

Hon Dr Sharman Stone - Federal Member for Murray – 26.11.15

Summary of the GHD Midterm Review into Goulburn Murray Water Connections Project 2

- The mid-term review of the Goulburn Murray Water Connections Project2 (GMWCP2) was made available in November 2015.
- The stage two of the “reconfiguration” of the Goulburn Murray Irrigation District (GMID) which is the biggest, oldest and once most productive food bowl in Australia is a \$1Billion Federal infrastructure project which commenced in 2012.
- The Business Case for this infrastructure project remains officially secret.
- The deal is that for the Federal \$1Billion the GMID will relinquish 204 gigalitres (GL) through “savings” achieved by changing metering technology, lining some channels with plastic, and shutting down half of the irrigation infrastructure.
- This 204 GL of farm water is to be transferred to the Commonwealth Environmental Water Holder (CEWH) by 30 June 2018.
- **Stage one** of this project, using \$1billion from the Victorian Government, continues in parallel with GMWCP2. It requires 225 GL to be annually transferred from the GMID with 75 GL for Melbourne Water, via a pipeline (now closed), 75 GL for the Victorian Environment Water Holder (VEWH) and 75 GL for farmers. This last 75 GL now appears to have been passed to the CEWH.
- The Northern Victorian Irrigation Renewal Project (NVIRP) established to manage Stage One was inept and abolished after a 2011 Ombudsman investigation which cited poor value for money and unacceptable probity, procurement and selective landholder payment practices.
- In July 2012 Goulburn Murray Water (GMW) a state owned monopoly took over most of NVIRP’s 100 staff and functions to manage both Stage One and GMWCP2 in parallel.
- The mid-term review only considered GMWCP2.
- It found the project aims “unclear”; reporting is inadequate and confused; the amount of “(water savings) the project can deliver remains unclear”; forecasting data points to “a project falling further behind each month”; the governance and communication between all parties means “the risk is not communicated, understood, managed, elevated and actioned between parties in a timely manner”; communications with landholders includes “confusing, inconsistent and delayed interactions” (Piii).
- The mid-term review states that a do nothing decision will mean “the project may not be able to fulfil agreements currently in progress” ie the GMWCP2 needs urgent “resetting”,

with the aims of the project clearly defined, additional expertise to assist GMW, better communications with stakeholders, in particular with landholders (P36).

- The mid-term review found in relation to the project: “The original assumptions were made during the Millennium drought, a period of hardship for irrigation communities in the GMID”. They then find a number of these assumptions “no longer apply” (Pii). In fact the assumptions were always false, reflecting poor or negligible communication with irrigators.
- These assumptions were made in 2008 in the middle of the worst drought on record when Senator Penny Wong, Minister for the Environment offered a \$50million untargeted and uncapped tender for irrigation water in the Murray Darling Basin to be transferred to CEWH.
- Banks and other lenders pressured irrigators to sell via this tender to retire spiralling debt. 1143 of the 2721 GMID dairy farms sold all or most of their water to CEWH, however the majority planned to continue farming by relying on water from the temporary market then selling for only \$40 per megalitre (ML).
- Noting that farmers had sold this water, and given there was no stakeholder consultation or socio-economic impact analysis of impacts, the planners of Stage One and GMWCP2 then wrongly assumed that most irrigators would be happy to see their water supply infrastructure removed or downsized, without compensation and via bullying, chaotic and unskilled negotiations with GMW officials, often extending over periods from one to six years.
- The Mid term review of the GMWCP2 found this failure of farmers to cooperate as the key reason why the project will not be finished as planned, on time or on budget. Reviewers note that the “performance” measured by GMW to date has been work on their own assets that do not require landowner agreement (Piii).
- The Mid term review most significantly noted what was “**not** specifically mentioned in the current Project Charter or Project Schedule:
 - Agricultural productivity in the GMID
 - Sustainability of the infrastructure left for GMW to manage
 - Value for money for water savings
 - Sustainability of the GMW irrigation system”(P37).
- Seven Food Manufacturers from the GMID have already presented their case to Commonwealth Ministers explaining how the impacts of the first Stage and GMWCP2 have removed water security, destroyed incentives or capacity to rebuild herds or fruit and vegetable production following the drought, just when the demand for their product is

booming. All were reconsidering further investment in the region. Pactum/ACM for example has put their \$70million expansion investment plans on hold.

- SPC, Murray Goulburn Co-op and Kagome now subsidise their suppliers as the temporary water market hits \$280 per ML making it unaffordable for their growers. Without this water, there is no security of production. Because of this reckless failure of policy and process, and despite the billions of dollars in private and tax payer funded investment, the GMID is teetering on the brink of being destroyed as a high production, sustainable system.
- These projects, based on false assumptions, and badly managed by the dysfunctional GMW are failing. The mid-term review clearly acknowledges this. At the same time they are destroying regional employment, the viability of 62 communities, twenty-one food factories and four abattoirs. All this is in order to transfer another GL to the CEWH, which last year carried over some 350GL as not needed for the environment. This 204 GLs and what is remaining to be found of the first 225 GLs must be reassessed in the face of the facts and realities.
- An independent and accurate assessment of the full socio-economic and environmental costs of the completion of the Stage One and GMWCP2 must be undertaken urgently.
- The recast plan must include preserving and enhancing :
 - The agricultural productivity in the GMID
 - The Sustainability of the infrastructure left for GMW to manage
 - Value for money for the investment made by tax payers
 - The long term sustainability of the GMW irrigation system.”
- This project debacle must stop. No more funds must be wasted. Every landholder must be engaged with their own neighbours to help design the “modernisation” of their part of the system. The mid-term proposals for compulsorily and forcibly shutting down irrigator’s supply systems without compensation or a capacity to sue the Commonwealth or State must be dismissed.