



*Comments on*

Australian Competition and  
Consumer Commission

**WATER TRADING RULES**  
**POSITION PAPER**

by

**SOUTH AUSTRALIAN FARMERS FEDERATION  
(SAFF)  
NATURAL RESOURCES COMMITTEE**

On

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## **General Comments:**

The South Australian Farmers Federation (SAFF) welcomes the opportunity to provide comments on the Australian Competition and Consumer Commission's (ACCC) *Water Trading Rules Position Paper*.

SAFF fully supports the need to reduce constraints on water trade, including government taxes and charges, which have the potential to artificially distort the market and impede the most efficient use of water. The Federation refers the ACCC to the comprehensive findings of the 2006 Productivity Commission Research report titled 'Rural Water Use and the Environment: The Role of Market Mechanisms'. SAFF supported the overall findings of the report, adding it was now critical to implement innovative legislative and institutional arrangements to effectively support both rural and environmental water requirements.

It is self-evident that to secure the ongoing support and confidence of industry and rural communities in the system, the market rules and trade must be open and transparent with effective communication and engagement with stakeholders.

## **Specific Comments:**

### **Chapter 3: Water access rights – general matters**

- 3.1 Ownership restrictions - SAFF supports that no restriction should be placed on ownership of water rights. All participants within the market should be able to purchase water, including governments buying from willing sellers, and the rules need to be consistent. The SAFF does not support the 10% rule which is currently implemented in Victoria.
- 3.3 Unbundled water rights - SAFF supports the approach of the separation of water rights. The Federation encourages any mechanisms or processes to reduce the red tape and speed up the approval process for transfers of water allocations (trades), either permanent or temporary. There needs to be a comprehensive communication plan to inform all water users of rights and what each component of a water right is.
- 3.4 Restrictions based on the intended use of water - SAFF supports that the trading of water access rights should be considered separately from the use of the water. Accordingly, the SAFF believes that environmental users should be treated in exactly the same way as other water market participants.

- 3.5 Stock and domestic water use - SAFF considers that stock and domestic rights should not be tradeable. Whilst stock and domestic rights along the River Murray are tradeable, for the rest of South Australia and its catchments and water resources, stock and domestic water use is not licensed and is not tradeable. The security of other water uses, both licenced and non-licenced, have the potential to be undermined in catchments or water resource areas where stock and domestic use forms a significant component of water use, or where water use is increasing. Rather than issuing water access rights to stock and domestic users, a better approach could address this issue through water allocation planning. Licensing for stock and domestic users would create issues with regards to metering and potential issues for future landholders where stock and domestic entitlements have been traded away. SAFF supports NFF in their previous submission that “this asset (stock and water rights) must remain bundled with the land”.
- 3.6 Trade in and out of the MDB - SAFF supports that the extraction of water for use outside the MDB should be treated no differently to other trades under water trading rules. However, the impacts of trade out of the Basin should be considered in relation to third party impacts i.e. loss of returns back to the River.
- 3.7 Environmental impacts resulting from trade - SAFF believes that Water Allocation Plans (WAPs) are the proper mechanism to discuss environmental impacts as a result of water trade issues as they cover the whole catchment. SAFF would also point out that under the *Natural Resources Management Act 2004*, the Minister for Environment and Conservation has authority to refuse or vary trades and licences for environmental reasons.
- 3.8 Overallocation and overuse - SAFF agrees that the overallocation and overuse of water are best dealt with by mechanisms such as sustainable diversion limits and adjustments of the amount of water rights on issue. Trade barriers should not be put in place to address overallocation or overuse.
- 3.9 Conversion between priority classes - Whilst water users would support the conversion between general security to high security water as a risk management tool, SAFF acknowledges that allowing conversion between priority classes can have significant third party impacts i.e. eroding the security of current holders of high security water. This conversion process is very dependent on the exchange rates to ensure the integrity of each class and prevent perverse outcomes. Concerns are raised regarding the robustness and difficulty in assigning the exchange rates, given the changing climate. As such, SAFF supports the recommendation against allowing for conversion between priority classes of water access rights.
- 3.11 Metering - SAFF acknowledges that market function and third party interests may be affected when metering is not used or is inaccurate. As such buyers and sellers of water access rights should have an approved meter installed that meets national standards. However, SAFF does not support the metering of stock and domestic users, given the significant number of small users and the practical challenges in its implementation.

#### **Chapter 4: The 4 per cent limit**

SAFF supports the removal of the 4% limit on trade. In SA this rule has not been implemented. Whilst it is acknowledged that the original intent was to allow regional communities and industries to cope with change over time, in fact it appears to be preventing the significant structural adjustment that needs to occur in parts of the Basin. It also causes undue stress on those water users that wish to sell all or part of a water access right. Instead this barrier should be removed but a significant structural adjustment program should be put in place to assist communities and industries to adjust to change.

#### **Chapter 6: Water access rights – location matters**

SAFF supports that the impact of hydrologic constraints in regulated systems is best managed through the use of trading zones. The rules for trading within and among such zones should reflect the physical and environmental constraints in those systems, and that the effect of trade on river transmission losses should be further considered.

SAFF acknowledged that exchange rate trading has the potential for significant third party impacts. Tagging should be used to manage the trade of water access entitlements between trading zones.

#### **Chapter 9: Reporting and the availability of information**

Access to timely and accurate information is critical to a well-functioning water market because it allows participants to make informed decisions about managing their water access and delivery needs.

SAFF agrees that a lack of accessible information about the characteristics of water access entitlements may provide a disincentive to trade. The basin state governments should provide information about the characteristics of water access entitlements in a standard template to be available at a centralised location.

SAFF agrees that allocation announcements should be easy to understand and occur at regular time intervals that allow landholders to plan for the future use of their water. When possible and appropriate, future allocation predictions could be announced, but indicate the level of reliability and certainty with these numbers. It would also be appropriate to know how the allocations are calculated, so to provide transparency in the market.