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Subject: Submission to the ACCC water Enquiry - Anthony Sawers
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1. SPECULATORS

- Real Estate, Financial Markets, Share Markets, Livestock Markets and just about every walk of commercial life contain speculators. It's a well accepted fact that speculators are invariably the market makers and frankly when I come to buy or sell temporary or permanent water I am often grateful for their presence. Invariably too the speculator, as compared to a hedger, is taking on an element of risk to achieve their anticipated return. Whilst the market has been short and rising, taking a long position has likely been easy pickings for speculators, however it is to be noted that they will probably lose their shirts when it starts to rain and genuine users step back from the market.
- Regulating potential buyers out of the market would be difficult and indeed may make it easier for the remaining sub set of irrigators who own land to speculate. It would seem difficult to stop speculators leasing or renting the "ability to trade" from the eligible remaining users. Also it is a fine line between a significant water user such as ourselves behaving rationally and having our water parked in a zone that will likely generate the highest sale price should we latterly decide to sell (c.f. using it) or simply leaving it where is and using it later. Is acting defensively in a dry year by buying up allocation water speculating or Economics 101?
- Somewhat perversely, are the Government intending to regulate against those Zone 7 Horticulturalists who have a fixed annual requirement for water and little to no cover in the market? It could be said that these people are speculators too and will distort the market when forced into the temporary market, driving up prices and making it difficult non horticulturalists to pursue their chosen pursuits? In setting themselves up as a short, these Horticulturalists must know that they will need to bid against established users and speculators alike and that in years of tight supply this will be expensive.
- Its worth noting that the overall supply of temporary water has been significantly reduced with the advent of super funds, large corporates and many individuals buying permanent water and the Federal Government buybacks as well. In my view most of the low hanging temporary and permanent water has been taken from the market and demand is continuing to rise. Its not surprising therefore that the S&D graphs are intersecting at a higher point.

2. CARRYOVER

- Talk of reducing or eliminating carryover in order to limit speculation is a classic case of self interest coming to the fore with the aide of social media, pandering to way to many underinformed and populist leaders and decision makers. Carryover is the single greatest risk amelioration tool our company possesses and we are only annual croppers, with at less serious downside risk profile c.f. tree croppers. Even the highest of high security water is not as certain as one megalitre of water carried over, already in the dam and available. Knowing we have 2 – 3 years water ahead of us through carrying over, gives us confidence when investing in for example, more efficient machinery and in particular confidence in investing in our own on farm

water use efficiency projects. It also protects against the unforeseen dry years.

- The alternate to no or little or carryover is to revert to the old practices of if you have a little bit leftover at the end of the season, just run it out on some ground somewhere, just in case it remains dry. In particular this practice, I believe, contributed significantly to rising water tables and the salinisation of land. Peoples calling for a halt to carryover would be those who would benefit from the socialisation of the remaining unused water and resulting higher subsequent allocations. And one may ponder who might that be!
- Its to be noted that GMW themselves carry water forward from one year to the next in order to provide for more stable allocations. I would say that I don't need some NGO managing my individual risk profile and I would suggest that the within and between industry sector risk profile variations would be quite high and best not left to forces outside of your own control. NSW would do well to look at the trade off between short term allocations and longer term stability in allocations.
- A significant externality of larger volumes of private carryover is that it alters the risk / probability of spills in the environments favour. Something the environmental water holders choose to ignore but privately must fill them with glee.

3. THE LOWER LAKES

- I am moderately and dare I say only partially informed on the subject, having spent a significant portion of my youth 1960 – 1990 recreating down the Coorong in the vicinity of the barrages and indeed taking time off from university to work for a professional net fisherman down there in 1987, living in the huts at the Murray Mouth. Later in life, 2008 – 2010 we also owned 4 irrigation dairy farms at Jervois, just upstream from Wellington. In this time I and nearly all others came to observe that the most lucrative fishing was where the fresh water mixed with the salt. This is where the birds (bait fish) were and this is where the fish were.
- Significantly and for no apparent reason at the time other than I loved fishing, I clearly recall the “lost Look” on the face of an older gentleman and resident professional fisherman named Mo Lundstrom (or more affectionately “The Mayor of the Murray Mouth”) when I asked him about what the fishing was like before the barrages were completed in 1940 (?). In essence he described as a seething teeming mass of bird life and fish and the fishing was obviously different and better then. I also remember the stench of the dead European carp downstream of Tauwichee and Ewe island when the barrages were first closed after the arrival of the European carp.
- As an Agriculturalist with experience in all the basin states, one doesn't need a plethora of degrees and experience to appreciate that the surrounding lands to the lower lakes, with the exception of the wine grapes on the NW side of lake Alexandrina, are often salinized and generally of poor productivity. The lakes themselves have black silty muddy bottoms and are a haven for European carp and not much else. There is in general not a lot of habitat surrounding the lakes. With a surface area of circa 746 Sq Kilometres and assuming even a lowly net evaporation rate of 1m per year, this represents some 746,000 ML p.a. of evaporation – more water than is used by all of South Australian agriculture and Adelaide combined! Also the science relating to how much water should flow

out of the murray mouth seems to be missing. It could be more or it could be less.

- Notwithstanding the subject is especially well politicised in SA, it would seem sensible to obtain more science based objective data to inform the discussions on reverting the lower lakes to their natural estuarine state. Shadow pricing the water at \$500 per ML, which would seem to be a reasonable opportunity cost based on an agricultural or urban usage, would produce an annual budget in excess of \$370m. Enough perhaps to fund capital works in offsetting the impacts in the more populous areas around Goolwa, Currency Creek and Hindmarsh island? Imagination needed. Significantly too is that if the Science and Economics (Net Social benefit) were supportive of the reversion of the lower lakes to estuarine, this would take a lot of pressure off the Barmah choke, supplement conveyancing losses to the “newer” lower Murray horticultural zones and perhaps reduce the involvement of Lake Victoria in supplying downstream irrigators.

4. MARKET OPERATIONS, TRANSPARENCY AND EFFICIENCY.

- Some form of centralised exchange may add a little depth to the number of water parcels available for sale and may well reduce the transaction costs from Brokers, which seem high at usually 2% plus GST for buyers with one exception. However as with the stock markets there is, I think, a role for a broker who will likely be better informed on the market dynamics and can relay this information to their client on a fee for service basis. The water market could reasonably be described as a fairly thin market with temporary and permanent parcels relatively few and far between and usually gathering attention from a large number of buyers. There is the possibility that a centralised exchange platform may increase the competition in a thinly traded market.
- Perhaps somewhat uniquely the whole water market is structurally short of water. Most of the on farm infrastructure and water authority delivery infrastructure of the 1980's and 1990's is still in place, from the days when allocations and deliveries of water were much higher. Consequently there will nearly always be a demand from buyers to acquire temporary water if the irrigators economics stack up.
- The major difficulty in the market today is not really dealing with the supposed misbehaviour of the water brokers, rather predicting the whims of both Federal and State governments manipulating their policies on the run to pander to a particular set of irrigators and the city voter who presumably wants the government of the day to be seen to be helping understandably desperate irrigators. Examples include allowing the Goulburn IVT rules to allow water transfers into the Lower Murray, having previously indicated that the IVT trades would be halted. The Federal Government's effective swapping of desalinated water for Agricultural water really only exacerbates the effects of climate change as a consequence of producing this water and creating winners and losers all through the system. Frankly we are not prepared to invest further in this uncertain scenario and this comes after 29 years in the market. Other destinations than the Southern Connected Basin look considerably more inviting frankly.

- If it were gloriously possible a depoliticised overarching authority similar to the Reserve bank board populated with individuals having the requisite skills sets could and should be better placed to make what will be a lot of hard decisions going forward. Inevitably demand will continue to grow with population, and supply looks like becoming more variable with climate change. Politicians tend to have short effective lifespans as leaders and will invariably make short term State based decisions. Somehow too a lot of water experts / consultants seem to have acquired long cv's in a very short space of time. It is really a matter of there is too much at stake environmentally, agriculturally and socially for all of us not to have a framework for making the best informed and longer term policy decisions going forward. Leaving the longer term decision making and policy setting process the way it is not in the national interest.

I hope this contributes to your thought processes. Best of luck with your enquiry.

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