

Dam promoters questioned over ‘misleading’ funding applications

A report released today shows the Irrigation Acceleration Fund (IAF) paid almost \$1 million to an infrastructure project in Wairarapa based on “highly misleading” information and an application that “lacked credible economic analysis”.

Water Wairarapa – formerly Wairarapa Water Use Project – applied for, and was granted over \$800,000 from IAF in the most recent funding round; this is on top of at least \$6.7m of public money spent to date.

But a report reviewing Water Wairarapa’s funding application, commissioned by Wellington Fish & Game, has found that the latest grant should never have been paid because the application bases all its economic assessment on a historical high dairy pay-out of \$7+/kgMS back in 2013.

Report author, independent economist Peter Fraser of Ropere Consulting, says Water Wairarapa’s “highly misleading” application assumes 55% of the irrigated area will be transformed into irrigated dairy which is “just not believable in 2016”.

At a sub \$6/kgMS pay out, intensive irrigated dairy is simply not viable in Wairarapa, Fraser concludes in his report.

This result in what he terms a “cascade failure” because an unrealistically high milk price, which is what all Water Wairarapa’s analysis in its funding application is based on, dooms the land-use change assumptions which then dooms the employment and GDP assumptions – the whole thing falls over flat.

“Continuing to employ a 2013 milk price assumption in 2016 [after a massive market correction], is simply not credible,” Mr Fraser points out. “The result is a highly misleading portrayal of the scheme’s economic feasibility.”

Wellington Fish & Game manager Phil Teal says Wairarapa ratepayers and councillors are also being misled.

“So while Water Wairarapa is relying on its inflated dairy-dependent project model for government funding, in the same breath it is circulating information to the three Wairarapa councils with the outlandish claim that the scheme can survive the dairy downturn because alternative land uses, including such niche operations as sheep milking, will fill the void.

“It clearly illustrates how duplicitous and desperate Water Wairarapa has become,” says Mr Teal.

The combined councils – Masterton, Carterton and South Wairarapa – recently committed further tens of thousands into the coffers of Water Wairarapa, and in good faith signed a Memorandum of Understanding with the dam promoter.

Mr Teal agrees with the report conclusion that it is difficult to see local councillors taking such an active interest in this project, and continuing to contribute ratepayers’ money towards it, if they realised it was premised on “a series of unrealistic assumptions that resemble a house of cards”.

Furthermore, the Ropere report also raises questions about the oversight of the Ministry for Primary Industries (MPI), the administering agency for IAF. These include the funding seemingly being rubber-stamped despite Water Wairarapa’s application not meeting key criteria for IAF applications, and IAF failing to question such a substantial land-use change to dairy at an inflated milk price.

The report finds this failure is “even more damning as Water Wairarapa has sought and received funding from district councils within the Wairarapa region and a successful IAF grant is typically, and reasonably, seen as a sign of a robust business case”.

Fish & Game chief executive Bryce Johnson says the findings show this is not the case for Water Wairarapa’s proposal and raises questions about the degree of scrutiny being applied to other irrigation schemes throughout the country that have received public money.

“The NZ Fish & Game Council is raising this matter with Primary Industries Minister Nathan Guy, but Greater Wellington Region Council also needs to be quizzed over its involvement and oversight as the lead financier and the ‘main applicant’ for the Wairarapa scheme funding.

“Large amounts of public money have been thrown at Water Wairarapa now, and it’s clearer than ever that this is a massive white elephant. The Wairarapa and Wellington public need some serious accountability for how their money is being spent, and that must go beyond hollow assurances from vested-interest dam promoters.

“The Wellington region now faces the very real prospect of having its own Ruataniwha debacle – this would be disastrous for the environment and ratepayers. Water Wairarapa needs to be suspended immediately and a thorough independent review undertaken before that comes to fruition.”

Fish & Game commissioned the independent economic assessment report to provide more surety on the likely land-use changes that would result from such a large-scale irrigation project, and therefore the likely environmental impact. The land-use change will have an inevitable effect on water quality and Fish & Game needs to be a position to measure the extent of change and the effect on life-supporting capacity in the river, including trout fisheries.

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Key issues identified in Water Wairarapa’s IAF application:

- Premised on a 50% increase in dairying – relies on dairy as the ‘cornerstone’ water buyer.
- Economic case assumes \$7+/kgMS from 2013, well before the major dairy slump and subsequent market correction.
- “Cascade failure” of all economic projections – including proposed employment and GDP gains.
- Promised jobs don’t exist.
- Failure to include a water price – “incomprehensible” for a water storage project, making any assessment of the economic case “meaningless”.
- No annual operating costs of infrastructure and supply have been included.
- Misleads local councils.
- Didn’t meet numerous key criteria for Irrigation Acceleration Fund (IAF) applications.
- Lack of oversight and rigour by IAF and Ministry for Primary Industries as administering agency of IAF.

A full copy of the report, Q+A summary and brief PowerPoint presentation of the findings can be found here: <http://wellington.fishandgame.org.nz/wellington-council-downloads>