



project factsheet

May 2009

Compensation under the *Water Act 1989*: Method of Assessment

Introduction

Melbourne Water Corporation will be entering land under the provisions of the *Water Act 1989* (Vic) for the purposes of constructing the Sugarloaf Pipeline Project. Melbourne Water is liable to compensate occupiers of land entered for any pecuniary (financial) losses or expenses incurred as a direct, natural and reasonable consequence of entry to land for construction of the Project.

To assess the amount of compensation, an independent agricultural advisor is undertaking assessments of the expected loss of agricultural production for each agricultural property within the construction corridor for the Sugarloaf Pipeline Project. This document outlines the methodology used in the assessment.

Agricultural Land Assessed

The following areas are included in the assessment:

- The 30 metre wide construction corridor (in some cases this width may vary. The actual width of the construction zone will be assessed);
- Any additional land required for construction purposes; and
- Any additional land that is isolated by the fencing of the works area and cannot be fully utilised.

Time Period

An 18 month period for construction has been assumed for the purposes of compensation assessment.



Loss of Grazing Income

The compensation for loss of production has been calculated as set out in the table below. Claims may be made for additional compensation based on landholder evidence of higher loss.

Basis of Compensation under the Water Act 1989 (Vic)

Compensation Component	Calculation
Loss of production from 30m wide construction corridor	$\$33/\text{DSE} \times 15\text{DSE}/\text{ha} \times 1.5 \text{ years}$
Loss of production from area rendered inaccessible by the pipeline construction	$\$33/\text{DSE} \times 15\text{DSE}/\text{ha} \times 1.5 \text{ years}$
Reduced production from the land isolated by fencing the works area but which can still be grazed	$\$33/\text{DSE} \times 15\text{DSE}/\text{ha} \times 1.5 \text{ years} \times 50\%$

Note: DSE = Dry Sheep Equivalent

Gross Margin

The average gross margin over the last three years for the 20% most profitable farms in the most profitable grazing enterprise has been assumed for the compensation assessment. This has been determined from the South West Farm Monitor Program undertaken by the Victorian Department of Primary Industries (DPI) and equates to \$33 per Dry Sheep Equivalent per year (\$33/DSE/year).

Information on the South West Farm Monitor Program is available on the DPI website (go to <http://www.dpi.vic.gov.au> and access the **Agriculture** menu at the top of the homepage. Select the **Business & Trade** link on the left menu and then choose **Farm Monitor Project – SW Victoria**).

Stocking Rate

The calculations use a potential stocking rate of 15 Dry Sheep Equivalent per hectare (15/DSE/ha).

In most cases you will receive an 'Advance Payment' ahead of construction commencing.

Further Claims

Accepting the Advance Payment will not preclude you from claiming further 'Water Act compensation' if you feel the Advance Payment is inadequate, nor will it preclude you from claiming 'easement acquisition compensation' if an interest in the land is acquired. If, following completion of the construction activities and reinstatement of the land, you feel the Advance Payment was inadequate you may wish to make a further compensation claim. Generally, claims for 'Water Act compensation' must be made within two years of Melbourne Water ceasing to occupy the land. Claims are assessed in accordance with Section 47 of the *Land Acquisition and Compensation Act 1986* (Vic), and should be made in writing to Melbourne Water.

Compensation under the *Land Acquisition and Compensation Act 1986*

If an easement for the pipeline is acquired over your land, you may also be entitled to claim compensation for that acquisition in accordance with the *Land Acquisition and Compensation Act 1986* (Vic). Compensation for acquisition is assessed separately to 'Water Act compensation' and takes into account a broad range of factors as set out in the Act. Further information about these valuations will be provided as part of the easement acquisition process.

If you have any queries regarding the above, please call toll free on 1800 453 753 to speak with a Sugarloaf Alliance representative.