

# **GOVERNMENT RESPONSE**

**to**

***Economics and Industry Standing Committee***

**report no. 9**

**in the 37<sup>th</sup> Parliament on**

**Water Licensing and Services**

**June 2008**

## TABLE OF CONTENTS

FOREWORD .....	2
GOVERNMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT .....	3
Chapter 2 – WATER RESOURCES IN WESTERN AUSTRALIA.....	3
Chapter 3 – NATIONAL WATER INITIATIVE .....	4
Chapter 4 – STRUCTURING FEES AND CHARGES FOR CURRENT AND FUTURE WATER LICENCES AND WATER RESOURCE MANAGEMENT.....	5
Chapter 5 – BENEFITS, COST AND IMPOSTS OF A LICENSING SYSTEM .....	6
Chapter 6 – DEPARTMENT OF WATER'S LICENCE ADMINISTRATION COSTS .....	8
Chapter 7 – COMPLIANCE WITH COST RECOVERY REQUIREMENTS OF THE NATIONAL WATER INITIATIVE.....	8
Chapter 9 – LICENSING CURRENTLY EXEMPT ARRANGEMENTS.....	9
Chapter 10 – WATER HARVESTING INFRASTRUCTURE COSTS .....	10

## FOREWORD

The Government welcomes the report from the *Economics and Industry Standing Committee* (the Standing Committee) on Water Licensing and Services tabled in Parliament on 28 February 2008.

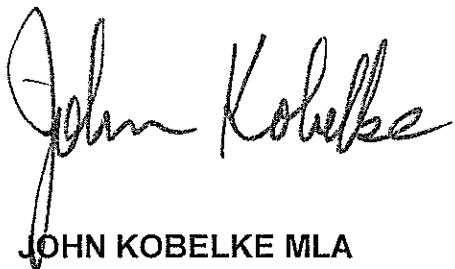
The issues explored by the Standing Committee are part of a broader, long term process of policy reform that the Western Australian Government has been undertaking since the 1994 Council of Australian Governments (COAG) Water Reform Agreement. The *State Water Strategy, Government's Response to A Blueprint for Water Reform in Western Australia, State Water Plan 2007* and *Western Australia's Implementation Plan for the National Water Initiative* demonstrate the State Government's commitment to improving the management of our water resources and water industry into the future.

The Government maintains this commitment and will continue to strive for the effective management of our water resources, including an appropriate licensing regime, in a time of complex policy reform.

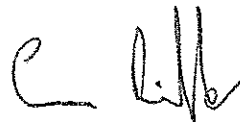
Further to Parliament's disallowance of the *Rights in Water and Irrigation Amendment Regulations (No.3) 2007* on 8 April 2008 the Government response addresses the recommendations of the Standing Committee in this context.

The Government is moving forward with the water reform agenda as a priority to ensure water security for all users and the environment both now and in the future.

It is with pleasure that we present the Government's response to the Standing Committee's recommendations.



**JOHN KOBELKE MLA  
MINISTER FOR WATER RESOURCES**



**ERIC RIPPER MLA  
DEPUTY PREMIER; TREASURER;  
MINISTER FOR STATE DEVELOPMENT**

## GOVERNMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT

RECOMMENDATION	GOVERNMENT RESPONSE
<b>Chapter 2 – WATER RESOURCES IN WESTERN AUSTRALIA</b>	
<b>Data Quality</b>	
<p><b>Recommendation 1:</b></p> <p>That Government makes further significant investment to ensure ongoing collection, analysis and use of quality data.</p>	<p>Supported in 2008/09 budget.</p> <p>The Government continues to make very significant investments in the collection, analysis and use of quality data to effectively manage the State's water resources with a focus on groundwater investigation and metering.</p> <p>The Government committed \$30 million to the State Groundwater Investigation Program which commenced in 2005, to improve our understanding of groundwater resources.</p> <p>In 2002, the Government committed \$6 million to undertake a pilot program to roll-out meters across the Gnangara Mound. Further to this in the 2008/09 Budget the Government has committed a further \$4.3 million to expand the metering program statewide.</p> <p>In addition, through the 2008/09 Budget the Government has provided an additional \$2 million over the next four years to the Department of Water to directly address the costs of water accounting and improve its analysis and use of water data. A further \$13 million over four years has been provided to the department to fund the ongoing operation of the water licensing regime which will allow for the ongoing collection of quality data from licence holders.</p>
<p><b>Recommendation 2:</b></p> <p>Water data should be readily available to all stakeholders.</p>	<p>Supported.</p> <p>The Department of Water is currently undertaking a corporate systems development program to improve data accessibility to stakeholders as a key</p>

	<p>component of its water reform agenda.</p> <p>This includes investigations of the applicability of data access and reporting capabilities through related Government initiatives such as the Bureau of Meteorology and the Shared Land Information Platform program coordinated by Landgate. Some water information is already accessible from these services.</p>
--	--

**Chapter 3 – NATIONAL WATER INITIATIVE**

**Perceptions of the National Water Initiative**

<p><b>Recommendation 3:</b></p> <p>The Government must increase its efforts to ensure that the community is better informed in relation to the National Water Initiative and its ramifications, especially its impact on local areas.</p>	<p>Supported.</p> <p>The Government has actively engaged with stakeholders and the wider community through the development of key policy documents including the <i>State Water Strategy</i> (2003), <i>Irrigation Review</i> (2005), <i>State Water Plan</i> (2007) and <i>A Blueprint for Water Reform</i> (2007), all of which informed <i>Western Australia's Implementation Plan for the National Water Initiative</i> (2007).</p> <p>A program of community consultation and communication has also been developed as a core component of the State's overall water reform agenda currently underway.</p> <p>Notwithstanding all past efforts, the Department of Water is currently developing a broader communication strategy aimed at further informing the public of the intent and application of the National Water Initiative (NWI). It is possible that this communication effort could be incorporated with future public consultation on the draft water resources management legislation.</p>
---	--

**Chapter 4 – STRUCTURING FEES AND CHARGES FOR CURRENT AND FUTURE WATER LICENCES AND WATER RESOURCE MANAGEMENT**

**The Separation of Water Resource Management from Water Licence Administration**

<p><b>Recommendation 4:</b> That there be a fixed licence administration fee that simply reflects the cost of administration of a licensing system.</p>	<p>The Government considers that this issue should be independently considered by the Economic Regulation Authority (ERA), as per Recommendation 17.</p>
<p><b>Recommendation 5:</b> A fixed application fee should remain.</p>	<p>The Government considers that this issue should be independently considered by the ERA as per Recommendation 17.</p>
<p><b>Recommendation 6:</b> That the status regarding the refund of application fees be clarified urgently.</p>	<p>Supported. The Government is in the process of arranging the refund of application fees to licensees.</p>
<p><b>Recommendation 7:</b> That water resource management charges be imposed separately, but not until statutory water management plans are in place.</p>	<p>Supported. The introduction of further cost recovery mechanisms for water resource management and planning expenses, after the implementation of statutory water allocation plans, is consistent with Western Australia's Implementation Plan for the NWI. The Government maintains that the ERA should also be involved in the process of setting such charges as per Recommendation 18.</p>
<p><b>Highest Value Use of Water</b></p>	
<p><b>Recommendation 8:</b> In the development of statutory water management plans, while the highest value use of water resources must be a consideration, community amenity also needs to be taken into account before the allocation of water resources.</p>	<p>Supported. Through the planning process prescribed by the NWI and which is adopted in Western Australia, statutory water allocation plans will give opportunity for consumptive use, environmental, cultural, and other public benefit issues to be identified and considered, including community amenity.</p>

## Chapter 5 – BENEFITS, COST AND IMPOSTS OF A LICENSING SYSTEM

### Acceptance that a Licensing System Attracts a Cost

#### Recommendation 9:

Revenue from licence administration fees should be used for providing the licence administration service. The allocation of those costs should be transparent.

Supported.

The Department of Water's outcome based management framework for 2008-09 and beyond will provide an increased level of transparency in the budget papers and the annual report. In the reporting framework, service three: "Water use allocation, management and optimisation" includes the issuance of water licences. Within this service the following efficiency indicators relate specifically to water licences:

- Average time taken (days) to process a licence by water category grouping.
- Expenditure on water licence administration:
  - Average cost per water licence (all categories); and
  - Total number of licences processed by category group.

These indicators will provide transparency of the total cost of the service and the key performance indicators highlighted in the committee's report. These performance indicators will be reported from the 2008/09 annual reporting period.

### Water Trading in Western Australia

#### Recommendation 10:

The Department of Water should communicate clearly the requirements needed to be in place prior to trading of water access entitlements.

Supported.

Trading of water licences under existing legislation is currently possible.

However, water access entitlements as envisaged under the NWI are not provided for under current legislation and therefore cannot be traded. The establishment of these entitlements, together with maintaining water licences and basic rights, are contemplated for the new Water Resources Management Bill. The issuance of these water access entitlements will occur where consumptive pools are established through statutory water

	<p>allocation plans.</p> <p>Notwithstanding this, the Department of Water would clearly communicate the requirements necessary to be in place before trading of the new water access entitlements could begin.</p>
<p><b>Recommendation 11:</b></p> <p>Proposed legislation allowing water access entitlement trading needs to be carefully drafted following full community consultation.</p>	<p>Supported in principle.</p> <p>State-wide consultation on water access entitlement trading took place in 2006 through a series of workshops and stakeholder meetings held by the Water Reform Implementation Committee. This consultation has informed the drafting instructions.</p> <p>A draft Water Resources Management Bill, is expected in late 2008 and will be made available for community consultation and public comment.</p>
<p><b>Recommendation 12:</b></p> <p>The Department of Water should communicate the co-existence of different types of water entitlements more clearly to stakeholders.</p>	<p>Supported in principle.</p> <p>The Government acknowledges that confusion exists regarding the details of the proposed changes to existing water resource management legislation.</p> <p>Clear communication of the different types of water entitlements will be included as part of the community consultation and communication program that has been developed as a core component of the State's overall water reform agenda currently underway.</p>
<p><b>Concerns About Water Trading in Western Australia</b></p>	
<p><b>Recommendation 13:</b></p> <p>That the Department of Water ensures that water access entitlement trading does not commence until the framework that the National Water Initiative intends is in place.</p>	<p>Supported.</p> <p>Consistent with the NWI, the trading of water access entitlements will not be possible until:</p> <ul style="list-style-type: none"> <li>• the proposed Water Resources Management Bill is passed</li> <li>• localised statutory water allocation plans have been prepared that create consumptive pools</li> <li>• existing licences have been converted to water access entitlements and recorded on the Register of Water Access Entitlements, and</li> </ul>



	<ul style="list-style-type: none"> <li>the necessary water trading systems are established.</li> </ul>
<b>Chapter 6 – DEPARTMENT OF WATER'S LICENCE ADMINISTRATION COSTS</b>	
<b>Involvement of the Economic Regulation Authority</b>	
<p><b>Recommendation 14:</b> That the Treasurer directs the Economic Regulation Authority (ERA) to review the Department of Water's costs as a priority.</p>	<p>Supported. This matter is expected to be considered by the ERA in its inquiry into water licence administration fees.</p>
<b>Chapter 7 - COMPLIANCE WITH COST RECOVERY REQUIREMENTS OF THE NATIONAL WATER INITIATIVE</b>	
<b>Cost Recovery and Licence Administration Fees</b>	
<p><b>Recommendation 15:</b> The formula for calculating the licence fee be examined by the ERA.</p>	<p>Supported. The Government considers that this issue should be independently reviewed by the ERA as per Recommendation 17.</p>
<b>Foundation for Cost Recovery</b>	
<p><b>Recommendation 16:</b> The cost of appeals should not be included in the calculation of the licence administration fee.</p>	<p>The Government considers that this issue should be independently reviewed by the ERA as per Recommendation 17.</p>
<b>Timing of Introduction of Fees</b>	
<p><b>Recommendation 17:</b> The Economic Regulation Authority independently review the water licence administration fees.</p>	<p>Supported. The Government considers that licence administration fees should be independently reviewed by the ERA.</p>
<p><b>Recommendation 18:</b> The Economic Regulation Authority be involved from the beginning of the calculation of any water resource management charges to be imposed in the</p>	<p>Supported. The Government maintains that the ERA should provide independent advice on setting future metering charges and resource management charges. However, the introduction of water resource management charges would not be until</p>

future.	after the introduction of statutory water allocation plans as per Recommendation 7.
<b>Licence Application Fee</b>	
<b>Recommendation 19:</b> The refund of application fees needs to be clarified as a matter of urgency.	Supported. The Government is in the process of arranging the refund of application fees to licensees.
<b>Consultation in Relation to the Schedule of Water Licence Administration Fees</b>	
<b>Recommendation 20:</b> That the Department of Water increase its efforts in relation to consultation.	Supported. A program of community consultation and communication has been developed as a core component of the state's overall water reform agenda currently underway.
<b>Chapter 9 – LICENSING CURRENTLY EXEMPT ARRANGEMENTS</b>	
<b>Plantations</b>	
<b>Recommendation 21:</b> The Department of Water develop a system of water accounting for plantations with a view to regulation and licensing.	Supported. The Department of Water is developing detailed policy positions, in consultation with stakeholders, on water use interception consistent with the NWI, to account for plantation forestry. The current <i>Rights in Water and Irrigation Act 1914</i> (RIWI Act) does not provide for the regulation of plantation forestry. The new Water Resources Management Bill will contain provisions to allow for the regulation of significant interception activities, including plantations.
<b>Recommendation 22:</b> Plantations should be incorporated into statutory management plans for an area.	Supported. Further to comments in Recommendation 21, the regulation of plantation forestry where appropriate, will be possible through future statutory water allocation plans to be developed under the new legislation.
<b>Recommendation 23:</b> As a matter of course, local government should be	Supported. The development of statutory water allocation plans will require significant

involved in the development of the statutory water allocation plans.	community and stakeholder consultation, consistent with NWI requirements and Local Government Associations will be part of such consultation.
<b>Chapter 10 – WATER HARVESTING INFRASTRUCTURE COSTS</b>	
<b>Landholders Infrastructure Costs</b>	
<p><b>Recommendation 24:</b></p> <p>The costs incurred by landholders in harvesting water, including dam construction costs should:</p> <ul style="list-style-type: none"> <li>• not be considered in the determination of the licence application fee;</li> <li>• not be considered in the determination of the licence administration fee;</li> <li>• but should be considered in applying future resource management charges.</li> </ul>	<p>Partially supported.</p> <p>The Government agrees that these costs should not be considered in the licence application and administration fee, but do not agree that such costs should be considered in applying future resource management charges.</p> <p>The costs incurred by landholders in harvesting water are a commercial matter for the licensee and in no way impact on the Department of Water's legal obligations under the RIWI Act to protect and manage the resource.</p> <p>These matters may be further considered by the ERA in undertaking its inquiry on water licence administration fees.</p>
<p><b>Recommendation 25:</b></p> <p>The Department of Water develop a means of valuing and acknowledging infrastructure investment.</p>	<p>Not supported.</p> <p>Consistent with the response to Recommendation 24, the Government considers that infrastructure costs incurred by landholders are a commercial matter for the licensee and are not relevant to the Department of Water's administration of its licensing regime or its water resource management and planning obligations.</p> <p>The level of on-farm investment made by individuals and business operators is not a matter for the Government and is beyond the scope of the Department of Water's responsibilities for resource management as determined by the RIWI Act.</p>