

COST RECOVERY DISCUSSION PAPER: SUBMISSION ON UNFAIR WATER TAX GRAB

Southwest Capes Water Users Group incorporated has developed this paper on behalf of its members.

The Group's Position

The Southwest Capes Water User's Group incorporated (SCWUGi) represents the interests of over 50 members in the Southwest Capes region. This number is actually much larger, when considering that many of our members represent multiple growers with multiple water licences. The group has been formed to give our members a voice in the region and we therefore disagree with the notion that our submission has as much value as an individual's submission which was suggested to us at the Bunbury Cost Recovery Session. While some members of the group will feel strongly enough to write an individual submission, the majority believe that the SCWUGi has been formed to represent them on these matters and that this submission should be treated as such.

The SCWUGi is strongly opposed to the introduction of any cost recovery for water licences and clearing. The introduction of licensing fees doesn't consider: the inequity that no charges are being considered for unlicensed stream fed dams, unlicensed bores and dams for livestock production, hobby farms and suburban households; the capacity for growers to pay as wine grape growers are low margin price takers; the poor status of current service; and fee level calculation is not transparent and is unreasonable.

Introduction

The 2018 Margaret River vintage was estimated to be 11 521 tonnes and the total value of grapes purchased at 28.2 million dollars (Wine Australia 2018 Vintage Report). The average price per tonne has been estimated at \$1359 per tonne. This price has remained relatively unchanged for the last twenty years.

The Margaret River wine industry is responsible for thousands of jobs through both direct employment in vineyards, wineries and cellar doors and indirect employment through suppliers and tourism ventures. The Margaret River region has greatly benefited from the success of the Margaret River Wine industry with obvious significant benefits to retail, restaurants and accommodation. This has seen the region grow which has further benefited construction, infrastructure and other economic development.

Amongst the OECD countries of the world, Australia is recognised as receiving one of the lowest levels of any forms of subsidy from government. These proposed fees would further disadvantage WA wine producers when competing in already very competitive export markets.

Capacity to pay

The majority of wine growers are low margin businesses lacking the capacity to pay additional fees as well as cope with other spiralling input costs. The average cost per tonne of grapes has not increased in Margaret River for twenty years, and there have been many years in between where it

has dropped well below this level. Wine growers tend to be price takers, rather than price makers. Wineries also tend to be in a similar position once local competition, major supermarket chains and competitive export markets are taken into consideration.

We have paid for our self-supply water dams and bores and it is objectionable that the Government is demanding thousands of dollars for us to use them.

Our family based winegrowers using less than 50 megalitres of water to produce wine will pay the same \$6,698 licence renewal fee as the Ord Irrigation Cooperative licenced to use 246,300 megalitres from the Ord River. This is outrageously unfair as it was back in 2007 and 2008.

Equity

It is unacceptable to our members that these proposals will only affect licence holders when there are large numbers of those who also use the resource but do not require a licence. In particular, we are concerned with the requirement not to licence spring fed dams, which if these proposed fees go ahead would give many growers an unfair competitive advantage. This is not to mention dams and bores for livestock production, hobby farms, and suburban households. Until legislation is changed to ensure that all users are operating on the same level playing field we feel it is unfair to request us to consider cost recovery.

Poor Current Service

Applicants and licensees expect value for service.

The proposed charges introduce an excessive fee for a service where the proponent undertakes a large share of the work in the licensing process. Water licensee's and applicants expend substantial resources in the form of money, time and expertise to undertake the investigations of water resources and land suitability with the prospect of obtaining a license. This often requires the employment of consultants to undertake detailed studies and interpret data. This information and service is NOT provided by the Department. However, the new knowledge created by the applicant and licensee adds to the state's understanding of the resource. The department provides very limited value add to the applicant in this process. The provision of sound hydrogeological work by the applicant offsets the cost of the Department in managing the resource and should be rewarded.

With the recent cutback in government staff, Departments have recently been gutted of capability, the chances of providing services in a timely manner are further reduced.

The proposed licence fees are grossly disproportionate to services provided. Renewal of a water licence is usually a 'rubber stamping' process. A \$6,668 renewal fee is absurd. The fee is more than the cost for service delivery and thus is a tax.

Land Clearing

SCWUGi has an interest in the proposed clearing permit cost recovery as this highlights the emphasis on cost recovery for the purpose of environmental management within the Department of Water Environmental Regulation (DWER). The emphasis of environmental management within law and interpretation of those laws is a major cost when issuing licenses for both clearing and water. The

real costs to an applicant for a clearing permit is found in providing information, conformance and offsets to meet DWER environmental management. As environmental management appears to be the greatest cost in the licensing process, then surely it is a cost to be borne by public interest and therefore the tax-payer. To request that bureaucratic process be paid for by proponents of licenses and relicensing is absurd and only leads to further inefficiency and over regulation within a already over-regulated and bloated environmental management system. If the tax payer wants that level of inefficiency and environmental regulation, then let the tax payer pay! The checks and balances of a system that requires proponents to pay for environmental regulation could only be met if there is adequate license proponent input in the form of a private regulator that considers the proponents position and advocates on the proponent's behalf. The proposal for Clearing License cost recovery should also not be considered.

Transparency

The SCWUGi has absolutely no confidence that the Department can calculate the cost of processing these applications. How can it possibly cost between \$4,000 to \$7,000 for an amendment to change the name or address on the license? This is absolutely unacceptable.

The State Government refuses to appoint a Water Resources Council for WA and local Water Resources Management Committees to enable peak and local stakeholder input to water resource planning and management, and any fees. The Minister for Water and Department ignore these provisions of the *Water Agencies (Powers) Act* and the *Rights in Water and Irrigation Act*. This is a denial of procedural fairness on matters that affect farming families using self-supply water.

Additional concerns regarding lack of consultation

The Department has failed to consult effectively with its clients on a proposal that will have a substantial impact. We have made every endeavour to contact all licensee in our water user's group. However, water users outside of peak industry bodies may have been unaware of this proposal. The Department should have written to each of its license holders to make them aware of the consultation process.

Conclusion

The introduction of charges will have a significant impact on our members, supply chains, the availability of wine grapes in Western Australia, and further investment in the industry.

The focus for the department should be about transparent and impartial regulation, the benefit to the community is effective resource management, rather than employing more public servants, or cost shifting.

To support WA wine growers and the Margaret River Wine industry, the Government need to abandon these proposed cost recovery charges.