

5 April 2020

Social and Economic Assessment Panel  
GPO BOX 1801  
Canberra City  
ACT 2601

Dear Social and Economic Assessment Panel,

Thank you for the opportunity to make a submission on the draft report of the Independent Assessment of Social and Economic Conditions in the Basin.

I offer the following additional information in response to the discussion on page 53 of the draft report about the outcomes of off-farm infrastructure investment.

As the report indicates a major advantage of infrastructure modernisation investment is that the works provide water for the environment without reducing the amount of water available for consumption. Therefore, these types of investments do not drive up water market prices or cause the associated social and economic costs identified in your report.

The \$2 billion Connections Project will recover 429 GL of water. The Project to date has achieved 97% of the overall target of 429 GL and is on track for successful completion by October 2020.

The unit cost of the water recovered by the Connections Project is around \$4,670 per ML. This cost compares to 2019/20 median water market price range to the end of March for Goulburn high reliability water shares of \$4,000 to \$4,700 per ML and \$5,000 to \$6,500 on the Murray. The cost of water recovered by the Connections Project is clearly competitive to market prices.

It is true that infrastructure projects are more complex than simply buying water on the market. But this added complexity has enabled the Goulburn Murray Irrigation system (GMID) to be modernised. In practice this means that over 7,000 landowners across the GMID have been dealt with as part of the GMW Connections Project. From an ageing fleet of over 14,000 service points, 8,947 have been upgraded, and over 5,000 have been rationalised. The modernised infrastructure will provide lasting benefits to irrigators and the businesses and communities dependent on the complex supply chains associated with irrigated agriculture and food processing.

The report suggests that there is little evidence that the improved levels of service provided by the modernised infrastructure is improving profitability for irrigators. This suggestion is not supported by the experience of the project, as since the inception of the project there has been a continual and on-going demand from commercial irrigators to be connected to the modernised irrigation system so they can take advantage of the reduced ordering times and the higher and more controllable flow rates.



An independent peer assessment of the impacts of the project (Maskey et. al. 2016)<sup>1</sup> found significant benefits to commercial irrigation business from irrigation system modernisation. Based on this work the Project has estimated that the modernisation works has generated water savings for irrigators of 64.5 GL arising and generated on farm yield improvements of 157,000 dry matter tonnes of pasture hay per year (pasture hay is used as a proxy for all GMID irrigated crops).

The report also suggests that irrigation upgrades reduce water utility labour force requirements, they may also create future depreciation and maintenance liabilities that need to be funded through fees and charges. This statements does not take into account that the GMID was facing significant infrastructure costs to respond to new national standards, such as the national metering standards and the need to address the problems of stranded assets caused by Commonwealth water purchases and the movement of water out of the GMID more generally. In this regard, the Connections Problem has substantially reduced GMW's future capital expenditure requirements compared to what they would have been without the project.

The reports discussion about community service obligations needs clarification, Environmental water holders are required to pay for headworks charges for water shares they have purchased on the water market and the GMW are can recover the direct costs of delivering water through the irrigation network.

I trust this information will assist the Panel finalise Draft finding 29.

Yours sincerely

**Frank Fisseler**  
**PROJECT DIRECTOR**  
GMW Connections Project

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<sup>1</sup> Maskey R, O'Connor R, Montecillo O and Ash L (2016), *Efficiency gain from irrigation modernisation investments: learnings from farm case studies in northern Victoria*, paper presented at the Irrigation Australia International Conference, 24-26 May 2016.