

19 October 2017

Productivity Commission

I offer the following comments on the draft report on National Water Reform.

The Commission should consider the submissions that have been made to the Senate Rural and regional Affairs and Transport References Committee's current inquiry into the integrity of the water market in the Murray-Darling Basin, that are available at https://www.aph.gov.au/sitecore/content/Home/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/MurrayDarlingPlan

The submissions demonstrate some serious deficiencies in the operation of the water markets.

In particular, it seems to enable rent seekers to sell so called "water entitlements" at highly inflated prices when in reality the entitlements are stranded assets, as no actual water is ever likely to be associated with the entitlements because it has all been pumped out into private dams further upstream or because drought conditions have reduced flows significantly. I dealt with this issue in my submission to the Senate Committee, a copy of which I am attaching for your information. That this occurs can completely undermine the system of water buybacks by the Commonwealth Environmental Water Holder and dupe the public about the effectiveness of these buybacks. The transactions are dressed up as being arms length transactions at "market prices" but those prices bear are inflated and bear no resemblance at all to transactions occurring in a "soft market" - that is one where there is no real expectation of any water in reality being available as a result of a the trade of entitlements.

I do not agree that there should be some onus on small agricultural producers to amalgamate or corporatise in order to improve efficiency - I see no inherent benefit to the community from corporatisation of farming enterprises - in fact it just makes things increasingly difficult for small business in this country.

I agree with the thrust of draft recommendation 7.3. However, it does not go far enough. State planning laws seem to facilitate the construction by private actors of large scale diversion dams on major river systems, such as the Barwon and upper Darling tributaries for private benefit. This is particularly the case in the irrigated cotton industry in NSW and Queensland. That this is permitted is to the obvious detriment of would be users of this river system downstream of these private diversion dams, and as I say, facilitates rent seeking by corporate interests that do not contribute in any way to agricultural efficiency or development. In my opinion, not only should no government funds be invested in irrigation systems that principally benefit private operators profitable pursuits and no one else, but large scale private diversion dams should be prohibited on all major river systems in Australia, and those that have already been constructed should be required to be removed.

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