

Lislea Lodge Pty Ltd

ATF The Baxter Family Trust

Graziers, grain growers, oil seed and fodder producers

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RESPONSE TO ACCC INTERIM REPORT ON WATER TRADING.

I commend the ACCC for producing such a comprehensive and informative report. Suffice to say that reading, absorbing and responding to near 600 pages while simultaneously running a farm is a fairly big ask. I do not claim to have fully grasped the import of the entire document.

In response, first let me say that I am pleased that the Report rejects any notion that water should be tied back to land as was the case when irrigation was being first developed. That would be a retrograde step, false economics and a hindrance to productivity improvement.

Secondly, I welcome the recognition that carryover is a valuable risk management tool (12.4.2). It is a pity that there is so much misunderstanding among irrigators as to how carryover works. It is the subject of many conspiracy theories and misconceptions aided and abetted by some irrigators who, unable to resist the prospect of a lump sum of cash, sold their entitlements only to discover that temporary allocation trade can be expensive in dry years and are now searching for a scapegoat. They have seized upon carryover as the culprit. Completely erroneous logic but it has taken hold in my district.

There is always a lot of talk about zero trades as if somehow they are suspicious. In my case, as a holder of multiple ABAs in zones 6 and 6b, I regularly transact zero online trades but they amount to nothing more than swapping water I already own from one part of my farm to another. That said, I have no objection to being required to specify thus on the trade documentation if such would alleviate the concerns.

I have purchased entitlement three or four times and occasionally buy allocation water.

Now that we have carryover available, any need to sell allocation has evaporated unless the sale price gets so high that it cannot be resisted. In the course of trading I have engaged three brokers. I have found each to be professional and I had no reason to be other than satisfied with the service. Nevertheless, I acknowledge that there exists quite some concern in the water industry that brokers are not regulated much at all. I also note the points highlighted in the interim report

I therefore have no objection to some additional oversight and regulation being put in place but my plea is that it be light handed. The last thing irrigators need is a bureaucratic nightmare of paperwork and consequent excessive transaction costs. Nor do we need some sort of "single desk" structure. Competition between brokers will deliver the best outcomes for water trading in terms of cost, innovation and information exchange.

An aspect that appears to call out for some regulation and transparency is IVT, especially relating to the Barmah Choke. There is a view abroad that one or more sophisticated operators are able to capture the entire volume almost instantaneously whenever an opportunity opens to trade from zone 6 downstream to 6b or 7.

This certainly has been my experience. My farming property is located in zones 6 and 6b. Physically, all the land is geographically upstream of the Choke. However, because zone 6b is based on the lower Broken Creek which joins the River Murray slightly downstream of the Choke, 6b is considered to be below the Choke. This means that when the Choke is closed to trading (as it is frequently), I am unable to transfer allocation from my paddocks in 6 to those located in 6b despite them being virtually contiguous. I check trading limits for the Choke on my smart phone app very frequently but nearly always find nil or 0.1ML trading opportunity. However, significant volumes are in fact traded through the Choke annually so I am left with the conclusion that there may well be an element of unfairness or uneven transparency in the current IVT arrangements.

It is especially galling that our farming entity is hindered in maximizing productivity by an inability to shift entitlement which it owns between crops on a single enterprise it owns because zone 6b is considered (for reasons I understand) to be below the Choke and trade is barred because some smart operator appears able to monopolise any trading opportunities which present from time to time.

I am not certain what the solution is. I don't want to facilitate 6b being used as some backdoor means of getting around IVT caps but legitimate trades (eg common ownership) between 6 & 6b need to be regularised.

I will await the Final Report with interest and anticipation.

Bill Baxter AM

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