harveys of the world are easier to measure because the state has provided the infrastructure to measure it but, hang on, these guys have provided all the infrastructure to capture it and yet no recognition of that is being put in the scale argument. Therefore, I think the scale needs to be looked at.

Mr A.J. SIMPSON: That is fair enough.

Mr Hubble: That is all I had.

The CHAIRMAN: Jeremy, thanks very much. You were very precise and very concise in some of the issues that you raised and I thank you for that.

Thank you for your evidence before the committee today. A transcript of the hearing will be forwarded to you for correction of minor errors; knowing Hansard as we do, there usually are not very many, I must say. However, please make any corrections and return the transcript within 10 days of receipt. If the transcript is not returned within this period, it will be deemed to be correct. Considering that you are down the country anyway, obviously, if there were any difficulties with the transfer of material please let us know; you can talk to Loraine.

This is not part of the closing statement but if there are any other issues that you feel that we have not raised or that you have not presented, when you send your corrections in we are more than happy for you to also send in any other issues for Loraine to take into account.

Mr Hubble: No, I do not think so.

The CHAIRMAN: Finally, thanks for coming up and seeing us and presenting your case. We had a number of suggestions that we visit all the various areas involved but given that we are supposed to report by the end of February, we have a very tight schedule, so we decided as a committee not to go out and visit the areas concerned. Had we gone to one area, we would have been required, really in fairness, to go to all of them and we did not think that was necessary. The depth and nature of the submissions that have come in have been very good for us to be able to deal with. So, thank you for that and if you can thank your colleagues on the council too.

Mr Hubble: Thank you, Mr Chairman, I know you have been down to our district anyway.

The CHAIRMAN: Many times. I used to love being the Minister for South West, mate, it was my favourite spot.

Mr Hubble: I know that you are familiar with the issues anyway.

The CHAIRMAN: The only good part was the day I beat Paul in the cherry spitting competition. Thank goodness it was not dummies!

Mr Hubble: Thank you for your time.

The CHAIRMAN: My pleasure; thanks, Jeremy.

Hearing concluded at 11.12 am