Government of **Western Australia**
Department of **Water and Environmental Regulation**

Discussion Paper on cost recovery for the Department of Water and Environmental Regulation

Supporting the delivery of improved environmental and water regulation

August 2018

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1 Regulation and cost recovery

1.1 Aims and objectives

The Department of Water and Environmental Regulation (DWER) seeks feedback on the implementation of a cost recovery approach for the assessment of applications made under Part V of the *Environmental Protection Act 1986* (EP Act) and *Rights in Water and Irrigation Act 1914* (RIWI Act).

Specifically, the department is interested in hearing from stakeholders and the community on cost recovery for the assessment of:

- applications for native vegetation clearing permits
- applications for water licences and permits.

1.2 Opportunity to comment

The department invites submissions on the matters presented in this discussion paper and particularly the following questions:

Native vegetation clearing fees

- Would a strategic approach to clearing, through a strategic purpose permit, benefit you?
- Is the 'purpose component' reasonable to apply considering the added complexity of assessing this type of clearing permit?
- Is the proposed fee structure fair and does it adequately reflect differences in the financial capacity of clearing permit applicants?
- What is the likely impact on your business or industry of the proposed clearing fee structure?

Water licence and permit fees

- Do you consider it reasonable for taxpayers to pay 100 per cent of the cost of assessing water licence and permit applications and if so, why?
- If water licence and permit assessment fees were introduced, what do you consider to be an appropriate fee for a water licence or permit application?
- Would you consider a risk-based model for determining water licence and permit application fees to be appropriate? If not, what basis could the department use to structure fees?
- What would be the likely impact on your business or industry if water licence and permit fees were introduced?
- If water licence and permit assessment fees were introduced, how could the collection of fees be timed to better support your business or industry? For example, would you benefit from paying fees up front, at the end of a licence assessment or annualised over the term of the licence?

For an effective submission:

- Clearly state your views and the section you are referring to.
- Support your response with reasons.
- Suggest alternatives to address any issues that you believe will result in a better outcome.

Please note that unless marked 'confidential' submissions may be published on the department's website or cited in other public documents.

Submissions can be made on the department's website at www.dwer.wa.gov.au or by downloading, completing and emailing a response form to fees@dwer.wa.gov.au or posting it to:

Cost recovery responses

Department of Water and Environmental Regulation

Locked Bag 33

Cloisters Square

PERTH WA 6850

The closing date for submissions is 5pm WST, Thursday 1 November 2018.

For queries about making a submission, contact Aaron Compton at aaron.compton@dwer.wa.gov.au or on 08 6364 6773.

The EP Act and the RIWI Act are available on the Parliamentary Counsel's Office website at www.legislation.wa.gov.au.

The department will review and analyse the submissions and prepare a response that will be made publicly available in late 2018.

2 Introduction

2.1 The role of the Department of Water and Environmental Regulation

The department administers Western Australia's key legislation for the protection of the environment and of water resources. It provides a one-stop-shop for environmental and water approvals, streamlining regulatory assessments for proposals to strengthen the state's economy and deliver good community and environmental outcomes.

This is being achieved through:

- risk-based regulation of proposals that may impact on water resources and the environment
- assessing the impacts of proposals
- setting and enforcing conditions of approval
- providing accurate and timely information and advice to customers and other government agencies.

2.2 Modern regulatory approach

Contemporary regulation recognises the principle of user-pays. The user-pays principle generally identifies that the full or partial cost of service of regulatory activities should be borne by those who benefit most from the service. Currently, the cost of assessing applications for native vegetation clearing permits and water licences and permits is primarily borne by the taxpayer, not the applicants who derive the benefit.

The department has developed key performance indicators (KPIs) to track performance in delivering regulatory assessments on time. Feedback from our stakeholders has told us that protracted assessment times create uncertainty for businesses. To meet the expectations of our customers, it is necessary to consider options for the future funding of regulatory services to improve our performance against KPIs.

The processing and assessment of applications for permits to clear native vegetation and water licences and permits carries a significant cost to the department. All applications need to be assessed in accordance with legislative and policy requirements, and may also include the need for consultation with other government agencies and the community.

The department implements a risk-based approach to carry out its regulatory functions. Therefore, the resources allocated for assessments vary, depending on the complexity of the application, including the environmental or water resource values which may be impacted.

2.3 Government direction on cost recovery

The government is focused on delivering sustainable economic and social development in Western Australia (WA). Consistent, timely and transparent decision-making benefits industry, the community, the economy and the environment. Government considers WA taxpayers bearing almost the full cost of providing regulatory services unsustainable. Increased cost recovery from those deriving a benefit from regulatory services is considered fair and equitable.

The principles underpinning cost recovery are based on *Costing and pricing government services: guidelines for use by agencies in the Western Australian public sector* (June 2015). The following principles have been used in the department's consideration of cost recovery measures:

- ensure a fair and equitable process for applicants
- achieve (or make adequate progress towards achieving) full cost recovery, where appropriate
- resist over-recovery of costs
- achieve competitive pricing (in comparison to service providers locally and in other jurisdictions)
- reflect movements in input costs.

3 Schedule 1 – Native Vegetation Clearing

3.1 Background

Clearing regulatory framework and history

The need to control the environmental effects of clearing native vegetation has long been recognised in WA.

In some parts of WA (especially parts of the Wheatbelt and the Swan Coastal Plain) native vegetation has been cleared beyond safe ecological limits. Clearing results in the loss of biodiversity, with fragmented habitats becoming more susceptible to climate change, disease, and weed and introduced animal invasion. Salinisation of land and inland waters, altered water regimes, soil erosion and eutrophication are all direct consequences of clearing native vegetation.

The enactment in 2004 of the clearing provisions in the EP Act created a consolidated statutory platform for the regulation of clearing native vegetation. The legislation is supported by the Environmental Protection (Clearing of Native Vegetation) Regulations 2004 (the Regulations).

Under this framework all clearing of native vegetation is prohibited unless a clearing permit is granted, or the clearing is exempted under the EP Act or Regulations.

Under s.20 of the EP Act, the power to assess and determine a clearing permit application has been delegated to officers within the Department of Mines, Industry Regulation and Safety (DMIRS). This delegation applies to clearing permit applications that relate to activities authorised under the *Mining Act 1978,* and various petroleum and state agreement legislation.

The right balance between clearing and protecting native ecosystems benefits all community members because it underpins WA's economic and social development and our way of life, for now and for future generations.

The services the agency delivers

The Chief Executive Officer (CEO) of the department (or their delegate) is responsible for administering the EP Act and its regulations, including the assessment and determination of clearing permit applications.

Applications to clear native vegetation are assessed against ten clearing principles contained in the EP Act which broadly consider biodiversity and conservation values of native vegetation as well as water quality impacts and land degradation risks. Applications are also assessed with consideration of planning instruments and other matters considered relevant.

Assessments are undertaken in a structured, consistent and transparent manner and consider both direct and cumulative impacts arising from clearing. The public have the opportunity to provide submissions on applications. Decisions on applications and the related assessment are published by the Department. Decisions are subject

to appeal by the applicant or third parties. Appeals are determined by the Minister for Environment who is advised by the Appeals Convenor.

WA is vast and has exceptional and world-recognised environmental values, including high levels of biodiversity. The assessment of applications to clear native vegetation can be complex, due to a highly variable landscape where certain regions have been subject to significant levels of historical clearing or subject to other threatening processes. In more remote areas, there may be limited knowledge on the environmental values of native vegetation subject to a clearing permit application.

Due to the complexity of some assessments, the need for expert advice, interactions with other legislation, as well as the need to negotiate with applicants at times to ensure impacts of clearing are avoided, minimised, mitigated or offset, the department has not been able to achieve its published performance indicator of 80 per cent of decisions within 60 business days for several years.

As a trusted regulator, the department aims to ensure clear and consistent decisions which deliver certainty for industry and create transparency for all stakeholders and the community. The department's decisions are evidence based, using expert knowledge from within the department and across our partnerships to deliver sound environmental outcomes.

Under its strategic plan, DWER is committed to streamlining its approach to regulatory assessments and advice, to provide consistency and certainty for stakeholders. Internal practices and processes and online systems are being redeveloped to deliver good customer service and decisions delivered in accordance with regulatory best practice principles. The Department will also ensure that regulated stakeholders meet their commitments and it undertakes appropriate compliance and enforcement.

Existing fees for clearing permit applications

Fees for clearing permit applications were established in regulation 7 of the Regulations on their commencement in 2004 and have not changed since. The real costs associated with managing and assessing applications have increased since that time.

The current fee structure was set having regard to the history of clearing regulation under the *Soil and Land Conservation Act* being primarily for agricultural purposes. There is currently a nominal application fee (between $50 to $200) dependant on the permit type and in the case of area permits, the spatial extent of the application.

3.2 Rationale for change and benefits

Cost of service

The cost of service to administer the clearing provisions under Part V, Division 2 of the EP Act in 2016/17 was estimated at $5.8 million. Under the current fee structure, fees generated approximately $63,000 leaving the department under recovered by approximately 99 per cent in 2016/17.

The average cost for the assessment of a clearing permit is estimated to be around $10,000. This estimate includes costs associated with the assessment of clearing permit applications, including the employment of staff and maintenance of systems, and determining compliance with decisions on clearing permit applications.

In contrast, to the real cost of assessment, the fees that the department charged ranged from $50 to $200 for area permits with a flat rate of $200 for purpose permits. It is clear that there is a significant discrepancy between the current fee structure and the average cost of managing a permit application to decision stage.

Existing and emerging pressures on clearing regulation

The department has a published performance indicator of determining 80 per cent of applications within 60 days of receipt. This indicator has not been met since the 2014/2015 financial year.

Quarterly performance reporting on the timeliness of decision-making is available on DWER's website at www.dwer.wa.gov.au.

Due to current resourcing constraints to meet the required level of assessment, the timeliness of finalising clearing permit decisions is significantly below the performance indicator. As a result, there has also been a steady growth in the number of protracted open applications at the end of each quarter.

Anticipated service improvement

Government has agreed that additional revenue that might be raised from increased fees will be reinvested in the department to improve service delivery and efficiency in its regulatory services. Based on 2016/17 financial year data, should the proposed fee structure be implemented, the annual revenue received is estimated at $1.3 million (compared with current revenue of $63,000).

While additional revenue will be directed at employing staff for the assessment of clearing permit applications and related compliance areas, resources will also be invested in improving systems and streamlining business processes. This will improve timeliness of decision-making on environmental approvals and ensure an appropriate response to the increasing demand for environmental assessments and approvals relating to economic growth.

The additional staff will also contribute to the development of strategic approaches for the assessment and management of native vegetation and ensuring better transparency through publication of relevant data. Additional compliance resources will allow the Department to carry out more targeted and proactive inspection and audit activities.

3.3 Benchmarking

Clearing fees in other jurisdictions

In other Australian jurisdictions, clearing of native vegetation is regulated through a variety of means, making a direct comparison difficult.

However, current fees to apply for a clearing permit within WA are considerably lower than comparable jurisdictions. For example, while fees in WA range from $50 to $200, the base fees for clearing approvals in South Australia is $596 and applications to clear native vegetation in rural areas of New South Wales range from $3000 to $9000, depending upon the location and size of the clearing area and the presence of threatened ecological communities. Within Queensland the fee is in excess of $2500.

Under the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) the Commonwealth government has implemented a detailed fee regime which applies a number of separate fees at various stages of the referral and assessment process. In addition to a referral fee, base fees of approximately $8000 - $25,000 apply to the assessment of a matter that has been deemed to be controlled action. For the assessments undergoing a process established through the bilateral agreement between the state of Western Australia and the Commonwealth government a base fee of approximately $18,000 is payable to the Commonwealth government.

3.4 Proposal for improved cost recovery

Proposed fee structure

A new fee structure is proposed that is scaled to align fees with the level of risk to the environment, taking into consideration the difference between activities undertaken for property management (including non-exempt activities associated with fences and firebreaks) and clearing associated with larger commercial activities, such as extractive industry, construction of infrastructure and large agricultural proposals. Table 1 outlines the proposed fee structure.

Proposed fees reflect the higher environmental costs associated with clearing in the highly cleared South West Land Division (intensive landuse zone) compared with clearing elsewhere (extensive landuse zone).

Given that current fees are estimated at 99 per cent under-recovered of the cost of service, the proposed fee structure does not reflect full cost recovery. It is not considered reasonable or practicable to achieve 100 per cent cost of service recovery through a revised fee structure.

The proposed fee structure in Table 1 below, aims to achieve a greater level of cost recovery (about 25 per cent) then currently exists. The fee structure reflects a proportionate cost for clearing regulation for increased assessment complexity.

Table 1: Proposed revised fee structure for clearing permits

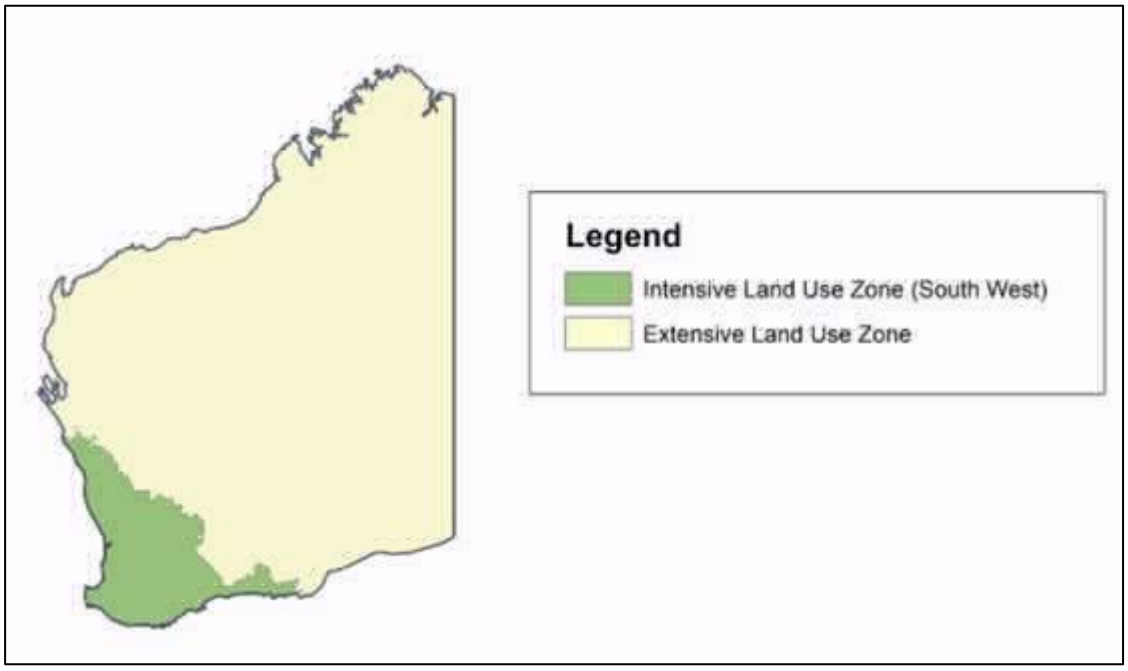
Permit type	Application area (ha)	Current fee ($)	Revised fee		
			Area component (extensive land use zone) ($)	Area component (intensive land use zone) ($)	Purpose component
Area permit	<1	50	500	1000	N/A
	1–10	100	750	1500	
	10–50	200	1000	2000	
	50–100		1500	3000	
	100–500		2000	4000	
	500–1000		2500	5000	
	>1000		5000	10,000	
Purpose permit	<1	200	500	1000	$2000 (agriculture, horticulture, forestry or local government) $5000 (basic raw materials, other development, State development or utilities)
	1–10		750	1500	
	10–50		1000	2000	
	50–100		1500	3000	
	100–500		2000	4000	
	500–1000		2500	5000	
	>1000		5000	10,000	

The proposed fee structure shown in Table 1 accounts for the differences in the complexity of assessing clearing permit applications based on two key factors – the scale and the location of the proposed clearing.

The scale of clearing is to some extent captured through the existing fee structure; however, a flat fee exists for purpose permit applications and area permit applications seeking approval to clear more than 10 hectares (ha). The revised fee structure reflects the increasing complexity of assessing larger applications and those in highly cleared landscapes.

The location of the revised fee structure delineates between clearing within or outside of the 'intensive land use zone' that covers the State's South West. This intensive land use zone has been subject to significant levels of clearing by intensive agriculture and urban expansion (see Figure 1).

Figure 1: Intensive and extensive land use zones



The fee structure also applies a 'purpose component' to applications for purpose permits. Such permits allow the clearing of different areas from time to time for a purpose specified in the application, such as ongoing maintenance projects. Purpose permit applications can be more complex to assess and administer over their term.

Differentiation in the purpose component fee has regard to the economic capacity of the applicant as well as the assessment complexity and the public benefit. The kinds of activities considered to fall within each of the purpose groups are shown in Table 2.

Table 2: Purpose definitions

Purpose	Description
State development	Mineral production, mineral exploration, petroleum production, basic raw materials, petroleum exploration (for applications administered by the Department and DMIRS), clearing under state agreements administered under delegation by DMIRS, and other associated activities including geotechnical investigations

Purpose	Description
Local government	Clearing by local governments for purposes such as road construction and maintenance, building or structures and other infrastructure
Utilities	Clearing by utilities including the Water Corporation, Western Power, Horizon Power, Main Roads Western Australia, Verve Energy, Telstra, Alinta Energy, WestNet Rail and the Public Transport Authority. Purposes include infrastructure construction and maintenance, railway construction, and road construction and maintenance
Agriculture/horticulture /forestry	Clearing for timber harvesting, plantations, horticulture, grazing and pasture, cropping, drainage, pastoral diversification (such as aquaculture and irrigated agriculture) and associated activities including firebreaks, fire hazard reduction and fence-line maintenance
Basic raw materials	Clearing for the purposes of extractive industry (e.g. sand, rock and gravel extraction)
Other development	Clearing for purposes including buildings or structures, industrial and landscaping and associated activities

3.5 Discussion and targeted questions

Analysis of fee impacts

While proposed fees for the largest area permits are significant, these comprise a small portion (around two per cent) of total permit applications and are typically associated with clearing for large mineral or petroleum production, large agricultural projects and major infrastructure.

Applications for the highest tier of clearing area categories are not anticipated in the intensive clearing zone, based on historical application data. Therefore clearing areas in excess of 1000 hectares (ha) will be practicably capped at $5000. This is well below clearing permit fee levels in New South Wales.

Applicants who typically need to clear a number of different areas, at different locations and at different times, are encouraged to consider a longer term, consolidated and strategic approach to their clearing needs through a single permit (or more) for a longer duration period, rather than applying for multiple permits. This would typically apply to local governments, for the care and maintenance of roads. The granting of one or more comprehensive permits will not just reduce the cost of the application, but will also lessen the administrative burden of complying with multiple permits and also provide the permit holder with greater certainty. It will also potentially enable better environmental outcomes, particularly if offsets are required.

To outline the effect of the proposed new fee structure, two scenarios are provided below.

Scenario 1 – Agriculture/Horticulture/Forestry

A land owner located in the intensive land use zone applies for an area permit to clear five hectares of native vegetation. The fee for this application would be $1500.

A land owner located in the extensive land use zone applies for an area permit to clear five hectares of native vegetation. The fee for this application would be $750.

Scenario 2 – Local government

A local government in the South West applies to clear two hectares of native vegetation for road widening. The fee would be $3500. If the local government was located in the Pilbara region, the fee would be $2750.

The above scenario envisages the submission of individual applications. It is acknowledged that some applicants, particularly local governments have typically lodged multiple applications over an annual period.

The department supports a more strategic approach to native vegetation clearing and for the consolidation of applications by local governments.

A strategic approach to clearing permit applications will have a direct benefit in terms of reduced cost to the applicant and is also likely to yield additional benefits, such as:

- longer permit timeframes/validity
- reduced administrative burden for government and permit holders in complying with, and assessing compliance against multiple permits
- greater potential for the use of strategic offsets
- more comprehensive and cumulative assessment of clearing impacts
- more certainty in the decision, following a single appeal process.

Targeted questions

In considering the proposed new fee structure for applications for clearing permits, the department is interested in your views. Your feedback on the following questions is sought, as well as any other feedback that you may wish to give.

- Would a strategic approach to clearing, through a strategic purpose permit, benefit you?
- Is the 'purpose component' reasonable to apply considering the added complexity of assessing this type of clearing permit?
- Is the proposed fee structure fair and does it adequately reflect differences in the financial capacity of clearing permit applicants?
- What is the likely impact on your business or industry of the proposed clearing fee structure?

4 Schedule 2 – Water

4.1 Background

The Department of Water and Environmental Regulation plans for and manages all water resources throughout Western Australia. A key part of this role is regulating the take and use of water to ensure water is used sustainably, impacts on other users and the environment are managed and the water resources themselves are protected from degradation.

To take and use water, construct or alter wells, or to interfere with the bed and banks of a watercourse in proclaimed surface water and groundwater areas, authorisation is required under the RIWI Act. Authorisation is also required for artesian groundwater resources across the state and permits may apply in unproclaimed areas accessed via a road or reserve. These authorisations are granted through three instruments:

- 5C water licence – approval to take water
- 26D licence - approval to construct or alter wells
- Bed and banks permit – approval to interfere with the bed and banks of a watercourse.

5C Water licence - approval to take water

Authorisations to take water are provided for under section 5C of the RIWI Act. '5C' water licences enable the holder to access a particular volume of water in a designated period. Water licences may contain conditions for taking and using that water and can be traded and transferred.

5C licences are typically issued for up to 10 years at which point they can be renewed or forfeited.

26D licence - approval to construct or alter a bore

Under section 26D of the RIWI Act, a licence is required to:

- commence, construct, enlarge, deepen or alter any artesian well; or
- commence, construct, enlarge, deepen or alter any non-artesian well in a groundwater area proclaimed under the RIWI Act.

Licences are issued for the duration of the works.

Bed and banks permit - approval to interfere with the bed and banks of watercourses

The main type of permit issued under s.17 of the RIWI Act is a permit to interfere with the bed and banks of watercourses in proclaimed surface water areas. Permits are also issued under s.11 and 21A for access via a road or reserve.

Permits are typically issued for the duration of the works.

Statutory obligation for assessing licences and permits

The assessment of applications for water licences under the RIWI Act requires consideration of a range of factors and can be complex. Clause 7(2) of Schedule 1 of the RIWI Act prescribes the criteria against which 5C and 26D licence applications must be assessed including for new licences, renewals, amendments and applications to trade or transfer. The regulatory criteria are similar for applications to interfere with bed and banks of a watercourse and are prescribed in Clause 7(2) of Part 2 of the Rights in Water and Irrigation Regulations 2000.

The regulatory criteria by which applications are assessed must consider if the taking of water:

a) is in the public interest
b) is ecologically sustainable
c) is environmentally acceptable
d) may prejudice other current and future needs for water
e) would, in the opinion of the Minister have a detrimental effect on another person
f) could be provided for by another source/could be undertaken in another way
g) is in keeping with –
    i. local practices
    ii. a relevant local by-law
    iii. a plan approved under Part III Division 3D Subdivision 2
    iv. relevant previous decisions of the Minister
h) is consistent with –
    i. land use planning instruments
    ii. the requirements and policies of other government agencies, or
    iii. any intergovernmental agreement or arrangement.

4.2 Licence and permit applications assessed in 2015-2017 and current cost recovery

Number of licences and permits assessed

The department currently administers around 13,000 licences and permits across the State. These cover 730 groundwater and 296 surface water resources. In 2016/17, the total volume of water licensed for use was 3723 GL.

Between July 2015 and June 2017, DWER assessed an average of 2739 applications per year across all application types.

Applications for new 5C licences and 26D licences to construct or alter wells represented the largest number of assessments undertaken by the department followed by 5C licence renewals.

Trades, transfers and agreements form the cornerstone of an effective water market, promoting the use of water to its highest economic value. Over these years, the Department assessed an average of 306 trades, transfers and agreement applications annually.

Licence amendments involve the changing of a licence at the request of the licence holder and most often seek to increase the volume of water to be taken or to change other licence conditions. The department assessed an average of 228 licensee initiated amendments per year in 2015-2017.

Amendments to licences may also be initiated by DWER and include updating licence conditions, amending contact details and other administrative changes. From 2015-2017, an average of 334 department-initiated amendments were undertaken annually. These transactions would not be subject to cost recovery.

The department also assessed an average of 200 applications to interfere with bed and banks of watercourses each year. These applications vary widely from the construction of bridges through to complex diversions of watercourses that can impact on many water users.

Table 3: Number of licence and permit assessments for 2015-2016 and 2016-2017

Assessments by application type	2015-16	2016-17
New 5C licences	696	503
Renewal of 5C licences	472	380
Trades, transfers and agreements	330	281
Construction or alteration of wells	647	646
Bed and banks permits	159	240
Licensee initiated amendments	232	225
Department initiated amendments	237	430
Total	**2,773**	**2,705**

Current cost recovery

The cost incurred by the department to assess water licence and permit applications in 2015-2016 and 2016-2017 was $15,577,921 and $14,606,870 respectively.

This cost reflects assessment of licence and permit applications against the statutory assessment criteria and does not include costs associated with water resources planning and management.

Under Schedule 1 Part 1 and Part 2 of the *Rights in Water and Irrigation Act Regulations 2000*, administrative fees for licence transfers, licence reprints, meter testing, registration of security interests and access to the water register are payable. The Department recovers $61,200 for the above transactions, noting these fees do not cover assessment costs.

4.3 Water fees in other jurisdictions

Western Australia is the only Australian jurisdiction that does not apply any form of cost recovery for managing water resources, including for water licence administration and assessment and water resource planning.

Comparing water fees across Australia is difficult due to different legislative regimes, including the application of a combination of assessment, volumetric and supply charges. There is additional complexity as water fees are also dependent on each state's approach to cost recovery, either fully or partially, and issues related to specific locations.

For example, in Queensland, there are no fees for renewal of licences or licences to construct a well. A flat annual charge of $79 applies.

In New South Wales, amendment fees vary greatly depending on the type of amendment being sought. An annual water management charge also applies to recover the cost of planning and management activities.

In Victoria, water corporations issue licences. Five corporations issue groundwater licences, and fees comprise both application and volumetric based-charges.

Figure 2 provides a general overview of some transaction fees and annual charges in other Australian jurisdictions.

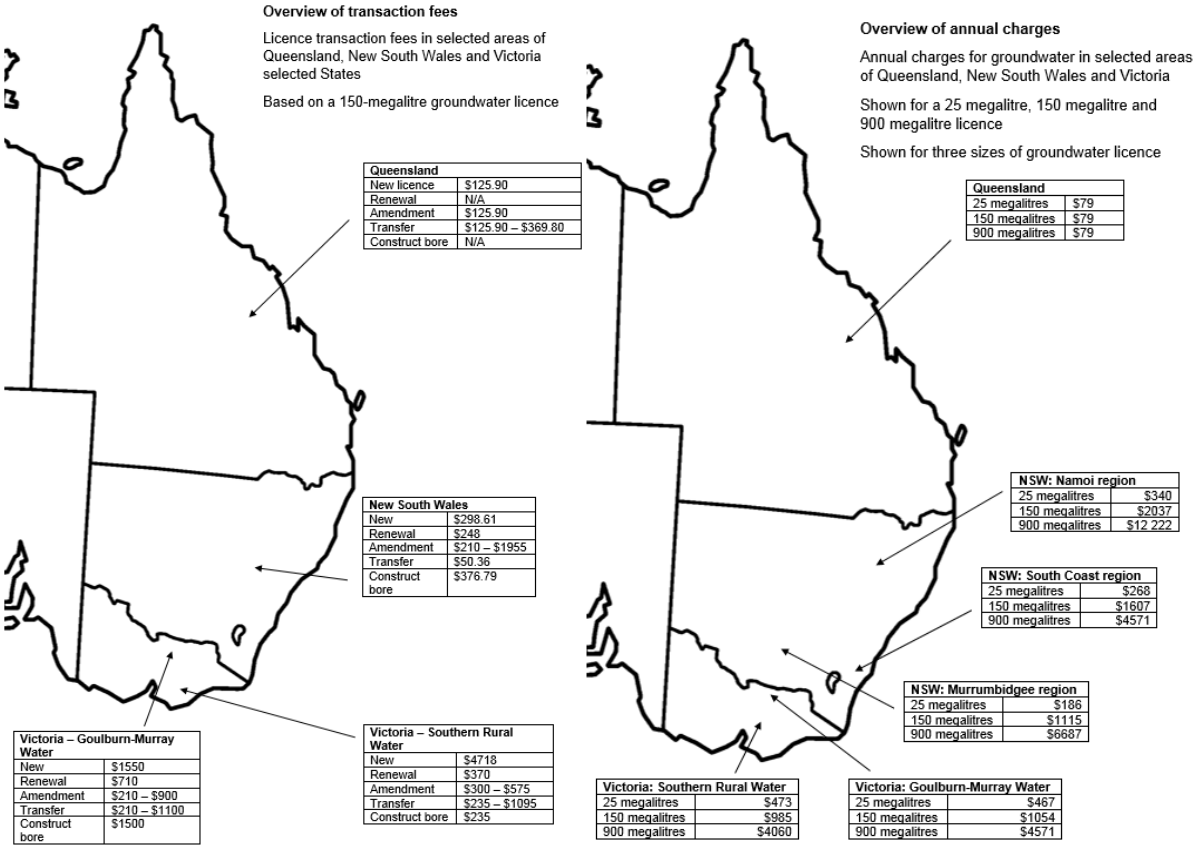


Figure 2 Overview of transaction fees and annual charges in other Australian jurisdictions.

4.4 Fee structure for mining and public water supply scheme sectors

On 10 May 2018, the government announced the introduction of fees for water licence and permit assessments for the mining and the public water supply scheme sectors. These fees were introduced to recover the cost of assessing applications for some of the State's largest water users by volume.

The new fees are reflective of the level of effort required to assess licence and permit applications with effort based on risk to the water resource determined by two factors:

- volume of water
- level of allocation of the water resource.

Water licence volume is a good indicator of risk, with high volumes more likely to impact on other water users, water-dependent ecosystems, and the water resource itself.

The second determiner of risk is the allocation status of the water resource to which the licence or permit application relates. The department establishes allocation limits

to protect the long-term viability of the water resource to meet current and future water demand and for the protection of the environment. The greater the level of allocation of a resource, the greater the risk to other users and the environment.

Table 4 shows the risk matrix to be applied in determining the level of assessment required for licence and permit applications from the mining and public water supply scheme sectors.

Table 4: Risk matrix for licence and permit applications for mining and public water supply scheme sectors

Volume of application (each year)	Allocation status of water resource			
	Water resource is <30% allocated	Water resource is between 30% and 70% allocated	Water resource is between 70% and 100% allocated	Water resource is >100% allocated
0–50,000 kL	Low	Low	Medium	High
50,000–500,000 kL	Low	Medium	High	High
>500,000 kL	High	High	High	High

For applications for licences to construct or alter wells and permits to interfere with bed and banks of watercourses which do not involve consideration of volumetric water impacts and the allocation status of the water resource, the assessment of the instrument will be undertaken as low risk.

Table 5 shows the fee structure to be applied to the mining and public water supply scheme sectors. This fee structure represents the full cost of assessing licence and permit applications, with the exception of applications for licence trades, transfers and agreements and department-initiated licence amendments. For the mining and public water supply scheme sectors, these fees will recover $720,000 per year.

The full cost of assessing licence trades, transfers and agreements is comparable to that of a new licence. Currently, a fee of $200 is charged for these transactions. If increased cost recovery were to be introduced, no changes to these fees would be applied in order to continue supporting an effective water trading market.

Table 5 Water licence and permit fee structure applying to only mining and public water supply scheme sectors

Application type	Risk assessment level	Old fee ($)	New fee ($)
New 5C licence (take water) assessment fee	Low risk	0	5357
	Medium risk	0	7143
	High risk	0	8929
Renew existing 5C licence assessment fee	Low risk	0	4001
	Medium risk	0	5335
	High risk	0	6668

Application type	Risk assessment level	Old fee ($)	New fee ($)
Trades, transfers or agreements application fee (non-refundable)	Not applicable	200	200
Amend 5C licence assessment fee	Low risk	0	4407
	Medium risk	0	5876
	High risk	0	7345
Construct and alter well licence assessment fee	Low risk	0	172
	Medium risk	0	215
	High risk	0	269
Permit for bed and banks assessment fee	Low risk	0	2477
	Medium risk	0	3302
	High risk	0	4128

Methodology for determining the fee structure for the mining and public water supply scheme sectors

In 2010, the Economic Regulation Authority (ERA) conducted an independent inquiry into water resources management and planning charges (*Economic Regulation Authority inquiry into water resources management and planning charges – costing of water activities* (May 2010).

In supporting the inquiry, the department determined the relative effort required for each type of licence or permit assessment.

Using the average of the numbers of each application type received by the department in 2015-2016 and 2016-2017 and the cost to the department of assessing applications for these years, the average cost of assessing each licence and permit type was determined.

The low-risk and high-risk application fees were derived by applying factors of 0.75 and 1.25 to the average cost.

The cost of assessing licences to construct or alter wells was further revised to reflect improvements made since 2010 in assessing these types of applications.

4.5 Points for discussion

In considering your submission, the department is interested in your views on the following points:

- Do you consider it reasonable for taxpayers to pay 100 per cent of the cost of assessing water licence and permit applications and if so, why?
- If water licence and permit assessment fees were introduced, what do you consider to be an appropriate fee for a water licence or permit application?
- Would you consider a risk-based model for determining water licence and permit application fees to be appropriate? If not, what basis could the Department use to structure fees?

- What would be the likely impact on your business or industry if water licence and permit fees were introduced?
- If water licence and permit assessment fees were introduced, how could the collection of fees be timed to better support your business or industry? For example, would you benefit from paying fees up front, at the end of a licence assessment or annualised over the term of the licence?

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