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WATER  
RATING

# Joint government response to the second independent review of the WELS scheme

2016

The Water Efficiency Labelling and Standards (WELS) scheme is an Australian Government initiative in partnership with state and territory governments.



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# WELS review recommendations and agreed joint government responses

## Joint government response—Recommendation 1

The WELS Scheme should be retained – including retaining unchanged:

- 1) current objects of the *Water Efficiency Labelling and Standards Act 2005* (Cwlth), and thus objectives of the WELS Scheme
- 2) current types of products covered by the WELS Scheme
- 3) WELS Scheme as a discretely publically-visible consumer advisory scheme – including external public branding and marketing.

### Accepted.

For 1b, ratings of current product categories covered by the WELS scheme relate to water consumption during use. No methodology currently exists for water efficiency rating of the installation and operation of new products such as instantaneous hot water heaters and evaporative air conditioners. For this reason no further expansion of the products covered by the scheme is proposed at this time.

## Joint government response—Recommendation 2

The cost-recovery target should be changed to a 50:50 split between industry and all Australian governments – with the proportional split between the Commonwealth Government and state and territory governments remaining equal, at 25 per cent each.

**Not accepted.** There are direct costs to both industry and government to administer the WELS scheme. The benefits of the scheme are primarily obtained by consumers through reductions in utility bills for water and energy. It is generally government policy that those who derive benefit from regulation should also pay for the cost of regulation. The direct cost of the WELS scheme cannot be easily passed to the consumer by government, however companies registering WELS products are able to efficiently pass on the costs of the scheme to the consumer and the consumer recoups the cost of the scheme from savings on utility bills.

Some contribution from government is appropriate given the benefits that are derived from the scheme for government, however the benefits alone do not justify an increase in the proportion of government contribution. The current cost recovery arrangements deliver industry a fixed price cost for the scheme's operation, irrespective of the actual cost of delivery. Government is liable for all financial risk to the scheme with little or no capacity for industry to reduce the government's financial risk from administering the scheme. Government has also provided additional funding to support the scheme in the past where industry fees have not been sufficient to ensure the efficient administration of the legislation; and industry has derived benefit from additional sales from government rebate schemes in states and territories to replace inefficient WELS products. Therefore the actual contribution of government is greater than the nominal 20% of the current arrangements.

Industry representatives however support the recommendation emphasising the partnership nature of the scheme and the need for continued cooperation to deliver benefits resulting from the scheme's operation. Without industry cooperation, in both standards development and general compliance with scheme rules, the scheme would not deliver the benefits that it does.

The current 80:20 industry to government cost recovery arrangements have been in place since the commencement of the scheme and government does not accept the recommendation that these policy settings relating to the proportional split should be changed.

## Joint government response—Recommendation 3

Compliance and enforcement activities for the WELS Scheme should move to a risk-based approach. This should include:

- 1) development of a risk-based compliance and enforcement framework (developed in consultation with industry)
- 2) improved education, assistance, support and advice for industry to enable stakeholders to meet their legal obligations under the WELS Act 2005, without the need to escalate costly enforcement actions.

**Accepted.** This recommendation is formalising the approach currently being used by WELS compliance officers and further consultation on the policy settings for WELS compliance will help ensure that they remain appropriate. A project to develop a risk-based compliance and enforcement framework has been included in the WELS strategic plan for implementation. Education material will be developed consistent with the joint compliance policy.

## Joint government response—Recommendation 4

Stakeholder engagement processes for the WELS Scheme should be modified, including to:

- 1) only convene the Water Efficiency Labelling and Standards Advisory Group (WELSAG) to advise on the five yearly independent review cycle, or for other specific tasks – such as proposed material changes to the WELS Scheme
- 2) establish a regular program of stakeholder forums with the purpose of explaining important changes to the operation and administration of the WELS Scheme. These should wherever possible use more innovative and lower cost approaches such as webinars, tele or video conferences or other online forums
- 3) improve the management of the Water Efficiency Labelling and Standards Officials' Group (WELSOG) – including ensuring meetings are held at appropriate frequency, more effective communication with and between WELSOG members, and reporting to Ministerial Council is consistent and timely.

4a. **Accepted in principle.** WELSAG is the primary method by which the WELS Regulator obtains industry views on the policy settings for the scheme. Consistent with the Regulator Performance Framework, the views of industry will be sought on changes to the scheme. The review of the WELS Act remains the primary formal mechanism of ensuring that the scheme's operation is appropriate and it is essential that WELSAG be used in the process of the review. Consultation on scheme

changes outside of a formal review could occur informally as the need arises where significant changes are proposed.

4b. **Accepted.** Stakeholder forums will be convened where it is an efficient and effective use of industry fees.

4c. **Accepted.** The Ministerial Council no longer exists and WELSOG report to Water Ministers directly.

## Joint government response—Recommendation 5

The Department should assess the feasibility of additional administrative and procedural changes to reduce costs and improve WELS Scheme operation, including:

- 1) WELS Scheme and E3 Program being administered under the same Commonwealth Government department, while retaining separate legislative underpinnings and branding
- 2) outsourcing the collection of registration fees, assessment of applications for registration under the WELS Scheme, and entry into and maintenance of the WELS Scheme Product Database to the Conformity Assessment Body (CAB) system
- 3) establishing a cooperative compliance program with all Australian states and territories consumer affairs departments (or similar)
- 4) a joint check testing and compliance program with the E3 Program for relevant whitegoods covered under both schemes.

5a. **Not accepted.** A move from the current administrative arrangements would only occur if the costs of moving staff and infrastructure are offset by savings to industry and government and that policy outcomes are maintained. Internal analysis suggests that it is unlikely that sufficient savings could be identified to justify a move to administer the WELS and E3 schemes within the same Commonwealth Department. While there are some policy synergies between E3 and WELS, the potential for savings is greater with the current location of WELS with other water policy functions.

5b. **Accepted.** The feasibility of this proposed change is subject to ensuring no increase in costs to industry and government, as well as avoiding potentially adverse legal responsibilities of the parties involved. Legal advice on how the proposal will affect who has legal responsibility for compliance breaches may modify the implementation of this recommendation.

5c. **Accepted.** There are clear legal roles for WELS compliance and consumer affairs offices in jurisdictions and cooperation will be within the current accepted roles for both bodies.

5d. **Accepted.** Information exchange is already occurring where dishwashers and washing machines may be non-compliant with the water consumption listed on the WELS registration.

## Joint government response—Recommendation 6

A unified single product registration process should be adopted for the WELS Scheme and the E3 Program (for whitegoods) and the WELS Scheme and WaterMark Scheme (for plumbing products) – comprising common documentation for registration of common products.

**Accepted in principle.** On the principle that registrants should only need to provide water consumption information to government once, Commonwealth agencies will cooperate and explore streamlining registration processes. The implementation of improvements is dependent on ensuring that the measure is cost effective and the responsibility of the registrant for compliance with legislative obligations is maintained.