

WATER RESOURCES LEGISLATION AMENDMENT BILL 2006

Second Reading

Resumed from an earlier stage of the sitting.

HON PAUL LLEWELLYN (South West) [4.39 pm]: Before the break I was outlining the concerns of the Greens (WA) regarding the lack of emphasis on water efficiency planning in the management of our water resources, and, from my recollection, I was using an electrical analogy. A person might use a very inefficient air conditioner. The air conditioner itself might cost \$1 200 to buy, but it requires something like \$15 000 worth of capital investment in new generation capacity to run that air conditioner, particularly at peak times. The same kind of logic applies to running inefficient water-using appliances. It is very expensive to invest in the capital works to develop clean drinking water resources and to pipe them around. We also draw attention to the fact that significant gains can be made in irrigated agriculture and in industry. We need to put in place real drivers to improve efficiency, such as substantial price increases when water efficiency benchmarks are exceeded. This has been done successfully with agriculture in California and with industry in Israel.

One of the other issues that have arisen out of the reorganisation of our water resource governance in this state has effectively been the flaws in the planning process that have emerged. One flaw is that there has been a lack of clarity about who is responsible for planning to meet our water needs. I will look for the Water Corporation's attachment 4. I must say that this debate was intended to happen last year at about this time. My tags have become dog-eared and messed up. I might not be able to find that attachment. Nevertheless, I will go on and deal with the implications of this bill. This is a general bill that relates mainly to the change in governmental structures. Therefore, it cannot address all the issues that we have outlined previously and highlighted. However, there is scope for a general principle to be inserted into the bill requiring the minister to consider demand-side management solutions and to consult with the community on the matter of water planning. The Greens will move an amendment along those lines, and I will speak to that amendment when we consider the bill in committee. Effectively, we are saying that there should be an obligation on the Minister for Water Resources, and it should be built into the act that the minister needs to deliver water-efficient services and not just supply water. We have had a supply-side model in the way in which we have managed our water resources. We have supply-side models in the way in which we manage our electrical resources also. That tends to de-emphasise the very important role of becoming more efficient and cost effective in the way in which we use our water.

I will turn my mind very briefly to the National Water Initiative, because that will have a major impact on the way in which we organise water governance in this state. I note that under the National Water Initiative arrangements we will be creating a new market in water. The first stage of creating a new market is in fact to establish an entitlement. In establishing an entitlement, we are effectively issuing licences. The matter of establishing a water market has an interesting analogy with the creation of our land market in Western Australia. When we colonised this place, we divided up the state, and people went out and selected blocks of land. The propensity was for them to select more rather than less. To get some kind of value out of the entitlement process, we put a condition on the purchase of the land, which was called a conditional purchase lease. That meant that if people wanted to own their entitlement, they had to clear the land. As we know, that historically created the salinity problem, because people went off and cleared all this land as they were obliged to. It also has an interesting analogy with the creation of a water entitlement, because that is what we are about to do. We are about to create a new entitlement mechanism, and people will have the propensity to overstate the allocation that they are entitled to. Why? Because they are speculating on the value that might arise out of that entitlement in the future. That is why it is quite important, when creating an entitlement process within our water assets, that we do not fall into the same traps that we did when we allocated land.

Creating an entitlement regime - that is, creating a titles office effectively - is an expensive operation. That is why there are costs associated with the recovery of that; that is, when we create a value out of an asset that was just God given or flowing through nature, and we start creating a licence and market system out of it, we need very high-quality information and tracking. An entitlement process costs money - a management fee. That is at the heart of this current debate in the public domain in Western Australia. Farmers and various other members of the community are up in arms about the cost of licensing.

The second aspect of creating an entitlement regime for and a market in water is establishing the quantum. I am sorry; I have had a cough or influenza.

Hon George Cash interjected.

Hon PAUL LLEWELLYN: This nice clean stuff in this glass comes in at \$7 000 a kilolitre, and we are generally paying \$1.10 a kilolitre. I will just have another taste of this, because this is some good gear.

Hon George Cash: I wish I hadn't mentioned it.

Hon PAUL LLEWELLYN: People would not drink Perth water. They must have it filtered and delivered to them in bottles these days. However, that is another story.

The creation of an entitlement scheme requires that we have the allocation of licensing. That is the title. The next thing that we need is a mechanism for establishing a true quantum; that is, there must be metering in the scheme. The third part of the creation of this new regime is establishing market rules. I am sure that there will be some pain at every step in this process.

One aspect of the market failure with water is that we have tended to undervalue water, and we have not recognised the important role of pricing in getting people to appreciate the value of water. I did not just make this up on the run because Hon George Cash drew my attention to the extremely valuable ale that I was about to put in my mouth. That was the next point I was about to make. I will just have another taste of it. I can taste the \$7 000 per kilolitre! We have tended to undervalue water so that we have created a culture of wastage at the residential, commercial, agricultural and certainly the mining levels. We have not established benchmarks for water efficiency. I have previously used the analogy in this place that if it takes a megalitre of water to grow a tonne of potatoes in Israel, why does it take five or 20 megalitres of water to grow a tonne of potatoes in the south west of Western Australia? Those numbers are not real.

Hon Barry House: Are you using genetically modified numbers?

Hon PAUL LLEWELLYN: I doubt it. That analogy reflects our need to establish true benchmarks for water efficiency and to allocate prices and quotas accordingly. If people broke through those benchmarks, they would pay more for the water, but if they were efficient water users and met those benchmarks, they could trade-in the surplus that was generated from being efficient. That is the way to create a water market. We need clear standards, objectives, targets and mechanisms to establish higher water efficiencies. I do not see anything in this legislation that will ensure that that happens. This legislation simply enables departments to rearrange themselves in certain ways but there is no head of power, authority or scope for the Minister for Water Resources to promote efficiency. As I said, the Greens (WA) will move an amendment to effectively add a provision to the minister's functions, performance and powers so that the minister must have regard for water recycling and efficient waters-use measures when planning the development of new water resources. What could be more reasonable than that? How can the bill not include a provision stating that the minister ought to have regard for water efficiency in the provision of water services? It has been far too long since we were supposed to debate this bill. Noting the time, and considering that I have made my point about the need for water efficiency measures and the provision of powers and guidelines in the bill, the Greens (WA) will cautiously support this legislation. However, we will move an amendment to it.

HON BARRY HOUSE (South West) [4.53 pm]: I will make a few comments on this legislation because of my general interest in it and also because I am the Chairman of the Standing Committee on Public Administration. This bill was referred to that committee and its report has been quoted from quite extensively. As members know, this legislation was referred to the committee on 7 December 2006 and the committee tabled its report in May 2007. It has been a year since the legislation was introduced into this house. The committee would have preferred to deal with the legislation much earlier too. However, the committee did its best to consider the legislation in the time frame it was given. The committee's time frame was hurried to some extent because, during the course of our inquiries, we received a rather pointed letter from the Minister for Water Resources, Mr Kobelke. That letter is not included in the appendix of the report but it has been made public. The minister requested that the committee hurry up with its report and table it well before the completion of the last financial year so that arrangements could be made within certain departmental organisations. The committee duly did that. We produced our report, which was very comprehensive, and put in the extra hours. I thank the committee staff, particularly the research officer, Christine Kain, who did an enormous amount of work on this bill and Jan Paniperis, who has been a stalwart of the Legislative Council Committee Office for a long time. I thank also Hon Ed Dermer, who is the Deputy Chairman of the Standing Committee on Public Administration. I must admit that because I was away, I missed a couple of critical meetings when the report was being finalised. Hon Ed Dermer and the other committee members resolved to complete the report, which has been presented to the house. I thank all those people for their excellent work.

The committee's terms of reference are to inquire into the governance of Western Australia's water resources, and they are ongoing. The terms of reference can be found at appendix 1 of the report. The terms of reference state -

- a) responsibilities and accountability of public sector agencies, communities and the private sector in governance of water resources;
- b) the legal and regulatory framework and its impact on effective water governance;

- c) economic and environmental sustainability of the current approach to governance of water resources;
- d) demand for and equity of allocation of water resources; and
- e) any other matters deemed relevant.

They are broad terms of reference. We have already done quite a lot of work on the general terms of reference. Without telegraphing our punches, members will hear more from the committee on these matters in the coming months.

The committee adopted this inquiry as an analysis of the legislation. The report is largely descriptive. The committee teased out the detail of the bill and got the information that was behind the legislation and the reasons for the changes, and we explored what they were. We gave the house information to consider on various clauses in the bill and we proposed some recommendations. The committee has since received a response from the Minister for Water Resources. I can let the house know what the letter says because it was made public in our deliberations. The letter is dated 6 June 2007 and is addressed to me as the chairman of the committee. It states -

Thank you for advising me of the tabling in the Legislative Council of the Standing Committee on Public Administration's Report 5 Water Resources Legislation Amendment Bill.

I appreciate your Committee's efforts in completing your report early and have examined the Committee's recommendations.

I am sure that the Minister for Water Resources was very disappointed that the legislation was not actually dealt with by the end of June during the two or three weeks when the Council was sitting. However, that is for him to take up with his ministerial colleagues in this place. The letter continues -

With respect to Recommendation 1 referring to clause 141, the use of "any other person or body" provides flexibility to delegate powers in special circumstance, such as to water advisory bodies. This power currently exists under the *Water and Rivers Commission Act 1995*. A more specific wording could limit the ability to delegate. Examples of other Acts with this provision for delegation include the *Offshore Minerals Act 2003*, the *Emergency Management Act 2005* and the *Taxation Administration Act 2003*.

Members will note that that recommendation was to get a response from the minister on that issue. It was a pretty soft recommendation, I must say. Nevertheless, it was a request from the committee to find out from the minister more about that point. The letter goes on -

With respect to Recommendation 2, I am happy for the Bill to be amended in line with your Option A.

In answer to the Leader of the Opposition's question, I placed an amendment on the supplementary notice paper in line with option A, which has received the approval of the Minister for Water Resources. Politics being the art of the possible, we might stand a chance of getting that agreed to. That letter from the Minister for Water Resources was dated 6 June this year. It explains a bit of the background to the report and the amendment that I will move during the committee stage.

Debate adjourned, pursuant to standing orders.