

# SUBMISSION

## GMW Water Efficiency Project

11 September 2020

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The Murray River Group of Councils (MRGC) is pleased to be able to make the following submission to the State Government's consultation on the socio-economic impacts of Goulburn Murray Water (GMW)'s proposed water efficiency project.

MRGC supports the GMW project proposal and broadly agrees with the analysis undertaken by GMW showing that the economic and social impact of the project would be net positive for the region and the community.

MRGC notes that this proposal is projected to recover 15.9GL of water for the environment as part of the Basin Plan's water efficiency program and that GMW is seeking \$177million in funding from the Water for the Environment Special Account (WESA).

MRGC notes that the first independent review of the WESA, recently released by the Federal Water Minister, found that of the 450GL sought under the Basin Plan: *"the potential volume that can feasibly be recovered by 2024 is up to 60 GL..."*<sup>1</sup>. 15.9GL therefore represents a significant proportion of what is predicted can be recovered.

MRGC's position has long been that the Basin Plan must deliver balanced outcomes; between the social and economic impact borne in part by our northern Victorian communities and the vital recovery and long-term sustainability, of our unique riverine environment and ecosystems.

Recovering this additional water for the environment will assist with environmental outcomes at RAMSAR sites along the Victorian Murray as well as helping to meet improved outcomes at the end of the system.

By achieving 15.9GL of water savings without affecting the consumptive pool, this project achieves a key aspect of socio-economic neutrality – it will have no material effect on water prices.

This has been confirmed recently by ABARES which found that off-farm water recovery projects such as this proposal, have little to no effect on water allocation prices.

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<sup>1</sup> S Farrier et al, First Review of the Water for the Environment Special Account - March 2020 (released 5 September 2020) Page 2 - <https://www.agriculture.gov.au/sites/default/files/documents/first-review-water-for-the-environment-special-account.pdf>

This is in contrast with water recovery through buy-backs and through on farm efficiency measures which: *"ABARES analysis finds, however, that recovering water through buybacks or on-farm irrigation efficiency projects puts upward pressure on water prices, adding an estimated \$72 per ML per year to water allocation prices in the southern MDB"*<sup>2</sup>

The broader social and economic benefits of this project that are set out in the analysis by GMW are also broadly supported by MRGC.

While the benefits of the GMID modernisation have not necessarily been shared equally by irrigators, overall the \$2billion spent on upgrading the system has been of benefit to the region with much of the work going to local contractors.

The same model is proposed for this efficiency project and this would provide work for local contractors meaning local jobs at a time when these are critically important as we work to recover from the COVID downturn.

While the project cost of \$177 million means that the per-mega litre cost of the water is relatively higher, as an infrastructure project, a significant proportion of the money would be spent locally generating jobs and wider benefits as it flows through the local economy.

MRGC also notes that the independent review of the WESA found that there would be a significant underspend likely in the WESA by June 2024 given the current rate of water recovery: *"Because the volume recovered by 30 June 2024 will be well short of 450 GL, the Special Account allocation of \$1.575 billion will not be fully expended at this date."*<sup>3</sup>

The project would also have a net positive effect on the GMID irrigation district by modernising a further 800 irrigators access to the system.

In conclusion, MRGC supports the water recovery project proposed by GMW and concurs with the analysis that shows that the net social and economic benefits of the project are positive on the community and the region.

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<sup>2</sup> ABARES Analysis of Economic effects of Water Recovery in the Murray Darling Basin - September 2020 Page 9 - <https://www.agriculture.gov.au/abares/publications/insights/economic-effects-of-water-recovery-in-murray-darling-basin>

<sup>3</sup> S Farrier et al First Review of the Water for the Environment Special Account - March 2020 (released 5 September 2020) Page 31