Waterfind Response to Article, “Water trades raise transparency concerns”

Author – Peter Hunt. Published – 28 February 2017.

Prior to writing the article, “Water trades raise transparency concerns”, Peter Hunt submitted the following questions to Waterfind. The responses returned to Mr Hunt are included below.

Why do you as a water broker need a WAL?

We cannot speak for other brokers, but Waterfind holds WALS in order to facilitate client access to markets that they do not hold licences in as well as facilitate forward and delayed delivery transactions within our market.

Why are you trading water onto your own WAL?

As mentioned above, clients may elect to use a Waterfind Client Clearing WAL for a number of reasons:

1. They do not own a WAL in the zone but wish to buy and hold water within that zone
2. They own multiple small licences and wish to pool their allocation before listing it for sale
3. They have purchased several parcels of water for use in another state and wish to aggregate the parcels prior to transfer interstate in order to save on transaction costs
4. Delivering allocation from the Waterfind Client Clearing WAL allows the transfer to be completed and settled in a fast and efficient manner
5. For regions with holding limits on certain types of licences, allocation can be temporarily transferred onto a Waterfind Client Clearing WAL so it is not inadvertently spilled as a result of a transfer of permanent entitlements between two parties

If the water is owned by clients, were they all informed? And did they give approval for the water to be transferred onto your own WAL.

Waterfind informs and receives consent from all owners transferring water onto Waterfind Client Clearing WALS.

Will all clients be informed of the final price the water is sold for once it is traded off your WAL.

There is no final price, only the price. Waterfind and their brokers, do not buy, hold and resell water at some latter stage for arbitrage profit as we believe that this is in effect trading against our clients and abusing our unique position in the market. The prices reported to clients and state authorities are exactly as contracted by the clients.
Why is Waterfind not listing the megalitre price for all trades, especially those going from NSW to Victoria and South Australia?

Prices for transactions are always reported by Waterfind accurately. Transactions listed at a price of $0 represent movements between Waterfind Client Clearing licences to facilitate efficient and cost-effective movement between regions or where a client has elected to hold their water in trust on one of Waterfinds Client Clearing Licences.

There is no price attributed to these transactions as doing so would be inaccurate as they are in effect an internal transfer by our clients. Waterfind holds water in trust for our clients in a Waterfind Client Clearance account which then may be moved multiple times before the water is used or traded by our customers. In the event that our customers elect to sell the water it is at this stage that we record the transaction to the state register at a value.

Alternatively, if the water is purchased by the client onto a Waterfind Client Clearing licence and latter shifted to their property for use the first transaction will be registered at the purchase value and the latter internal transfer will be recorded at $0.

Do you believe pricing transparency is crucial to the effective operation of a market?

Waterfind have been a long-term advocate of pricing transparency as an essential tool for informed choice by buyers and sellers. We believe that it is imperative to have clear pricing across the market to ensure that water users are in a position to make sound decisions about their water use and business direction. We have advocated this since Waterfind’s inception and have continued to work with and lobby Government departments and other bodys to ensure this practice is taken up across the country. It is clearly demonstrated through our experiences that transparent pricing assists an irrigators decision making, protects against unscrupulous activity and encourages market participation. Not a single trade goes through the Waterfind Exchange without recording the real price of the transaction to the water register.

Waterfind also notes that a price reported on a state register cannot be fully relied upon by water holders as state register operators do not audit the contracts of brokers, governments or individuals lodging transactions with state registers and in effect take the price reported to those participants as gospel. To address this Waterfind has created a water market information centre that allows their clients to see Waterfind transactions (pricing guaranteed) and whole of market transactions (reported by all to state registers).