



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

**Estimates**

(Public)

FRIDAY, 26 MARCH 2021

CANBERRA

**CONDITIONS OF DISTRIBUTION**

This is an uncorrected proof of evidence taken before the committee.  
It is made available under the condition that it is recognised as such.

BY AUTHORITY OF THE SENATE

**[PROOF COPY]**

## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

To search the parliamentary database, go to:

**<http://parlinfo.aph.gov.au>**

**SENATE**

**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE**

**Friday, 26 March 2021**

**Members in attendance:** Senators Antic, Davey, McAllister, McDonald, McKenzie, McLachlan, O'Neill, Patrick, Rennick, Roberts, Sterle.



## **CROSS-PORTFOLIO MURRAY-DARLING BASIN PLAN MATTERS**

### **In Attendance**

Senator Ruston, Minister for Families and Social Services

#### **Department of Agriculture, Water and the Environment**

##### **Executive**

Mr Andrew Metcalfe AO, Secretary

Ms Cindy Briscoe, Deputy Secretary, Enabling Services Group

Ms Lyn O'Connell, Deputy Secretary, Water, Climate Adaptation, Natural Disaster and Antarctic Group

Mr David Hazlehurst, Deputy Secretary, Agricultural Trade Group

Ms Rosemary Deininger, Deputy Secretary, Agriculture Policy, Research and Portfolio Strategy Group

Mr Andrew Tongue, Deputy Secretary, Biosecurity and Compliance Group

#### **Australian Bureau of Agricultural Resource Economics and Sciences**

Mr David Galeano, Assistant Secretary, Natural Resources Branch

#### **Commonwealth Environmental Water Office**

Mr Hilton Taylor, Acting Commonwealth Environmental Water Holder/First Assistant Secretary

Mr Michael Wrathall, Assistant Secretary, Wetlands, Policy and Northern Water Use Branch

Mr Hilary Johnson, Assistant Secretary, Southern Water Use, Aquatic Science and Community Engagement Branch

#### **Compliance Division**

Ms Peta Lane, First Assistant Secretary

#### **Inspector-General of Water Compliance**

The Hon. Troy Grant, Interim Inspector-General of Water Compliance [by video link]

#### **Murray-Darling Basin Authority**

Mr Andrew Reynolds, Acting Chief Executive

Mr Tim Goodes, Executive Director, Basin Plan Regulation Portfolio

Ms Annette Blyton, Chief Operating Officer, Business Services Portfolio [by video link]

Ms Vicki Woodburn, Executive Director, Basin Strategy and Knowledge Portfolio

Ms Kelly Casey, General Manager, Legal & Government Relations Branch

Ms Megan Winter, General Management, Communications, Engagement and Strategic Policy Branch

Ms Jacqui Hickey, Acting General Manager Applied Science Branch

Mr Daniel Blacker, General Management, Office of Compliance

Dr Matthew Coleman, Director, Applied Science Branch

Ms Cedelle Burroughs, Senior Director, People & Culture and Regionalisation

Mr Harish Madan, Chief Finance Officer

#### **Water Division**

Ms Rachel Connell, First Assistant Secretary

Mr Marcus Finn, Assistant Secretary, Implementation Taskforce

Ms Kirsty Bunfield, Assistant Secretary, National Water Policy Branch

Dr Peta Derham, Assistant Secretary, Healthy Rivers Branch

Ms Susan Buckle, Acting Assistant Secretary, Murray-Darling Basin Policy Branch

Mr Adam Sincock, Acting Assistant Secretary, Industry, Community and Science Branch

#### **Water Efficiency and Labelling Standards Regulator**

Ms Rachel Connell, First Assistant Secretary

Ms Kirsty Bunfield, Assistant Secretary, National Water Policy Branch

#### **Committee met at 09:03**

**CHAIR (Senator McDonald):** I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2020-21 and related documents for cross-portfolio Murray-Darling Basin Plan matters. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has fixed Friday 7 May 2021 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by the close of business on Thursday 1 April 2021.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may also be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearings. I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has the discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate from 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, which will be incorporated in *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

*(13 May 2009 J.1941)*

(Extract, Senate Standing Orders)

**CHAIR:** Witnesses are reminded specifically that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order. Instead, witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

Could I please remind everyone present to switch off their mobile phones or render them inaudible. Senators, departments and agencies have been provided with advice on the arrangements in place to ensure the additional estimates 2020-21 hearings are conducted in a safe environment. This guidance is also available from the secretariat. The committee appreciates the cooperation of all attendees in adhering to these arrangements.

#### **Department of Agriculture, Water and the Environment**

[09:06]

**CHAIR:** I now welcome Senator the Hon. Anne Ruston, Minister for Families and Social Services; and Mr Andrew Metcalfe, AO, secretary of the Department of Agriculture, Water and the Environment. I acknowledge that Mr Phillip Glyde is unwell and not attending today. In his absence, Mr Andrew Reynolds will be taking questions on his behalf. Minister Ruston and representatives, do any of you wish to make an opening statement?

**Senator Ruston:** I don't, but I believe Mr Metcalfe may want to.

**Mr Metcalfe:** I made an opening statement to this committee the other day so I won't add to that. Mr Glyde is not unwell; unfortunately, there's a family illness.

**Senator Ruston:** I'm sorry.

**Mr Metcalfe:** He's responding to that and is on leave. Mr Reynolds is here as acting CEO of the MDBA. The Commonwealth Environmental Water Holder is Mr Hilton Taylor, acting in the role. The substantive occupant of the role, Ms Jody Swirepik, is currently the acting director of National Parks and has moved to that role for the time being.

**CHAIR:** Senator O'Neill, do you have questions this morning?

**Senator O'NEILL:** I do. Thank you very much. I do want to go to the issue that's commonly known now as 'watergate', and that is overpayment for water by this agency. Are you familiar with the matter of public interest now that I'm referring to?

**Mr Metcalfe:** Are we talking about the issue that occurred some years ago?

**Senator O'NEILL:** What do you think I'm referring to? I would hope you would know.

**Mr Metcalfe:** I think you're referring to a purchase in relation to Eastern Australian Agriculture; is that what you're referring to?

**Senator O'NEILL:** That's exactly what I'm referring to. I'm glad we're on the same page, because it is commonly now referred to Australia's version of 'Watergate'. I understand the department is, at this point in time, now undertaking a review of the material that was used to justify the 'watergate' purchase; is that correct?

**Mr Metcalfe:** We refer to it as a purchase from Eastern Australian Agriculture. I'll get Ms O'Connell to assist you.

**Ms O'Connell:** I believe you're referring to the letters tabled at Monday's hearing from the ANAO and from Senator Patrick to the ANAO where the ANAO stated that in discussion with the department we agreed that we would go and have a look at our files to see if there was any additional material and provide that to the ANAO. We had that discussion with the ANAO officers a couple of weeks ago. We have gone through our files to see

whether there was any further material. We have subsequently advised the ANAO this week that there was no additional material that was available that they hadn't already received or had access to.

**Senator O'NEILL:** I find that alarming, frankly, given the scale of public interest and the expenditure that's involved in the purchase of this water for Eastern Australia Agriculture Pty Ltd. I'm going to ask you a series of questions now, because in that little opening comment there you've just given me a general sense. I understand this was called a review—and that's what it has been called publicly—into the purchase. What does the review actually look like? Can you step me through that process you've just described?

**Mr Metcalfe:** It is important that we're all on the same page about this. When you refer to a review, are you referring to the review by the Australian National Audit Office of the purchase?

**Senator STERLE:** No, your internal one.

**Mr Metcalfe:** There was no internal review other than to check whether there was any material that the ANAO had not received. That check was done and there was nothing further that could be provided to them. The ANAO has had full access to all materials, has spoken to a large number of people, and its report stands. The Auditor-General was asked about this in estimates before the legal and constitutional committee on Monday night, and that's on the public record. Really the review is a review by the proper body, which is the Australian National Audit Office, and it stands on its own feet. It's not a review that we did, it is a review that they did into what we did.

**Ms O'Connell:** I think also the ANAO undertook a review of the report as well, and that was referenced. The ANAO did a subsequent review of their report.

**Senator O'NEILL:** In terms of reviews, let me just go back to clarify, because you gave me an initial response. Would you like to repeat for me what you said in your opening statement, because my understanding is that there is continuing uncertainty about whether the Australian taxpayers got value for money with this purchase. There is continuing uncertainty about the ANAO review that happened some time ago. This matter is now being re-prosecuted, and in recent weeks there has been a call on the department to undertake a review of the material that the department used to justify the 'watergate' purchase. You gave me some initial remarks. Can you read that again and fill it out with more detail so I understand exactly what the department has done in recent weeks in its interactions with the ANAO?

**Ms O'Connell:** As you know, the ANAO did their review and report on the matter. They then subsequently did their own internal review of their report, and there was evidence last Monday night from the Auditor-General on that. In discussions with us a couple of weeks ago, we offered that we would go and check our files to see whether there was any additional material that had not been made available to the ANAO or that they did not have. We did so and then we have reconfirmed earlier this week with the ANAO to say that there was no additional material. The Auditor-General did state last Monday—and I'm paraphrasing; I don't have in front of me his exact words—that if there was any new material from anyone he would take that into consideration.

**Senator O'NEILL:** In the article in the *Guardian* dated 17 March, Ms Davies, the reporter, indicates in the headline that it was a \$13 million mistake; that the valuer says the \$80 million water buyback price was not in line with its advice. In the very first line it states that 'an internal investigation is under way into why the federal government paid at least \$13 million over the odds for the water buyback from Eastern Australia Agricultural Company, a company linked to federal MP Angus Taylor in 2017'. It goes on to state that Colliers argue that the way the department used its valuation was not reasonable.

**CHAIR:** I was going to ask, in case officials have not seen that, if we could get that tabled. That would be helpful. Thank you.

**Senator O'NEILL:** The trigger for the recent review I'm asking you about was Colliers's statement that the way the department used its valuation was not reasonable.

**Mr Metcalfe:** I think the article was not entirely representative of the facts. I think the article probably was written following a speech made to the Senate by Senator Patrick, who has followed this issue closely over the years. Senator Patrick has drawn certain conclusions and indicated that, in his view, there was an overpayment made. That's his view and he's perfectly entitled to reach that view if he wishes. However, what we need to rely upon is advice from the Auditor-General. To suggest that there was a further review is not correct other than the work being undertaken by the Auditor-General. How the article reached that conclusion—I suspect that they were keying off Senator Patrick's call for there to be a further review, but there has been no such review at this point.

**Senator McALLISTER:** I think your evidence is that you're in the process of doing a further check or you have concluded a check that you actually provided all relevant documents. What prompted that requirement? Why did you need to check?

**Ms O'Connell:** It was in discussions with ANAO. We offered that we would go and check to make sure that we had provided absolutely everything. They have the right powers to do a full inquiry into this. I think the issue about the review is that the ANAO did their report. They then subsequently did an internal review of their audit. It may be that the journalist is referring to the ANAO review of their initial audit following the information that came to light with the valuer.

**Senator McALLISTER:** Is the ANAO concerned that the department has not provided all information to them?

**Ms O'Connell:** No, we offered to go back and thoroughly check, which we did. There was no additional material found. The ANAO still considers that the department's utilisation of the valuer's report was reasonable.

**Senator McALLISTER:** I will allow Senator O'Neill to continue questioning on that matter and others.

**Senator O'NEILL:** As reported in the actual audit office report and re-reported in this article in the *Guardian* on the 17th, the Auditor-General actually had been critical of the department's water buyback process. I think that is now a matter of fact and, Ms O'Connell, you're nodding your head?

**Ms O'Connell:** I agree. When you read through the ANAO report, there are criticisms. We accept those criticisms and we're acting on them. There are four recommendations. We're implementing them. We've never said it was perfect. There are criticisms here and we need to act on them in relation to purchases, and we're doing that. We accept that there are criticisms throughout the report.

**Senator O'NEILL:** I know there's always the 'nothing went wrong here' defence. Everybody is going to say that.

**Mr Metcalfe:** We didn't say that.

**Ms O'Connell:** We're not saying that.

**Senator O'NEILL:** I know that that's an instinct and I know that there's a defence line, but the facts are pretty clear. The Auditor-General was critical of the water buyback process. He labelled it as 'not fully effective'. Indeed, at point 16 on page 9 the criticism about the way in which the department went about that buyback is discussed in these terms by the Auditor-General:

The department did not develop a framework designed to maximise the value for money of strategic water entitlements purchased through limited tender arrangements. Rather the department relied on a methodology of valuations where gap bridging water was required.

There is a critique of the framework that was applied and there is concern that continues in the Australian public about the value for money in the purchase from the Eastern Agricultural Company.

**Mr Metcalfe:** As Ms O'Connell said, this is in relation to something that happened four years ago. The Auditor-General has now had the opportunity to fully review all of the materials and reach conclusions. We accept the report. My response to the Auditor-General accepts the report and accepts the criticism. The Auditor-General makes four recommendations. We are acting upon those recommendations. Where there's been a bit of confusion, I think, has been that Senator Patrick has continued to examine the issue and from what I understand has been in communication with the Auditor-General questioning whether the Auditor-General, in fact, reached the appropriate conclusions. I'm paraphrasing the situation. Senator Patrick may talk about this today.

**Senator PATRICK:** I will be. Don't worry.

**Mr Metcalfe:** The Auditor-General and Senator Patrick have had an interchange as to whether or not the valuation was in fact appropriate and whether the department acted appropriately in that way. The Auditor-General had undertaken an internal review of the work of the audit office. That was mentioned, I think, in correspondence to Senator Patrick, which was tabled before the other committee recently, and there was an exchange before that committee between Senator Patrick and the Auditor-General. All of those matters are on the record.

What we're focused on is what the Auditor-General has in fact found and ensuring that in the case of any future buybacks—not that any are planned, but just in case there are—that those lessons have been learnt and indeed that the four recommendations are being acted upon. We're very happy to talk with you about how we are acting upon those recommendations.

**Senator O'NEILL:** I notice in the article that there is reference to the letter. I'm sure Senator Patrick will have a longer script to discuss with you. The Auditor-General is reported as writing:

The valuer has advised the ANAO that he does not consider the application of the premium referred to in their valuation report to the range provided as reasonable.

Does that concern you?

**Mr Metcalfe:** What I listen to is what the Auditor-General has actually said. The Auditor-General has commented to the parliament on this issue on Monday night. As far as I know, the valuer hasn't actually contacted us, apart from the original interchange we had where we asked for their advice. But in the subsequent exchanges that occurred between the ANAO and the valuer, information was provided. Ultimately it's up to the Auditor-General as to what they make of that and what recommendations, if any, they may wish to make or whether they wish to change their report. It's our understanding that those issues are already on the public record.

**Senator PATRICK:** I'm happy to table that letter.

**Senator O'NEILL:** Thank you very much. That would be very helpful. We will come back to that in some detail. I remain concerned about further reports in the article that the ANAO had discussed the subsequent view of the valuer with the department and they've undertaken a review of material available to them at the time which supported their price range methodology and the basis for relying on the two components of the valuer's report. But it does seem from what I'm able to read here that the department didn't seek sufficient clarification about the actual value propositions that were provided. Is that where the critical flaw was?

**Ms O'Connell:** In terms of the initial valuation and the purchase, which was 2017, the department relied on the valuer's written report as it stood. I think the ANAO has said that that was a reasonable thing to do, notwithstanding all of the other criticisms as you have highlighted in the framework and all of those sorts of things. It did say that it was reasonable for us to rely on the valuer's written report. I think it was about three and a half years later—in fact, it was 1 October 2020—that the valuer provided a response to some questions from the ANAO that the valuer didn't support the way we applied his report.

**Senator O'NEILL:** I might just go through a series of questions now to make sure that I've got clarity about this review process that we are discussing. The review, as you've described it, doesn't appear to be a very formalised one. It was a request for you to go back and have a bit of a look over your records and tell the Auditor-General whether you've got anything else; is that correct?

**Ms O'Connell:** That's correct.

**Senator O'NEILL:** It's not really a review, it's kind of a polite letter, 'Is there anything else I should know?'

**Ms O'Connell:** It was a check of our records. It was to go back, go through the material that we had and, if there was anything that wasn't previously provided to the ANAO, noting that they have the powers to look at everything, to identify that on the basis of the information from the valuer. We did that. We checked our records and then we notified ANAO that there was no additional material that we had that hadn't already been provided.

**Senator O'NEILL:** It was kind of a 'please check your records' type letter. It has been called a review, but in fact it's just a nice polite letter to you to say, 'Is there anything else?'

**Ms O'Connell:** It was a request that was done in discussion.

**Senator O'NEILL:** So there's no letter even from the ANAO to the department? It's just a matter of conversations?

**Ms O'Connell:** Initially it was a matter of conversations, yes. Reasonably the ANAO asked us did we have anything at the time where the valuer said that he had a different interpretation about how to apply the valuation than what was in the written valuation report. We said, 'We'll go and double check our records', which is what we did. Then we responded to the ANAO, as I said, to say that there was no additional material, and that's what's referred to in the letter from the ANAO back to Senator Patrick. It says the department said that we've undertaken to review the material available to us at the time. So, at the time of the purchase did we have any material from the valuer that had a different interpretation as to how to apply the valuation report? The answer was there was nothing more.

**Senator O'NEILL:** I'm much clearer now about what is being called a review. It actually sounds more like a conversation and to go back and have a look. I have some questions that go to the detail. Is it true to say that the review, as you call it—the polite conversation as I call it—has commenced and is now complete, in your view? Is this investigation over?

**Ms O'Connell:** The real people doing the investigation, if you like, and the review are ANAO. They've done a full report on it. They've then done an internal review of their report.

**Senator O'NEILL:** Yes, I'm aware of that. Have they finished with this matter? Is it over? In your view, do you think it's finished?

**Ms O'Connell:** As the Auditor-General said on Monday night, if there's any additional or new material he will look at it.

**Senator O'NEILL:** To the best of your knowledge at this point, there is no further active investigation of any kind? It's said and done? There's nothing ongoing?

**Mr Metcalfe:** We're not aware that there's anything further that the Auditor-General plans to do.

**Senator O'NEILL:** Thank you. That's very helpful. At this point in time what's being called a review appears to have commenced and completed. Who was tasked with undertaking that work that you described within the department?

**Mr Metcalfe:** Just on that point about the word 'review'—I've seen the Auditor-General's letter sent to Senator Patrick. It's a small-r review as in sort of look at, as opposed to big R.

**Senator O'NEILL:** Those capitals make all the difference!

**Mr Metcalfe:** It think it makes a difference. It was a 'check the records'.

**Senator O'NEILL:** Yes, I'm very keen to get to the bottom of what's being implied as a review with the full status of a capital R review when it is in fact a common noun review, which is a polite chat, in my view.

**Mr Metcalfe:** On the basis that the Auditor-General in many respects has the power of a standing royal commission to access all materials, records and talk to anyone—that's occurred.

**Senator O'NEILL:** I understand.

**Mr Metcalfe:** Senator Patrick did raise questions which required the Auditor-General to look further, which they've done. That's all for the Auditor-General.

**Senator O'NEILL:** Can I go to who was tasked with this process, the small-r review? That is what we might need to call it, the small-r review?

**Ms Connell:** I was the person that had the conversation with the ANAO.

**Senator O'NEILL:** Was there any email correspondence between you and the ANAO?

**Ms Connell:** An email to confirm after we had gone back to review files and emails to confirm that there was no additional information available to the department at the time about relevant market information that was available about the entitlements.

**Senator O'NEILL:** Can you provide this committee with that correspondence and any file notes with regard to communications with the ANAO with regard to this particular review?

**Ms Connell:** We are happy to provide that.

**Senator O'NEILL:** Were you asked to consider other valuations that were given at the time, including the Opteon valuation?

**Ms Connell:** No. The ANAO asked us to see if there was any other information that may have been available at the time about the state of the market. For example, whether ABARES had done any work in the area that may have been useful to the department.

**Senator O'NEILL:** So they mentioned ABARES in particular to you?

**Ms Connell:** They did.

**Senator O'NEILL:** Did they mention Opteon?

**Ms Connell:** Not that I recall.

**Senator O'NEILL:** Did you provide them with the Opteon valuation?

**Ms Connell:** I understand, but I would have to confirm that we have provided that as part of the 51 information requests that made up the ANAO investigation.

**Senator O'NEILL:** In previous estimates on this matter we have had material from Ms Colreavy. I understand she was intimately involved with the initial purchase; is that correct?

**Ms Connell:** Ms Colreavy was an assistant secretary during the period of the negotiation of the entitlement that we're talking about—during I think 2016 and throughout 2017.

**Senator O'NEILL:** When was she moved out of the water division?

**Mr Metcalfe:** Probably six months or so ago she moved to another part of the department, which is quite routine.

**Ms Connell:** Ms Colreavy chose to take up an opportunity I think in about August or September.

**Senator O'NEILL:** Last year?

**Ms Connell:** Last year, yes.

**Senator O'NEILL:** So Ms Colreavy is the person with quite detailed contemporaneous knowledge of what occurred at the purchase point. Did you contact Ms Colreavy in this small review that you've recently undertaken?

**Ms Connell:** Not in relation to the information that was on the files in relation to the market data. There are still staff that were also involved in the acquisition at the time in the water division.

**Senator O'NEILL:** Ms Colreavy has been a person who has been coming forward and putting matters on the public record. I'm assuming she was advanced in this context because she was the one with the deepest and richest knowledge. Did you check anything with Ms Colreavy before you replied to the ANAO?

**Ms Connell:** I did actually have a conversation with Ms Colreavy earlier this week to discuss the circumstances around the advice that went to the delegate that made the final decision to acquire these water entitlements.

**Senator O'NEILL:** Was that before or after you think the ANAO completed this review?

**Ms Connell:** In relation to the ANAO's internal review, I'm not aware of the specific dates of that. But in relation to the request from the department that we review our files and also look at whether there may have been any additional information on the public record, I spoke to Ms Colreavy before I confirmed in email back to the ANAO that we weren't able to find any additional information.

**Senator O'NEILL:** Do you have a file note of that conversation with Ms Colreavy?

**Ms Connell:** Yes, I do have notes of that discussion.

**Senator O'NEILL:** Could you provide that to the committee?

**Ms Connell:** I can.

**Senator O'NEILL:** And any correspondence that you had with her with regard to this matter?

**Ms Connell:** Yes, I can do that.

**Senator O'NEILL:** Thank you. Ms Colreavy has previously said that the price paid to EAA was established through independent valuations and was below the expected price. I have that here, if you would like me to table it. Mr Metcalfe, are you confident that that's the case?

**Mr Metcalfe:** What I'm confident is about what the Auditor-General said. There's been a lot discussed and a lot of material provided in relation to this issue. It predates my time in this role by some years.

**Senator O'NEILL:** To be clear, I don't want to apportion blame to you. I don't want you to feel that you need to say, 'It wasn't me.' I'm only interested in getting to the truth here.

**Mr Metcalfe:** Exactly.

**Senator O'NEILL:** Australians who go out to work every day and make their fair contribution to the national good by paying their taxes, entrust it to the government and then expect the government to do the right thing, spend it wisely, and get value for money. I'm interested in those facts. I'm trying to get to the bottom of or to the truth of what happened here.

**Mr Metcalfe:** I think I was one sentence in to responding to your question. For me, as secretary of the department, the best examination of the issues has occurred by the Auditor-General. I've already indicated today that I accept their report. I've noted further comments that they've made about their report to parliamentary committees. There is criticism in that report that we take seriously and there are recommendations that we are acting upon, and that's the best information I think anyone has on this matter.

**Senator O'NEILL:** Can I ask again, and get a clean answer: Ms Colreavy has previously stated on the public record, here in the parliament, that the price paid to the EAA—and she was the main person involved in the decision-making—was established through independent valuations and was below the maximum expected price? Are you still confident that is the case?

**Mr Metcalfe:** I am confident in what the Auditor-General has found—

**Senator O'NEILL:** No, that is not the question I'm asking you.

**Mr Metcalfe:** That is my answer to you.

**Senator O'NEILL:** I'm glad you have confidence in the Auditor-General.

**Mr Metcalfe:** I have nothing further to add.

**Senator O'NEILL:** My question is: do you have confidence that Ms Colreavy's evidence to this committee should stand that the price paid to the EAA was established through independent valuation and was below the maximum expected price?

**CHAIR:** I think the secretary has been quite clear in directing you back to the Auditor-General as an independent advice on this matter. I don't think that the secretary could be expected to provide an opinion on something in addition to that.

**Senator O'NEILL:** With respect, I am asking a simple question that goes to the matter of value for money for a very controversial process. I'm simply asking if the department stands by—

**Senator DAVEY:** In several purchases—

**CHAIR:** Can we stop the cross-table conversation.

**Senator O'NEILL:** Clearly, we're getting to the heart of the matter now.

**Mr Metcalfe:** I'm happy to try to answer the question.

**CHAIR:** Thank you.

**Senator O'NEILL:** Thank you.

**Mr Metcalfe:** Firstly, I take these issues very seriously. I was first appointed as a departmental secretary 16 years ago. I'm not unfamiliar with these sorts of matters. I haven't personally gone back through every statement that was made by every person to every issue. That would take a long time to do. The most efficient way for me to form a view on all of these matters is to rely upon the one organisation that has looked at every document and has looked at every statement from every person, and that's the Auditor-General. That's why my efficient way of answering the issue you're putting to me is: there is no reason for me to doubt what was said by departmental officers in previous estimates. I have got absolutely no reason to think that they would do anything other than tell the truth. But the definitive answer on these matters lies with the person who actually has looked at everything, and that's the Auditor-General.

**Senator O'NEILL:** Thank you. I appreciate the frankness of that response. It was said quite robustly that the price paid was well below the maximum expected price. That is frankly at odds with the report of the ANAO, who indicated, as I said, that the department didn't develop a framework designed to maximise value for money. That's why we're reprosecuting this. There was a problem in the way that this seems to have been approached within the department. That's now a matter of public record. I'm keen to see what even a small review can throw up. I know the department received a valuation from Opteon for assessing the Lower Balonne overland flow water entitlement. That valuation of water per megalitre was \$50. Why didn't the department go with that valuation?

**Ms Connell:** The department relied on the Colliers independent valuation that it had obtained. My understanding—and I'm happy to confirm this on notice—is that the valuation you're referring to was so far outside the reasonable range of what you could expect to pay for water that it was fundamentally flawed.

**Senator O'NEILL:** Thank you for your response. I do note the gap between that and the Colliers valuation. What was the Colliers valuation?

**Ms Connell:** The Colliers valuation provided a point range of between \$1,100 to \$2,300 per megalitre, and also referenced the fact that, given the state of the market, the department should be prepared to pay a premium of up to 10 per cent to 30 per cent.

**Senator O'NEILL:** There's a range there that's reported. My evidence is that the Colliers valuation was \$1,650 per megalitre, which would go somewhere in the range that you've just put on the record. What was the final price paid per megalitre? It wasn't the \$50 for Opteon, which you say was so out of kilter with the market that you just discarded it completely. But neither was the final price anywhere within the valuation range given by Colliers, was it? How much was it?

**Ms Connell:** It was within the premium range that the delegate that made the decision had account to in coming to their final position. That range took up to \$3,000 per megalitre, and the department paid \$2,745 per megalitre.

**Senator O'NEILL:** So, the premium range—we might come back to that in a few minutes. Clearly there was—

**CHAIR:** I want to flag that there are quite a few senators with questions this morning. I don't want to cut you short. Is there a natural break in your questions that I can pass to another senator and then come back to you?

**Senator O'NEILL:** I have another about five that follow this line and then I think there would be a natural break.

**CHAIR:** Thank you.

**Senator O'NEILL:** Clearly there's some inconsistency in the valuations. When you had the opportunity or when the delegate, as you describe—was that Ms Colreavy?

**Ms Connell:** No, it wasn't.

**Senator O'NEILL:** Who was the delegate?

**Ms Connell:** The delegate was the first assistant secretary at the time.

**Senator O'NEILL:** Who was that?

**Ms Connell:** Paul Morris.

**Senator O'NEILL:** Is he still with the department?

**Mr Metcalfe:** No, he retired some time ago.

**Senator O'NEILL:** When Mr Morris made the decision as the delegate for the department in this matter, clearly there was a vital interest in the actual valuation and getting the price. You've put on the record some inconsistency of valuations and ranges in valuations. Did the department go to the valuer to reconfirm or did the department seek other valuations to verify that they were getting value for money?

**Ms Connell:** The approach of the department at the time was to actually separately commission valuations. Valuations were commissioned from one team with the intention, from a probity point of view, of having a degree of separation between that team and the team that was undertaking the negotiations for the water entitlements. The process was that the water markets team would be requested to obtain an independent valuation, which they did, and that valuation was provided to the team undertaking the entitlement negotiations, and formed part of the basis of the rationale for the decision that was ultimately made to acquire these entitlements. In relation to this particular purchase, the first valuation the department had reference to was dated 21 September 2016. But on the basis of the guidelines they had in place at the time, they requested an update of that valuation in March, given the negotiations were taking place over quite a period. The final valuation on which the delegate's decision was made was a valuation dated 13 March 2017 from Colliers.

**Senator O'NEILL:** Has that been provided to the committee previously?

**Ms Connell:** I understand it was released under FOI last year and was also provided to the Senate after that date.

**Senator O'NEILL:** Senator Patrick is chomping at the bit. I'm sure he will go to those documents, because I know he's a master of using FOI to get these things on the record.

**Senator PATRICK:** It was a fight to get them.

**Senator O'NEILL:** In the interests of the review capacity that the parliament has for the people of Australia, in addition to the authority of the ANAO, can you release all of the documents that relate to valuations? I'd like to see the Opteon one and the Colliers one for the range of dates you've described. I'd like to see anyone else that you consulted. I think at the heart of this concern, for me, is that the Colliers valuation is the one that the department keeps citing as its grounds for the purchase price ultimately paid, described here as a premium price. But Colliers has said that the way the department used its valuation was not reasonable. I feel that perhaps the truth might lie somewhere in those documents where this dispute is outlined. I'm calling on the committee today to provide all the necessary material for us to make our own observations of that.

**Mr Metcalfe:** We'll obviously need to respond to that on notice.

**Senator Ruston:** Would it be possible to receive a copy of the documents that have been circulated to the committee?

**CHAIR:** The committee has just been circulated four documents. The initial article that was referred to—

**Senator Ruston:** Yes, I have received that. The ANAO letter.

**CHAIR:** And the ANAO letter. Now there are two additional documents from Chivers and Colliers. Could we just ensure that the minister has those. Senator Patrick has provided those to be tabled. We're in agreement?

**Senator PATRICK:** I haven't requested that those be tabled yet, but I will.

**Senator O'NEILL:** I realise that this is some time after the fact and you're holding the cradle for everything now and down the line, but I'm sure you've done your preparation. Did anyone raise concerns about the valuation from within the department at the time that the purchase was being considered?

**Ms Connell:** I'm not aware.

**Senator O'NEILL:** Could you take that on notice and have a look, check file notes, emails, meeting records, for debate about the valuation and what was being actually considered to be paid?

**Ms Connell:** I can take it on notice, but it essentially goes to the heart of the request that the ANAO made of us earlier this month. I would be happy to take it on notice.

**Senator O'NEILL:** Has the department since this matter emerged been in touch with the valuer?

**Ms Connell:** I understand some of my officers have had conversations with the valuer.

**Senator O'NEILL:** When did they occur?

**Ms Connell:** I would have to take that on notice.

**Senator O'NEILL:** Are we talking about in recent times or immediately this matter became public?

**Ms Connell:** I'd have to take that on notice.

**Senator O'NEILL:** If you could provide on notice all the times in which you believe that the department has been in touch with Colliers International? Is it the fact that Colliers International, despite being the linchpin for your defence of this premium payment of \$2,745 per megalitre for water to the EAA, has not been used again by the department as a valuer?

**Ms Connell:** I'd have to take that on notice. The department covers a range of portfolio areas that would deal with land and water matters.

**Senator O'NEILL:** I think that might be quite important. I'm happy to take a break from my questioning there. I am sure that you would have records of any contracts that have been applied, as you requested the services of Colliers International.

**Mr Metcalfe:** Yes, we can certainly check whether we've used them again. I think Ms O'Connell is saying that it's a big department and over several years so we will just need to go back and check.

**Senator O'NEILL:** If someone could have a look, I really would like an answer to that as quickly as possible.

**Mr Metcalfe:** Yes, we will take it on notice.

**Senator O'NEILL:** If possible, today. I'm sure it would be a search engine—

**Mr Metcalfe:** We'll just have to see how good the record search ability is. Any significant contracts are reported on AusTender, and so would these. But I think they are over a certain amount. To exhaustively check it may take some time, but we'll do our best to respond.

**Senator O'NEILL:** Can you tell me now what it cost the department to get Colliers International to do the valuation on which you are relying?

**Ms Connell:** I don't have that information to hand, but we can find out.

**Senator O'NEILL:** That could be a number that somebody might be able to find.

**Senator PATRICK:** It was \$2,200 for the second valuation. It was of the order of \$3,600 for the first valuation. So, all-up probably \$5,500.

**Senator O'NEILL:** Thank you.

**CHAIR:** We will get the department to provide that.

**Senator PATRICK:** I'm just trying to be helpful.

**CHAIR:** I think we will wait for the department, too.

**Senator PATRICK:** I have a table that says in this contract it was \$2,200. This was an updated request for valuation, as was suggested. There was an original valuation that was of the order of \$3,600.

**Senator O'NEILL:** Ms O'Connell I think wants to just say something. I'll come back to this line of questioning later.

**Ms O'Connell:** Just answering your earlier question as to whether Colliers has done valuations subsequently for us—the original valuation was the 2017 valuation for the purchase. Since then they have done a number of valuations for us. Just giving some dates—in 2019 there were quite a number of valuations they conducted for us.

**Senator O'NEILL:** For water buybacks?

**Ms O'Connell:** Yes, for water purchases.

**Senator O'NEILL:** If you have that information, and you can table it, it would be very much appreciated.

**Mr Metcalfe:** We've agreed to table that.

**Senator O'NEILL:** Thank you.

**Ms O'Connell:** In fact, it was one of the questions that had been asked in terms of providing information on water purchases. I'm happy to table that as part of the response to that question. There's a spreadsheet here where

the first page is the major strategic water purchases, and then subsequently quite a number of pages giving all of the water purchases. You can see there Colliers did provide advice on those in times like 2019—quite a range of them.

**Senator O'NEILL:** Thank you.

**Senator STERLE:** Were there any in 2020?

**Ms O'Connell:** We've ceased doing water purchases. There aren't any in 2020.

**Senator STERLE:** Ms Connell is saying yes?

**Ms Connell:** The last strategic water purchase concluded in January 2020.

**Ms O'Connell:** So, the valuations would reasonably be in 2019. They have done valuations subsequent to 2017. If I can table that as the sort of third dot point answer to your letter—

**Mr Metcalfe:** I think it's one of the questions in your letter.

**Senator O'NEILL:** It is, yes. And the only valuations that Colliers did in relation to the EAA purchase were the two that Senator Patrick just put on the record? Is anybody able to verify that? Were there any additional requests for valuation by Colliers?

**Ms Connell:** In relation to the EAA—

**Senator O'NEILL:** Yes.

**Ms Connell:** purchase it was those—

**Senator O'NEILL:** It was only those two?

**Ms Connell:** Yes. I am aware that we did have an earlier valuation from Colliers, but it wasn't relied on in terms of the final decision.

**Senator O'NEILL:** I'm not quite sure what you just told me then. I couldn't hear you.

**Ms Connell:** I am aware and we have provided a copy of an earlier valuation undertaken by Colliers in the same area to the ANAO, but it wasn't relied on as part of the final decision to acquire the water entitlements.

**Senator O'NEILL:** Could you provide that to the committee?

**Ms Connell:** Yes. We have an obligation to confirm the provision of those kinds of documents—the third-party obligation. We'll need to confirm with Colliers that we're able to provide that.

**Senator O'NEILL:** I'm pretty sure they would be happy for it to be on the public record. Was there anybody else you got valuations from? That's my final question in this section.

**Ms Connell:** In relation to?

**Senator O'NEILL:** EAA. We have heard about Opteon. We know that you had an initial one that you've told me about that you didn't rely on. We know that Senator Patrick has put on the record that there were two that you did rely on and that you went to the—

**Ms Connell:** They were the valuations that I referred to earlier, the September 2016 valuation and the March 2017 valuation, which was ultimately relied on by the delegate who made the decision.

**Senator O'NEILL:** Were there any other—

**Ms Connell:** Not that I'm aware of.

**Senator O'NEILL:** agencies that you requested valuations of?

**Ms Connell:** Not that I'm aware of.

**Senator O'NEILL:** Opteon was ruled completely out of order? And then Colliers on three occasions, two that you seem to have put more weight on, and the final one that you relied on?

**Ms Connell:** That's right.

**Ms O'Connell:** I think it's worth a little explanation about why there were a number of Colliers reports. That is simply that valuations change over time. Water markets have different prices at different times. My colleague will correct me, but there was a framework document that said that we shouldn't rely on a valuation unless it was less than three months old.

**Ms Connell:** Less than six months.

**Ms O'Connell:** Less than six months. My apologies. It had to be a contemporary valuation at the time. That's why there were a number of revisits, if you like, for Colliers in terms of their valuation.

**Senator O'NEILL:** But to be clear, that was the only valuer that you relied on at that time? There was no-one else?

**Ms Connell:** Yes. I might just point out the department's answer to a question on notice last year.

**Senator O'NEILL:** If you give me the number we will chase that.

**Ms Connell:** It is 189.

**Senator O'NEILL:** Thank you very much.

**CHAIR:** Senator Patrick.

**Senator PATRICK:** I just wanted to assist. In fact, the Senate has been provided with a lot of this information by way of orders for production, including the September 2016 valuation. Originally they were all redacted in terms of their prices. Despite the evidence that we've just heard that valuations don't apply after a short period of time, time and time again the department argued that they were commercial-in-confidence, even though the valuation itself states it lasts for 90 days and then cannot be used. This has been a tooth-pulling exercise. Only after I received this information after an FOI fight that went to the Information Commissioner did you then provide the information fully to the Senate. Now that these documents have been tabled, I would just ask a question of Mr Metcalfe. I would like to take you to the contract for the valuation that took place that was relied upon in order to make this purchase. I will take you to page 2. Senators may wish to follow page 2 of the Commonwealth contract for services. You can see under the requirements on page 2—I've highlighted it for you—paragraph 2 basically states one of the key things you're seeking with the valuation. Can you read that to me.

**Mr Metcalfe:** This is a CA2, the requirements?

**Senator PATRICK:** Yes.

**Mr Metcalfe:** Point 2: 'The value provided must be the single point as well as a value range.'

**Senator PATRICK:** It's reasonable to accept that you're after a single point, plus a range, a minimum and a maximum?

**Mr Metcalfe:** That would be my reading of it.

**Senator PATRICK:** You will also see at 4 it states that an additional requirement, a reasonable requirement, is that you must document the method by which you arrive at the value and the range. One would expect you're going to give a document that spells out what the environment is, other property prices and so forth, and then come to a value range of some sort?

**Mr Metcalfe:** Tell us how you did it, yes.

**Senator PATRICK:** Yes, that's right. Now can I take you to the valuation that was relied upon. This is the 13 March valuation. I ask you to turn to page 16. You'll see there are a couple of numbers there. There is a point valuation or a nominal value, which is \$1,500 per megalitre. Then there is a valuation range of \$1,100 to \$2,300 per megalitre. That's the final conclusion under the heading 'Valuation'. I've looked at this and this is the reason I raised it with the Auditor-General. I've looked at housing valuations and all sorts of valuations throughout my career. That would tell me that you should pay no less than the \$1,100 per megalitre such that you as the Commonwealth are fair in your pricing, and you should pay no more than \$2,300 per megalitre. Should I read that any other way?

**Mr Metcalfe:** I accept what you're saying, that the value range can be assessed as follows, and you have outlined the numbers there. What I don't have—as I said earlier to Senator O'Neill, I haven't gone back personally and looked at every document—

**Senator PATRICK:** Which is why I'm guiding you to the pertinent points.

**Mr Metcalfe:** but I do know the Auditor-General has.

**Senator PATRICK:** This is the information that was before the Auditor-General?

**Mr Metcalfe:** The only comment I'd make is I am not aware as to whether there were other criteria that are not stated in this document that would have been relevant to the circumstance. Ms O'Connell has more detail on this because she has looked back at it.

**Senator PATRICK:** You can see how, if you've now paid \$2,745 per megalitre—

**Mr Metcalfe:** You need to explain why.

**Senator PATRICK:** You need to explain. That's what I am trying to get to.

**Mr Metcalfe:** I understand. We are trying to be helpful here. My colleagues do have more detail on this.

**Ms O'Connell:** The ANAO clearly spent a lot of time looking at this and investigating it.

**Senator PATRICK:** I don't care so much about the ANAO; I want to know what your reasoning is. I've looked at every document that has been involved with this purchase from the first point where an unsolicited offer was made at \$2,200 per megalitre through to the signing of the contract by Mr Morris, including the advice that went to the minister, Minister Joyce. I don't want you to deflect to the Auditor-General. It is very rare that I have ever seen in a hearing where a department seeks to rely on other people's advice. Normally the response you get is, 'I can only speak for my department'. So it's a quite unusual the tack you are taking. I just want to go to the explanation. I don't care about the Auditor-General. Present me with your explanation as to how you went beyond the maximum valuation, which we now know the valuer never intended.

**Mr Metcalfe:** We understand where you are coming from.

**CHAIR:** For the committee's benefit, can I identify the documents that have just been tabled by the department? I think everybody has accepted that they be tabled again. They have been previously tabled in a previous—

**Senator PATRICK:** I don't have a copy of those.

**CHAIR:** Senator Patrick has a copy? Yes? You should have a copy there beside you.

**Ms O'Connell:** I'll ask Ms Connell to talk through the steps. The ANAO has reviewed this extensively. At paragraph—

**Senator PATRICK:** I don't care about the ANAO. I'm after your explanation. Let's put the ANAO to one side.

**CHAIR:** Could you please let the department's witness finish—

**Senator PATRICK:** I'm not asking questions about the ANAO. Can you please direct them to answer my question, which is their assessment, not the ANAO's.

**Senator McKENZIE:** You might not like the answer, but the chair is directing you—

**Senator O'NEILL:** Point of order, chair. I think so far we have progressed with reasonable grace on a very contentious matter. If we can just have the conversation directed by you, through the Chair, just to the relevant parties, I think we'll get a lot more information. That is what we are here for.

**CHAIR:** Thank you Senator O'Neill. Senator Patrick, if you would just let the official finish and then re-put your question if necessary, but let's just let people finish their answers, because I think that is the way this works best.

**Mr Metcalfe:** I will ask Ms Connell to see—we understand your question, that doesn't necessarily mean we will always answer your questions the way you want us to answer your questions, but we will answer them how we are best able to assist you. Ms Connell can answer your questions.

**Ms Connell:** I am just going to refer back to question on notice 189, in which we set out the fact that there are a range of other non-financial benefits that the delegate, the decision-maker, took into account in making the final decision to acquire these entitlements at the price that they were acquired for. They're set out on pages 2 and 3 of that question on notice. The low risk of acquiring the water, which has security of tenure for the entitlement through to 2111; the large volume of the water parcel; the environmental value to the Commonwealth Water holder. On that front I might just also refer you back to page 3 of the Colliers advice, which says, 'Therefore when buying water rights a buyer is placing a value on the ability to access future physical water.' In the case of the market as it existed, it was to grow particular props. But in this case it's about substituting that for environmental benefits. We saw last year the significance of those environmental benefit for the Narran Lakes, which hadn't been watered since 2013. The other key factor—

**Senator DAVEY:** Sorry, this is not the Lower Lakes?

**Senator PATRICK:** No, I'm listening to what she's got to say.

**Unidentified speaker:** Well said, Senator!

**Senator PATRICK:** I'm listening to what she's got to say.

**CHAIR:** Can we just continue, please. We don't need the cross-table commentary. Please continue with your comments.

**Ms Connell:** The other point that is also included in the question on notice is the low socio-economic impact of acquiring this parcel at the point in time that it was acquired. Based on this information the delegate determined that the price paid of \$2,745 per megalitre was value for money.

**Senator PATRICK:** I know that you relied on a proposition that there was a 10 to 30 per cent premium that should be paid. I just want to take you to that element of your evidence this morning. If you go to the page prior to the valuation, so this is page 15 of the valuation, at the very top it says, 'The market sentiment is considered to be improving and for many of the above properties, if offered on the market today, an improvement in value could be anticipated. By our estimate this may range from only 10 per cent to as high as 30 per cent.' I've done the work of inserting the above properties, if you can turn to the page prior to that. They are the properties that the valuer's referring to. It was redacted in what was provided to me in this release, but in a subsequent release I was given access to the names of the properties. So what the valuer's saying, in relation to the 10 to 30 per cent that you were relying on in your evidence, is that there were some other properties, and the prices were listed—I have left them out of this, but the prices were listed—and it said, 'In the context of today those prices might be 10 to 30 per cent above what had been paid for when they were purchased.'

So I have great difficulty in the Commonwealth going out and paying something in the order of \$5,000 or \$6,000 for a valuation—that's the proper thing to do—and then walking away. There is almost no explanation. Your points are covered off in the methodology that was requested by the department. You've got a situation here where the department went out, did the proper thing, got a valuation, it expired, they got it updated, they paid less for the update and that was reasonable. When the valuation arrived, it was very clear, in my mind, knowing how to read a valuation, that there was a minimum price and a maximum price. The valuer himself has now confirmed that the department should not have gone outside that range. You have an expert valuer that says this is what this water is worth, and somehow someone in the department says, 'You know what—we'll pay more.' The big controversy here is of course that it got paid to a company that then shifted the money off to the Cayman Islands. That is a matter of public record. We don't know where that money went. The additional price between the maximum price that the valuer indicated in his valuation, and has now confirmed with the Auditor-General that the price should never have gone above that, and what you pay is \$12.9 million. That's where my concern lies. \$12.9 million extra has been paid for this water that should never have been paid. My line of questioning then goes to—this is an expectation from the taxpayer—this is a fairly major screw up, okay? We can't undo it.

**Senator RENNICK:** [inaudible]

**CHAIR:** Can we move to the question?

**Senator PATRICK:** I'm just trying to give some context to this, because what I am going to say is quite serious and I don't want to do so ungrounded. I invite you to reflect upon this, Secretary, and maybe have a good look at it, because it is \$13 million worth of taxpayers' money that on the prima facie has been wasted. We paid too much for the water. I now would like to understand, in circumstances such as that where the taxpayer is relying on professionals who have a fiduciary duty to the Australian public, they are putting trust in the way in which they spend their money, what the consequences are? It's pretty important. Most people are really quite annoyed when money gets wasted. People just go, 'I'm going to move on.' I want to know what the department, what you as the secretary are going to do? I get that people make mistakes. We all do. The higher you go up in the public service, the more you get paid, the more responsibility you get.

**CHAIR:** Senator Patrick, I appreciate—

**Senator McKENZIE:** Is there a question? We've got a whole Senate inquiry to investigate this.

**Senator DAVEY:** I've got questions that may actually help you to understand—

**CHAIR:** Please stop talking across the table. Could Senator Patrick come to the point of his question, because we'll run out of time.

**Senator PATRICK:** I think there's incompetence involved here. I would like you, Secretary, maybe you want to take this away—noting that the Australian public are sick and tired of this sort of thing happening and there are no consequences—to consider what needs to happen in this case in terms of appropriate accountability for the people involved and remedies for the department in terms of maybe some training about reading valuations; maybe—I don't know. It should never happen again.

**CHAIR:** Is that your question, Senator Patrick?

**Senator PATRICK:** I'm just asking him to perhaps take it away.

**CHAIR:** Thank you. Please answer the question

**Mr Metcalfe:** Thanks, Senator. I understand how carefully you have looked at this issue and I would expect that you would not make comments lightly. I saw what you said in the Senate last week and I obviously take that very seriously. I am also aware that this issue has been extensively canvassed, and I certainly wouldn't dismiss the role of the Auditor-General, which effectively does have the powers of a standing royal commission. I take very

seriously any advice that I receive from the Auditor-General on any issue, of course including this issue. It's been a pretty busy week for all of us, but I will reflect carefully on the material that you've put forward. I'll reflect carefully on what the Auditor-General has said. If I believe that there are any actions required by me as a result of the PGPA Act or the Public Service Act, then have no doubt that I will exercise that. I made the point to Senator O'Neill that I've been a departmental secretary for a long time and I take the responsibilities very seriously. I take the reputation of my department very seriously, and I certainly will reflect upon everything that's occurred.

**Senator PATRICK:** Can I just say in relation to the Auditor-General, the evidence he gave me on Monday, just so it is clear to you and to the other senators, my understanding of his evidence was that he had presented the concern he had after having spoken to the valuer and to the department asking for further information. He wasn't, at this point in time, seeking to change the findings of his report, but he was open to that. He was, in a sense, giving you the opportunity to come back and say, 'Is there further information I could consider?' My understanding is that he may well change the outcome of that review as part of his processes.

**Mr Metcalfe:** Thank you, Senator.

**CHAIR:** I think that's looking some way into the future.

**Senator PATRICK:** I don't think it's going to take very long.

**CHAIR:** I guess you're reflecting on what the Auditor-General may do.

**Senator PATRICK:** Just in response to the secretary, who is saying he is cognisant of the Auditor-General's. I'm just saying I don't think he has completed his work on it.

**CHAIR:** I'm sure the secretary appreciates your guidance on this matter.

**Mr Metcalfe:** Just for the record, we have already indicated to Senator O'Neill that the report was critical; there were recommendations made; and we are acting on the recommendations. If there's anything further I think is appropriate, rest assured I will undertake any further action that is necessary.

**Senator PATRICK:** My line of questioning really went to accountability.

**Senator DAVEY:** Like Senator Patrick, I have looked across all of the water purchases that have been conducted under the name of the Basin Plan. I don't limit my investigation to 2017 and beyond; I actually go right back to the origins of the water buyback program, which is around 2008. But in this purchase that is of such interest to Senator Patrick, was there a contract condition in the purchase of the water that on-farm water harvesting infrastructure had to be decommissioned in return for or as part of a contract of sale?

**Ms Connell:** Yes, there was. That's our understanding.

**Senator DAVEY:** In my experience with other water buyback programs, there are two sorts of programs. One program is a straight purchase of entitlement, which is on a one-for-one market valuation. Then there are other programs such as the on-farm irrigation efficiency programs, and due to the fact that they come with a condition of expenditure on farm, there is a market multiplier implemented. In my neck of the woods it is 1.75. In other areas, South Australia has a ridiculously high market multiplier. May that condition of decommissioning and the work done on farm in order to decommission that work, may that be the reason why a premium was paid?

**Ms Connell:** I can only point you back to the information that we've put on the public record. The answer to question on notice 189 goes through the key elements of the reason for that decision.

**Senator DAVEY:** Just looking at other previous purchases where we could compare, there was the purchase in 2008 of 14 gigalitres of registered entitlement, plus the land. It was a joint purchase with the Commonwealth government and the New South Wales government, \$24 million spent to purchase Toorale station, which was then turned into a New South Wales national park. The estimate at the time was that the 14 gigalitres of registered entitlement would turn into 20 gigalitres returned to the river system. However, there was no condition of decommissioning in that original sale. So it was \$24 million for 14 gigalitres plus the land, but no decommissioning. My understanding is that because nothing was decommissioned the actual expectation of water returning to the river has not been achieved and so the environmental outcomes are limited to what was achieved on farm.

Have we been learning as we go with all these purchases? I also note a purchase in 2009 of 240 gigalitres, which was massive, from Twynam. Senator Patrick mentions EAA, the money's gone overseas. Twynam's, my understanding is that \$303 million was expended in that purchase, for 240 gigalitres of a portfolio of entitlements across the board, but probably with a long-term average yield across the portfolio of around 50 per cent because of the nature of the entitlements that were purchased. A 50 per cent yield would be around \$2,500 per gigalitre recovered back in 2009—so very, very comparable. Most of that money went to South Africa. We don't know, we haven't had the same level of investigation as to whether that purchase was value for money, but I don't hear you

asking any questions about that, Senator Patrick. It would be good if we could have on notice some more information about all of the purchases over time.

**Senator STERLE:** I don't want to be rude, but we are pressed for time, and I know there are some very important—

**Senator DAVEY:** I haven't finished my question.

**CHAIR:** Please answer the question.

**Senator DAVEY:** You can take it on notice.

**Ms Connell:** I would be happy to pass to Mr Taylor to give some information.

**Senator PATRICK:** I have only focused on the purchases where there have been orders for production and I had the documents before me. That's the reason I have focused on the four purchases.

**Senator McALLISTER:** Also ones where there was a minister involved.

**CHAIR:** Do we want to have a conversation outside the room? Senator McAllister, you can take it outside if you like. Mr Taylor's not answering. You are taking that question on notice.

**Ms Connell:** I would just point out that we have earlier tabled the information on strategic water purchases. Ms O'Connell handed that information up earlier.

**Ms O'Connell:** That was the information I tabled earlier with all the purchases.

**CHAIR:** The one you were referring to.

**Ms O'Connell:** It's quite a comprehensive—

**Senator Ruston:** Once again, I haven't seen the documents either. So it would be really nice if maybe I could get them too.

**CHAIR:** I'm sorry, could the secretary provide a copy of these to the minister, that would be useful.

**Senator Ruston:** The officials have got them, because they were the ones that provided them, but I don't have them.

**Senator PATRICK:** It's protecting you, Minister! There are things that you want to have plausible deniability about.

**Senator Ruston:** I don't need protecting by you or anybody, Senator Patrick.

**Senator O'NEILL:** I have just a couple of questions, because I think there's been a fair bit put on the record. First of all, in terms of the process so far with regard to this matter, Mr Metcalfe, I understand you have come into the role, as we discussed this morning, after this purchase took place. But I'm not always on this committee. It seems to me that there has been a lack of transparency in terms of requests for information in a timely way. Senators can assist the department in doing their work, and this matter might have been prosecuted and completed completely differently, if documents that have taken years to get out were actually provided at the time. So I just want to make an observation and a request for your response—

**Mr Metcalfe:** I'll note that.

**Senator O'NEILL:** about a commitment to transparency and the release of documents so that senators don't have to go through FOI processes as private citizens to get information that's denied the Senate.

**Mr Metcalfe:** All I can say is that the department applies to FOI Act. My understanding on the historical treatment of the FOI requests associated with the valuations is that there was a view about commercial in confidence issues. That has been dealt with. To the extent we possibly can, we of course are pro transparency and pro disclosure. We have been able to respond overnight to a letter from Senator Sterle in which he asked us to seek out a significant amount of information and provide that to the committee today. We didn't just take it on notice and reply in six weeks' time. We also did reply to every question on notice from this committee within the due time, from the previous estimates. I just put on the record that my approach is that if we can assist the committee in any way that's consistent with our legal obligations we will.

**Senator O'NEILL:** Thank you. I have two more questions, if I can. One is with regard to the conflict of interest. Does the water division actually have a conflict of interest register?

**Mr Metcalfe:** This goes to the recommendations from the report, I think you are talking?

**Ms O'Connell:** One of the recommendations in the audit report was that, rather than ask for conflicts of interest and only people who potentially have a conflict fill out a conflict of interest declaration, that in fact we require anyone who is doing things like purchasing to do a declaration. That would say whether they do have a potential, perceived or to actually positively declare that they have no conflict of interest. That's what that

recommendation goes to. We have implemented that within the water division, so that people who are involved—we're no longer doing water purchases—but people involved in specific work like that would do a conflict of interest declaration even if that declaration was to declare that they had no conflicts. So it's about turning it to a positive declaration whether you do or don't.

**Mr Metcalfe:** A positive rather than negative sort of thing.

**Senator O'NEILL:** So the delegate in this situation, who you said has retired is Mr Paul—

**Ms O'Connell:** Paul Morris. He was the first assistant secretary of the water division at the time.

**Senator O'NEILL:** Did he at the time have to undertake that process that you have just described? Was there a register at that time?

**Mr Metcalfe:** As an a senior executive service officer, there would have been an obligation on him to have completed a declaration of interest.

**Senator O'NEILL:** Of the former kind, not the new kind as advised by the ANAO?

**Mr Metcalfe:** I will get Ms O'Connell to talk in detail, because she was in the department in another job at the time. There has been a long-standing requirement for SES officers and secretaries to declare interests. The recommendation takes that further, and that's something we have acted upon.

**Ms O'Connell:** At the time of the purchase, which was 2017, covering the 216-17 year, there was a requirement for all SES officers to do a declaration of interest. That would have meant that if there were no conflicts that would have been note. But that was only for the SES. What we're talking about now is that anyone involved in such matters would need to do a declaration of interest. Yes, he would have had a declaration done at that point in time.

**Senator O'NEILL:** So in terms of the declaration of a conflict of interest, the old model and the new model, what sort of questions does an assistant secretary have to ask themselves and verify, and what sort of oversight is that?

**Mr Metcalfe:** We can provide you with the template that is filled. I will see if we can do it today. Obviously it's pecuniary interests, whether the person has any board or other memberships, ownership of shares or other assets. It extends to spouses as well, from memory. That is the standard series of questions. In addition, there would be a standing expectation that, notwithstanding the fact that that declaration has been completed, that if an actual conflict of interest became apparent then the officer would obviously declare that and usually would recuse themselves from any involvement in that particular matter.

**Senator O'NEILL:** So a conflict of interest register of some sort existed at this time?

**Mr Metcalfe:** For senior executive service officers.

**Senator O'NEILL:** Would you still have records of that declaration?

**Mr Metcalfe:** We can check, but I imagine it would be kept somewhere, yes. Are you asking that the office—

**Senator O'NEILL:** I'm actually interested because this was such a significant purchase, what that document looked like.

**Mr Metcalfe:** Sure. What I will do is, I'm sure—

**Senator O'NEILL:** I don't want to seek to make private information public. I am just seeking the fullness of what was disclosed at the time and what that process looked like, and of course what the new process looks like, I'm interested in that as well.

**Mr Metcalfe:** Yes.

**Senator O'NEILL:** How long has the new process been in place?

**Ms O'Connell:** Ms Connell, are you able to assist there?

**Ms Connell:** In terms of the process that is specific to the water division, that process has been in place for seven or eight months now. There is obviously a broader departmental policy that is in place. The department, in its submission to the Joint Committee of Public Accounts and Audit inquiry that we made in January 2021, sets out what is happening in relation to that conflict of interest policy. As the submission says, the department has been through the process of updating what was the existing guideline at the time. That guideline has now been updated.

**Senator O'NEILL:** Is it only the water division that's undertaken that reform that you have just described?

**Ms Connell:** No, that is department wide.

**Senator O'NEILL:** Thank you. I was just clarifying what I heard.

**Ms Connell:** There is a submission that's on the public record that we can provide to you.

**Senator O'NEILL:** How many conflicts have been declared since 2015-16?

**Mr Metcalfe:** We will have to take that on notice. That will obviously require some checking, I suspect. But I'm happy to take that on notice and respond to you.

**Senator O'NEILL:** Again, not to compromise any privacy matters but to get a sense of what the conflicts are, how they are declared, how they're assessed, have there been any situations in which officers who were involved in expenditure had to recuse themselves in the middle of a transaction or from engagement. I want the lie of the land, basically.

**Mr Metcalfe:** We could of course focus in on the water division.

**Senator O'NEILL:** Particularly, yes.

**Mr Metcalfe:** To extend it to the whole department would be a very substantial exercise. But the water division?

**Senator O'NEILL:** I don't want to be unreasonable, but this is a matter of public interest with regard to this.

**Mr Metcalfe:** As just one example of the sort of culture we have, secretaries are also required to declare any interests. You may be aware that prior to being appointed to this role I held a senior role in a private professional services firm. I have gone to extraordinary lengths to ensure that there have been absolutely no conflicts arising, including no contact with that firm for a period of 18 months after I commenced as secretary.

I have gone to extraordinary lengths to ensure that there have been absolutely no conflicts arising, including no contact with that firm for a period of 18 months after I commenced as secretary. That's just one example, but there's a very real issue on whether a person does have any pecuniary interest in a matter where they are making a decision in relation to awarding a contract or whatever. So we can provide you, hopefully today, with a pro forma of what a conflict of interest is, an indication of whether there was a record for the officer that we mentioned from that particular time and the guidelines applicable to the issue. On notice we will need to have a longer check as to whether there have been any conflicts of interest declared.

**Senator O'NEILL:** Those conflicts of interest, if I understand correctly, rely on self-report. Is there any oversight or audit of those forms being filled in? Sometimes, if people are incentivised—if they're subject to bribery, which is what we're really concerned about, or if there's some payback—

**Mr Metcalfe:** The normal requirement is self-identification. It's not dissimilar to members of parliament and others. Essentially, we rely on people to tell us. If ultimately it proved that someone had not told us something that they should have told us, that becomes a disciplinary issue.

**Senator O'NEILL:** I understand how it's operating. Thank you.

My last little bit of questioning is about the valuation. Most Australians find water buybacks, purchases and different kinds of water very complex. People worry about it. People who live on the river and use it for their livelihoods pay more attention, but most people in Australia, I think are like me: if you're fortunate enough to buy a house, the first encounter you have with valuation is the bank saying that you have to have a valuation. I've been around long enough for the bank to say they'll do the valuation and they have their preference. I've been in a situation where I've challenged that. Ordinary Australian citizens have a look at something. They know it's value for money. It's coming out of their pocket. It's coming out of their pocket through the department as well in a slightly different way—a longer arm.

But what I'm really struggling with, especially when I look at the material that you have given me here, is that you only had one valuer. You did confer with them a couple of times, but you only had one valuer for a purchase of this scale. That seems a little extraordinary to me. Then you went over the valuer's price. I go back to my question earlier about the Opteon valuation, which you said was so wrong that you couldn't even use it. I'm struggling to understand what was going on there, because, when I look at this, it says 'Opteon, Opteon, Opteon, Opteon' for all these different valuations that were required. How can the government through the department rely on Opteon on so many occasions and then out of hand dismiss it with regard to this water buyback for this very significant purchase that is now continuing in this controversy?

**Mr Metcalfe:** I don't know if Ms Connell can assist. Again, this is all historical given that we aren't buying water in this way. On the broader point you made, Ms Connell did put on the record the fact that, while the valuation was a significant factor, there were other factors that were relevant. It's worth remembering the actual policy. This water wasn't being bought just for the sake of it; it was actually being bought for a purpose. The purchase was to establish the portfolio of water available for the Commonwealth Environmental Water Holder. It was a critical part of the overall Murray-Darling Basin Plan that a certain of water be acquired and used for

environmental purposes. The Environmental Water Holder is here today and can talk about how that water is actually being used, including through the millennial drought, and is able to be there for critically important wetlands, biodiversity and whatever. So I just make that point. In the same way that—

**Senator O'NEILL:** I understand. I'm sure that you wouldn't buy it if people didn't—

**Mr Metcalfe:** if people didn't need it.

**Senator O'NEILL:** So the transaction was underway because there was a need. But, if somebody told me I could buy a house for \$50 per square metre or I could buy it for \$2,700 per square metre, I know which deal I'd be looking at in the first instance.

**Mr Metcalfe:** Yes.

**Senator O'NEILL:** It is inexplicable to me that a company that the department's relying on—

**Mr Metcalfe:** Yes, I understand exactly the point you're making. But, just while we're on this point, with a house there's a valuation and then there are emotion and sentiment. Someone in Sydney paid \$17 million over the reserve the other day for a unit at Bondi. They didn't accept the valuation. They wanted it so badly they spent a lot more. In this particular case, the department achieved valuations. The Auditor-General has looked at that. There was a range of factors and there was a purpose. In terms of the taxpayer interest in this issue, the purpose was saving critically endangered wetlands and species and providing water to the lower lakes of the Murray-Darling. That was the purpose of this purchase. But Ms Connell can comment in detail.

**Ms Connell:** In relation to the credibility of the Opteon valuation and why it wasn't relied on, the best point of reference is probably page 14 of the Colliers report, which sets out past purchases over a period of time. In terms of a valuation of \$50 per megalitre, I think those numbers make it quite clear it just wasn't even in the ballpark.

**Senator O'NEILL:** Yes, but if they were that bad, how come I'm reading Opteon is your go-to company? It seems exceptional that in this particular instance you've gone to Colliers. They're not listed frequently and they don't come back for quite some time. That doesn't look very good to me, frankly, from a distance. I just don't understand. It doesn't make sense. It's inexplicable.

**Ms Connell:** My understanding about the reason the department chose to go with Colliers in relation to this acquisition is that it wasn't an active market and there were few experienced and trusted valuers that were available to provide information.

**Senator O'NEILL:** I haven't really done a lot of background reading here, but from my reading of the papers, as I recall, this was the sale by EAA, who were desperately trying to sell this piece for quite a long period of time and the business was in a fragile position when the sale came through. I don't know about you, but in the purchase of real estate it would seem you might be able to get it at a better price, rather than a higher price. I just make that observation as an ordinary observer. I have one final question with regard to conflicts of interest in addition to the ones you have taken on notice. Do you know if Ms Colreavy declared a conflict of interest in this matter?

**Mr Metcalfe:** Mr Morrison will check Ms Colreavy.

**Ms O'Connell:** She would have been required to complete a form, so there would have been a declaration. Therefore, as the secretary said, we will come back to you on that.

**Senator O'NEILL:** I appreciate you taking that on notice, but given the seriousness of this matter, are you aware of any issues with a conflict of interest with regard to Ms Colreavy?

**Mr Metcalfe:** None whatsoever. I do know Ms Colreavy, and I will be very careful what I say, but I have absolutely no reason to think, on any information I've seen, that she is an officer other than someone who takes her responsibilities extremely seriously and professionally.

**Senator O'NEILL:** Great.

**Mr Metcalfe:** That is my current view.

**Senator O'NEILL:** Given the care you are taking there, I know you will take a very close look—

**Mr Metcalfe:** Yes.

**Senator O'NEILL:** as if you were looking through my eyes to see what was going on with all the people who were intimately involved in this purchase.

**Mr Metcalfe:** We understand and we will certainly provide as much material as we can. I think I've outlined what we're trying to do today.

**Senator O'NEILL:** Thank you.

**Senator McLACHLAN:** There have been some recent announcements around the Water for the Environment Special Account, stating there will be a \$60 million program for on-farm projects. I'm interested in how that program is going to work. How will it be different from the current on-farm programs?

**Ms O'Connell:** I'll ask Ms Connell to talk through that. I note it's a fairly recent announcement, earlier this month, about the move to off-farm, but there's \$60 million for remaining on-farm projects.

**Ms Connell:** Thanks for the question, Senator. Minister Pitt announced on 3 March the closure of the Water Efficiency Program and in its place is an off-farm program and a continuing investment of \$60 million to be made available for on-farm projects in basin states, bringing the projects forward to the Commonwealth. They will still be required to meet the socioeconomic test, the ministerial council agreed—I think it was in 2018. We will shortly be commencing discussions. The only state that has currently expressed an interest is South Australia. In the coming weeks, we will be commencing discussions with South Australia about any requests that they have to bring forward acquisitions of this nature.

**Mr Metcalfe:** Can I put on the record that, in my previous role, I did undertake some work in this area for the department and particularly for the ministerial council and provided a report in relation to the whole issue of water efficiency projects. That report is public and was something that was done some years ago. If we're now moving to that area, I just wanted to put that on the record. I don't see any conflict of interest at all, but I just wanted to declare that matter to the committee.

**CHAIR:** Thank you, Mr Metcalfe.

**Senator McLACHLAN:** Is the application of the \$60 million, how you apply for it or how it's dispersed, different from the previous programs that related to on-farm projects?

**Ms Connell:** The Australian government has set aside potentially \$60 million for projects—

**Senator McLACHLAN:** I understand the setting aside of the money. I'm more interested in the process and the application, where that's different from previous ways we have administered the funds.

**Ms Connell:** The Water Efficiency Program that has just closed was led by the Commonwealth. The proposal under the new arrangements is for projects to be led by states.

**Senator McLACHLAN:** What about those on-farm projects which are currently being negotiated? Are they still going to be honoured? And are they honoured under the old allocation of money or the new allocation of money?

**Ms Connell:** Minister Pitt made it clear on 3 March that applications until 3 March would still be processed under the terms of the Water Efficiency Program. Both programs are funded from the same source: the Water for the Environment Special Account.

**Senator McLACHLAN:** Was the South Australian government consulted on the changes before the announcement?

**Ms Connell:** I would have to take that one on notice. I'm not aware that we discussed the specific elements of the new program with South Australia in advance.

**Senator McLACHLAN:** Also, if you are taking that one on notice, was there any exchange of letters between the Commonwealth and the state? If that can be released, I'd like you to take that on notice as well.

**Ms Connell:** Okay.

**Senator McLACHLAN:** Does the department have any full-time staff at the moment in South Australia?

**Mr Metcalfe:** We have many full-time staff at the Water Division—

**Senator McLACHLAN:** At the Water Division.

**Ms Connell:** Not that I'm aware of.

**Senator McLACHLAN:** Is there any particular reason why there are no staff at places like Riverland?

**Ms O'Connell:** The Murray-Darling Basin Authority has staff in South Australia.

**Senator McLACHLAN:** I'm going to get to them in a minute.

**Ms O'Connell:** We can go through the sites.

**Senator McLACHLAN:** I was interested in departmental staff.

**Mr Metcalfe:** As you know, Senator, the department's role is effectively water policy.

**Senator McLACHLAN:** Yes.

**Ms O'Connell:** Given the water policy function, we consult with many people, we talk with many people and, when we're allowed to travel, we travel to various places, but, effectively, that division is here and, of course, we work closely with the MDBA, who have staff located in the basin. I have a large number of staff in South Australia, but they are focused on biosecurity.

**Senator McLACHLAN:** I appreciate that.

**Senator McKENZIE:** The government is committed to a decentralisation agenda. We could then shift the division.

**CHAIR:** Thank you, Senator McKenzie.

**Senator McLACHLAN:** Thank you for your assistance, Senator McKenzie. I have some questions for the authority which I could probably can fit in before the break.

**Ms Connell:** Sorry—I actually do have one staff member who is based in South Australian. I also note that we are undertaking quite a bit of recruitment in the Water Division at the moment. We've made those positions that we're recruiting available to potential staff that are located in the basin.

**Senator McLACHLAN:** My next question is to the authority. I'm going to ask the traditional South Australian question—that is, if the sustainable diversion limit projects for Victoria and New South Wales aren't completed by the end of 2024, do you have a view on what will happen to South Australia's water entitlement at this point in time?

**Mr Reynolds:** As we move to 2024, the authority needs to make an assessment as to whether there's a material difference in the outcomes expected from the SDL projects. If that is determined to be the case then we'll undertake a reconciliation process to assess what of the projected 605 gigalitres from the SDL project has been recovered. If there's a difference then we will make a recommendation to the minister about either an amendment to the Basin Plan or how the SDLs might be adjusted.

**Senator DAVEY:** My point might be different to yours. You specifically asked: what happens to South Australia's entitlement? My understanding is, under the Basin Plan, regardless of whether or not we achieve all the targets, South Australia's actual entitlement doesn't change.

**Mr Reynolds:** South Australian's entitlement is defined under the Murray-Darling Basin Agreement. It's the 1,850 gigalitre number that many people would be familiar with. That number does not change as a result of the sustainable diversion limit adjustment mechanism.

**Senator O'NEILL:** What is that number?

**Mr Reynolds:** South Australia's entitlement is 1,850giga litres. They don't necessarily get that in every year. South Australia doesn't receive that every year. When conditions are dry and water resources are limited then that volume is reduced. The basis for determining that is defined in the Murray-Darling Basin Agreement.

**Senator McLACHLAN:** South Australians will be greatly comforted that my fellow senators are concerned about their water entitlements.

**Senator McALLISTER:** I just didn't hear the very first part of your answer. You said the department needed to make an evaluation at a particular point in time. I couldn't hear what that point in time was? It was about how you needed to make an evaluation about progress towards the—

**Mr Reynolds:** That's right. Under the sustainable diversion limit adjustment mechanism, in 2023, the authority needs to make a determination as to whether or not a reconciliation process is required and to deliver that by 2024.

**Senator McLACHLAN:** Going to the process, I want to take us to the 450 gigalitres outside of the South Australian entitlement, which are the environmental flows. What happens to that? Is that where the minister makes the determination about the 450 if there is, let's say, not sufficient water by that stage?

**Mr Reynolds:** The 450 gigalitres from efficiency measures is a separate issue to South Australia's entitlement.

**Senator McLACHLAN:** I appreciate that. I asked the question on the entitlement.

**Mr Reynolds:** The 450 gigalitres—as efficiency projects are delivered, entitlements will be created and will accrue to the Commonwealth Environmental Water Holder and will be used to achieve environmental benefits.

**Senator McLACHLAN:** Can you remind me when the figure of the 450 gigalitres was negotiated?

**Mr Reynolds:** That was established in the Basin Plan in 2012.

**Senator McLACHLAN:** If the full amount of 450 gigalitres of water is not achieved by 2024, where does the shortfall come from?

**Mr Reynolds:** There is not a shortfall as such in the 450 gigalitres. As projects are identified, up to 450 gigalitres can be recovered.

**Senator McKenzie:** 'Can' is the operative word there, isn't it?

**Mr Reynolds:** Yes.

**Senator McLACHLAN:** So it's not guaranteed?

**Senator McKenzie:** No.

**Senator McLACHLAN:** That was what I was asking the member—

**Senator McKenzie:** Sorry.

**Senator McLACHLAN:** I can ask you in the party room any time.

**Senator McKenzie:** That's true.

**Senator McLACHLAN:** I understand the date on the 450 was negotiated between a state Labor government and a federal Labor government?

**Mr Reynolds:** Well, it was in forming the Basin Plan.

**Senator McLACHLAN:** I am just doing my calculations.

**Mr Reynolds:** It was in 2012.

**Senator McLACHLAN:** I understand you have some full-time staff in South Australia. Is that correct?

**Mr Reynolds:** That is correct. As part of our decentralisation work, we have 28 staff based in South Australia—14 in Adelaide and 14 in Murray Bridge—at the moment.

**Senator McLACHLAN:** Are you thinking about any in the Riverland?

**Mr Reynolds:** We have our staff in Murray Bridge, where we service the Riverland from. We also have people in Mildura, which, I accept, is not in South Australia, but they service the Riverland from there as well.

**Senator McKenzie:** That was a very brave answer.

**Senator McLACHLAN:** I have a few questions for the Environmental Water Holder. I am interested in how many environmental watering programs you're currently running in South Australia.

**Mr Taylor:** I can't tell you the exact number, but we are working with a range of partners in South Australia. We have partnerships with the South Australian government, with Banrock Station for watering on a Ramsar site. We also have partnerships with the Nature Foundation of South Australia and with the equivalent of the catchment authority down there, the board. A number of those suppliers who are working with us in delivering water in South Australia are working on a range of sites. There is a large number of sites. We actually have a placemat of all the sites where environmental water is being delivered down there—it is quite impressive—along through the Riverland. We have also worked with the Ngarrindjeri down in the Coorong Lower Lakes area as well.

**Senator McLACHLAN:** Can you take on notice if I can have an understanding of how many projects you are working on?

**Mr Taylor:** By sites that we have—?

**Senator McLACHLAN:** By site, yes. I am interested in how you're measuring success with those projects. Are there any objective criteria?

**Mr Taylor:** We are just in the process at the moment of establishing some long-term partnerships with Calperum Station, for example, and the group there. Part of that is establishing that program in alignment with a framework that's been set up for measuring these outcomes. There is a detailed monitoring program that goes with that. Each of the sites where we put water into, we measure the impacts of those outcomes. We measure responses not only for the vegetation in some of the sites but also some of the fauna as well, parrots and things like that. We are contracting suppliers to do measurements and monitoring on those sites.

**Senator McLACHLAN:** Do you ever have those success factors audited by someone outside to test your assumptions?

**Mr Taylor:** The monitoring is usually done by an independent person; it's not done by our staff.

**Senator McLACHLAN:** Are those reports and your success factors publicly available?

**Mr Taylor:** Yes. On a broader scale, we have nearly 10 years' worth of data that we have been accumulating through a long-term intervention monitoring plan. That is a multimillion-dollar program over the life of the program so far. That's more recently merged into what we are calling or monitoring evaluation and research

program. That's been independently reviewed just recently, with a detailed report put out on our monitoring programs and the effectiveness of them right across the Basin where we deliver our water. That's come back pretty positively. Clearly there are recommendations on how we can improve that. We're in the process of a redesign for the next longer period of that monitoring right across the Basin also.

**Senator McLACHLAN:** Is there any link between the number of programs going forward and the size of your water holding? Or you don't make that connection?

**Mr Taylor:** The nature of our waterings or our environmental water delivery activities is maturing over time. I think, early on, we were in a situation where we had relatively defined parcels of water put into very defined areas and then we would monitor the outcomes on those sites. As the portfolio of water has expanded and our maturity of delivering that water in conjunction with our state partners has improved, we're looking at it much more on a system scale. For example, in the last watering year, we've delivered water that's been coordinated out of the Goulburn River, the Murray River, the Murrumbidgee River, along the length of the Murray, which included some flows with signals but not water accounted back to us, which are coming out of the Darling as well with nutrients and stuff. By coordinating those flows, we have managed to get for the first time perch spawnings in the River Murray itself, right down into South Australia. It's been a real success. That's this lifting it up. It is very difficult to decide whether that is one activity or all the activities in those different sites. Because that water may have done work in Barmah–Millewa forest on the way through, it may have done work in the main river channel. It has delivered something in terms of a fish outcome further down. So defining a number of projects isn't really the way we think about it.

**Senator McLACHLAN:** Do you have staff in South Australia?

**Mr Taylor:** Yes, we do—based in the Riverland.

**Senator McLACHLAN:** Right. How many?

**Mr Taylor:** We have one of our local engagement officers in the Riverland. We have six local engagement officers spread across the Basin and we are in the process of recruiting another at the moment.

**CHAIR:** Ms O'Connell, do you have something to say?

**Ms O'Connell:** I was just going to offer to table something that I thought might be useful to the earlier discussion. If I could take a moment to do that?

**CHAIR:** Thank you.

**Ms O'Connell:** There was discussion earlier about a list of the water purchases. I referred to a document I'd earlier tabled, which is all of the list of the valuations, which goes to the water purchases. But I also came prepared, following Senator Sterle's letter of yesterday, to provide a summary list of all the strategic water purchases. Whilst the valuations go to water purchase, this is probably a better and easier document in terms of providing transparency on all of the purchases. So, if I can, I would like to table this. It's also available on the department's website but I'm happy to table it here.

**CHAIR:** Thank you very much. That will be very helpful.

#### **Proceedings suspended from 10:57 to 11:19**

**CHAIR:** The committee will now resume. Senator Patrick.

**Senator PATRICK:** Thank you, Chair. This is an issue that I covered at, I think, the last estimates. Back in June 2018, the former minister, Mr Littleproud, announced a program for Indigenous water rights. It was a \$40 million program. He announced that \$40 million would be spent over four years to buy water entitlements for First Nations groups. Last time around, we worked out that nothing had been spent to date. How much water has been purchased and to whom has it been provided?

**Ms Connell:** Last time, we did acknowledge the delay and we also acknowledged the priority of developing a model for an Aboriginal water entitlements program that Indigenous communities have confidence in. We didn't want to establish a program that they weren't supporting. We still have some way to go, and that's acknowledged in the report card the department published yesterday on the communities investment package. But we are committed to making sure the approach is supported by peak groups. We had a meeting with the peak groups at the end of last year. We have broadened the circle. We have been working closely with MLDRIN and NBAN but we have now broadened the circle of peaks to include the New South Wales Aboriginal Land Council, the native title peak group, and, I understand, groups in Victoria and Queensland.

Since we last appeared before this committee, Mr Pitt has now appointed the Indigenous member of the Murray Darling Basin Authority. Rene Woods was appointed just before Christmas last year. The minister is keen

to take advice from Mr Woods on this program. We are committed to continuing to work closely with peak groups but the program is not yet established.

**Senator PATRICK:** We are into the fourth year of a four-year program designed to assist Indigenous people. Mike Foley, who is a pretty reputable journalist, wrote a piece on 10 January this year in which he said that the federal water minister, Keith Pitt, had committed to reach an agreement with First Nations people by 31 March to decide on a framework to roll out the \$40 million. We are a few days away from 31 March. If you want to dispute that the minister made that commitment, I am happy for that to occur. Are you aware that the minister made that commitment?

**Ms Connell:** Yes, and that's consistent with the Murray-Darling Communities Investment Package. We released a report card on our progress against the various measures—

**Senator PATRICK:** Do you know what? I don't think the Indigenous people care about that; I think they want to get some water out of this. We are a fair way into the program—almost past the time frame. It makes me wonder about the true commitment of the government to assist these people. Do you want to comment on that?

**Ms Connell:** We are committed—and we are committed to doing it in consultation with Indigenous people. As I said, we do have some way to go. We are also working on a range of other initiatives with Indigenous communities, so this is not the only one.

**Senator PATRICK:** I want to focus on this one because it's announced, it's funded. Have you provided a time line to First Nations people as to when you expect water to flow? Have you provided Indigenous groups with a time line?

**Ms Connell:** That would presume that the government was coming up with the model and announcing the model, and not doing that in consultation.

**Senator PATRICK:** Are you going to hit the 31 March deadline set by the minister?

**Ms Connell:** As we've indicated in the report card, we are continuing to run behind on this program. We are hoping to get an agreed approach to the program model with Indigenous peak stakeholders as soon as possible.

**Senator PATRICK:** It's been put to me that you haven't had many engagements with First Nations people. Could you, perhaps on notice, put each point along the pathway where you have engaged with First Nations people on this particular program.

**Ms Connell:** Yes, we'd be happy to do that.

**Senator PATRICK:** The other concern that has been raised with me is that instead of purchasing water, which is the intent of the program, there is now some consideration of using the money on non-water assets. Can someone please tell me that is not the case, that is not what you are intending to do.

**Ms Connell:** The minister hasn't yet made a decision. He's asked us to consult with peak groups. As I said earlier, he has appointed Rene Woods to the authority board and intends to take advice from Mr Woods. We are exploring all possible options in terms of how this program could be delivered.

**Senator PATRICK:** So one of them could be non-water assets, even though that is not the intent of the program?

**Ms O'Connell:** I don't think we can say at this point. There are still some considerations. And we acknowledge that it's running behind.

**Senator PATRICK:** So you can't say so at this point, but what you are suggesting is not consistent with what the minister announced in the first instance.

**Ms O'Connell:** We're not suggesting anything here, only that the consultations are continuing. So it will depend on—

**Senator PATRICK:** Why would you go off that particular path? The substantive benefit that is supposed to flow from this program is in fact a water asset for Indigenous people. I get that there might be some element that is not water, but surely the bulk of it has to be water purchases and clearly from willing sellers. Have you investigated what's possible? Maybe you can provide to the committee a status report that says, 'This is who we have talked to and this is what the current plans are'—without the caveat that they are not concluded yet and that it is a draft—such that we can see the body of work that has been done on this particular project.

**Ms O'Connell:** We will undertake to give you further information about the consultations, what has come forward in those consultations, and a revised idea of the time frame.

**Senator PATRICK:** As a secretary, I would repose confidence and trust in what a minister says. So, when they make an announcement like this, surely you lay out a time line for your staff and perhaps even set KPIs

around the delivery of programs such as these. It goes a little bit to what we were talking about before, in that we want to progress these things; and clearly, in this instance, not much has happened. That actually means that you're not achieving the objectives set by the minister. That must give rise to concerns about performance.

**Mr Metcalfe:** In the abstract, what you are saying is quite reasonable. In the particular circumstances, and given the world we have been living through in the last year, there probably are some reasons for things not happening in the way they normally would have been expected to happen.

**Senator PATRICK:** Can you tell me—I presume it is an SES officer—who has been put in charge of the delivery of this program. Can you give me the name of the public official if they are an SES person.

**Ms Connell:** That's me.

**Senator PATRICK:** So you are responsible for the delivery of this program?

**Mr Metcalfe:** I would expect that Ms Connell, as division head in charge of the water division, has the overall responsibility for these issues.

**Senator PATRICK:** And, clearly, you have delegated some functions to some officials within the department.

**Ms Connell:** Yes. We have a small team and we have recently been through a redesign of the water division. Up until earlier this year, we didn't have a separate section that focused on Aboriginal water programs or water policies. As of 9 March, we have established a new section and we are in the process of recruiting to that team.

So we hope to have increased our internal capability to ensure that we can support the development of programs like these and also the significant recommendations that the Productivity Commission made in its draft report into the National Water Initiative.

**Senator PATRICK:** Should I take it from your evidence that, prior to the commissioning of that body, this was just not really being handled?

**Ms Connell:** No, that's incorrect. It's certainly been a key focus for me since I've been in the role. As I said before—

**Senator PATRICK:** How long have you been in the role?

**Ms Connell:** Since July last year. Our priority is to make sure that we end up with a delivery model that has community support as well.

**Senator PATRICK:** What should I expect to be a reasonable question to ask you at the next estimates about what you have achieved in this program?

**Ms Connell:** Whether we have, as we've indicated in the report card we released yesterday, agreed on a delivery model with peak Indigenous communities.

**Senator PATRICK:** So you're still not expecting further water? Four years takes it to June 2021, doesn't it? Effectively, that's the end of the run of the program. Is this money being carried over into the future budget?

**Ms Connell:** That's right. It's part of the broader funding that the department has available, which is essentially in place until 1 July 2024.

**Senator PATRICK:** From a project manager's perspective—that's my background—you normally would lay out a schedule or a Gantt chart of some description, setting yourself, within your own team, some goals about what you want to achieve. I presume you may have done that.

**Ms Connell:** Yes. The next critical step is to agree the delivery model with the Indigenous communities.

**Senator PATRICK:** I would ask that you simply table that Gantt chart. I would appreciate that.

**Ms Connell:** Okay, we can provide you with it.

**Ms O'Connell:** Senator, on your earlier question, we want to reassure you that the \$40 million remains available.

**Senator PATRICK:** I understand that. My concern is that it may get directed at something else. The intention is for it to be used, in effect, to purchase water to make available to Indigenous people. That's the litmus paper test as to what this program is trying to achieve, and I think that if you do something else it would be inconsistent with the aim expressed by Minister Littleproud. Have I got more time, or is that it?

**CHAIR:** I think you're out of time.

**Senator PATRICK:** Okay. I'll come back with some more questions.

**CHAIR:** Thank you, Senator Patrick. I appreciate that. Senator Roberts, it is your turn.

**Senator ROBERTS:** Thank you for attending today. On 29 May 2020, Mr Phillip Glyde, who had made a submission to the water markets inquiry, was reported as saying that the Murray-Darling Basin Plan was 'hollowing out regional communities by altering the mix of farming and food industries in ways that may not be in the national interest'. Mr Glyde went on to say that 'the constant drive to be more efficient' was cutting jobs, meaning fewer people in towns, fewer kids in schools and fewer health services. In my view, he summed up what is wrong with the Murray-Darling Basin Plan. Without putting words in Mr Glyde's mouth, I would say that what he is describing here is the decimation of rural and regional communities that are losing their critical mass. How much worse do things have to get in rural Australia before the department of agriculture admits that the Murray-Darling Basin Plan is a failure and the department gets fair dinkum about getting the stakeholders together to learn from the mistakes made and to sort this mess out—to actually start listening?

**Mr Metcalfe:** Thank you, Senator. I wouldn't agree with the conclusion that the plan is a failure. Indeed, while the plan may not have achieved every aspect of what was intended so far, I believe that there are many positives that have come from the plan. We heard earlier from the Commonwealth Environmental Water Holder about the fact that critically endangered wetlands and the Lower Lakes in South Australia have, in fact, been able to survive through the millennial drought, which probably wouldn't have occurred without the effect of the plan.

The government absolutely accepts that there have been huge concerns and issues for certain communities through the plan. The plan was always a compromise between water for communities, water for agricultural productivity and water for the environment, and I think it's fair to say it's one of the most complex and contested areas of public policy in Australia.

Minister Pitt as water minister has been consulting closely and, as border restrictions have lifted and permitted, has undertaken a series of visits through the basin. He's spoken with many community members and local representatives. In addition, the chair of the Murray-Darling Basin Authority, Sir Angus Houston, has also undertaken a series of visits for him to familiarise himself, to understand the needs of community. One of the reasons, I think, is the significant focusing of future expenditure, under the Water for the Environment Special Account, on communities and ensuring there's no impact directly on farms. I might ask Ms O'Connell to add to that response.

**Ms O'Connell:** In terms of those trips, Minister Pitt earlier this month was along the Murray. I accompanied him along with several other senators on that journey, plus Sir Angus Houston has done five listening tours of areas along the Murray-Darling Basin and I accompanied him on four of those. The issues in relation to community are exactly why, on 4 September, Minister Pitt announced the communities investment package, which was almost \$270 million, to put communities first, back into the centre of the Basin Plan and planning. It heralded a new approach that acknowledged the impact on communities and to do things to meet the plan that has a lesser impact on the communities.

If it helps, there are quite a few elements of that community investment package that I could read out. But I also have the document here that sets it out. In part, it's a recognition and comes from things like the perspectives picked up through the government's commissioning of the Sefton review and report. So this community's investment package directly goes to your earlier comments about the impact on communities through the implementation of the plan and signals a number of ways in which that implementation is changing, in order to reduce the impact on communities, and a number of initiatives that go to direct benefit to the communities.

If you're comfortable, I can table both that investment package and the recently released report card—acknowledging that the package was announced in September last year, so it's relatively new—in terms of implementation against that package, which is all about putting the communities first.

**Senator ROBERTS:** Thank you.

**Ms O'Connell:** Do you want me to table those?

**Senator ROBERTS:** Yes, please. Before getting to my next question, perhaps as an aside I'd point out that the Murray-Darling Basin Commission had a very good record, but its whole intent was changed. It was replaced by the Murray-Darling Basin Authority. Instead of listening and consulting with the people, the Murray-Darling Basin Authority—unlike the commission—has been pushing, and that, I think, has caused a lot of the damage. The intent seems to be completely different.

Why is the Commonwealth Environmental Water Holder watering state land with federal water when that water is additional to the environmental water the states already had before the plan started?

**Mr Metcalfe:** The Commonwealth Environmental Water Holder is here, and we could ask him to come up to the table and respond to that question.

**Senator ROBERTS:** Thank you.

**Mr Taylor:** The Murray-Darling Basin Plan has recovered water right across the basin. That water that's been recovered across all the states and territories is held as a portfolio of water by the Commonwealth Environmental Water Holder. That water is applied across the whole basin on a needs basis. The water is applied across the basin in really close collaboration with the states. I outlined earlier to Senator McLachlan the fact that the water is really coordinated these days. Our water can be put alongside state water or Living Murray water and it can be delivered right across the system, coordinated out of different tributaries, getting outcomes on state land, in the main river channel, on private land as it passes down the river, right through and maintaining connection between the Lower Lakes and the Coorong.

**Senator ROBERTS:** You're basically saying that you help out the states, so why are we adding Commonwealth water to areas that are already watered by states?

**Mr Taylor:** I think the fundamental premise of the plan is that before this water was recovered there clearly wasn't enough water to maintain the system in a healthy state. So this water that's been recovered is against the baseline of water that was already available in the states' systems.

**Senator ROBERTS:** Let's ask then: how much environmental water is actually available to state and federal environmental agencies, because it's a lot more than the official 2,100 gigs?

**Mr Taylor:** That's correct. I don't know the number off the top of my head.

**Senator ROBERTS:** Could we have that number on notice, please?

**Mr Taylor:** Yes, we can get that number.

**Senator ROBERTS:** Thank you. Why isn't the area known as the south-east in South Australia included in the Basin Plan when the area naturally flows into the Coorong and Lower Lakes and from there into the Murray mouth. It's part of the basin. Isn't the Murray-Darling Basin supposed to include the whole basin?

**Mr Taylor:** The definition of the Basin Plan and how that footprint was identified is a matter for others here. But, with regard to the south-east flows, I've visited the site down there and there's been significant investment in re-establishing connection from that south-east part of South Australia—

**Senator ROBERTS:** The natural connection that used to exist?

**Mr Taylor:** And there's major infrastructure work down there that's collecting water in tens of kilometres—I think it's up to about 70 kilometres already—

**Senator ROBERTS:** I've seen it.

**Mr Taylor:** And that water now is contributing back into the southern lagoon as part of the restoration and recovery of the whole program.

**Senator ROBERTS:** Will the south-east then be restored rightfully into the Murray-Darling Basin?

**Mr Taylor:** In a geographical administrative sense, I guess that's a matter for—I don't know—maybe basin plan 2 or some other thing.

**Senator ROBERTS:** To maintain or restore integrity of the plan and the basin, that would have to be the case, because it is part of the basin.

**Mr Reynolds:** We have provided information previously on notice about the boundaries of the Murray-Darling Basin and how they were defined for the purposes of the Basin Plan. I'd have to get advice on exactly when that was done, but we have provided that to this committee previously.

**Senator ROBERTS:** It should be part of the basin, because it is part of the basin geographically.

**Mr Reynolds:** There's been extensive work done in the south-east to drain that part of the area away from the Coorong. The works that Mr Taylor was referring to to re-establish drainage lines back through the natural billabongs in the south-east to bring some fresh water back into the Coorong for the benefit of the Coorong—

**Senator ROBERTS:** To restore the original drainage?

**Mr Reynolds:** Yes, but not all of it.

**Senator ROBERTS:** Can I call your attention to the Slattery & Johnson report *Floodplain water harvesting in the Northern New South Wales Murray-Darling Basin, February 2021*.

This project mapped on-farm storages and calculated their capacity in the five northern NSW valleys where floodplain water harvesting licences will be issued—

under current plans. It goes on:

The capacity of on-farm storages increased ... from 574 gigalitres in 1993/94, to 1,395 gigalitres in 2020. The number of on-farm storages has increased from 400 in 1988, to 1,833 in 2020.

In the southern basin the plan is trying to increase environmental water from 2,100 gigalitres to 2,750 gigalitres, yet in the northern basin large farming companies are taking massive quantities of water out of the basin through unregulated floodplain harvesting with no apparent licence to do so. What are you doing about unregulated New South Wales floodplain harvesting in the northern basin? And my constituents in Queensland and the southern basin are asking: why should Queensland farmers and farmers in the southern basin give back one more drop of water while the New South Wales National Party seems to be running a protection racket for their mates in the northern basin?

**Senator DAVEY:** Are you saying Queensland farmers don't engage in floodplain harvesting?

**Senator ROBERTS:** I asked a question of the—

**Senator McKENZIE:** I think that's what he's actually saying.

**Senator STERLE:** Queensland Nats! My God! Double whammy!

**Senator DAVEY:** Senator Sterle, please!

**Senator McKENZIE:** It sounds like the One Nation deal with the CFMMEU also extends to the broader Labor Party—

**CHAIR:** Was that a question, Senator Roberts? Are you finished with that?

**Senator ROBERTS:** Yes, that was my question.

**CHAIR:** That was a question? It was quite lengthy.

**Senator McLACHLAN:** That was an own goal!

**Senator McKENZIE:** It's not just Mark Latham, it's Senator Sterle as well—

**CHAIR:** Please just stop! Who is answering?

**Mr Metcalfe:** Chair, there's a witness who can assist—

**CHAIR:** Terrific! Thank you.

**Mr Metcalfe:** without necessarily accepting all aspects of the question. Mr Blacker?

**Mr Blacker:** Thank you, Senator, for the question. There were quite a few elements in that question, so I might start with the Slattery report. I recognise some of the numbers which have been quoted; I'm familiar with the report. I would just draw your attention to a number of responses to questions on notice in the New South Wales parliament in April last year. At that time, the New South Wales Department of Planning, Industry and Environment provided those numbers in full to the New South Wales parliament. So they're a matter of public record.

In relation to growth in works in New South Wales in particular—and I'll come to your point on Queensland in a moment: there has been extensive work done in New South Wales, particularly over the last handful of years. Last year I think there were three flood plain management plans put into place in New South Wales for three of those Northern New South Wales valleys. The other three had been done previously to that—I think within a two- to three-year period. Those planning instruments provide a science-and-evidence-based planning framework for the approval of flood works in New South Wales. That's administered by Water New South Wales. That's quite a significant improvement in the planning framework around water, and particularly flood work approvals, within New South Wales.

There are a number of flood works that relate to flood plain harvesting, but they're not necessarily all of the flood works that occur in the landscape. They overlap somewhat but are potentially two different sets of flood works. It's important to note those that are approved and those that are unapproved. There are a number of approved flood works. They have been through the appropriate planning processes and have approvals.

In relation to unapproved flood works, I can inform the committee that the New South Wales Natural Resources Access Regulator is currently working to identify and prioritise existing flood works in the northern basin that may need to be investigated. If NRAR finds infrastructure that is not compliant and cannot be authorised it may require those works to be decommissioned. NRAR is obviously the independent regulator for on-ground works within New South Wales and is the frontline regulatory agency in this regard. This year, in 2021, NRAR has scheduled audits of the Gwydir, the Barwon and the Murrumbidgee. These audits will review flood works that could adversely impact the distribution of flow of water within those valleys. NRAR will also assess unlicensed flood works in areas of high environmental significance and is also preparing an annual audit plan for flood plain harvesting for implementation from July 2021, in line with the licensing and measurement requirements that are currently part of the New South Wales Healthy Floodplains Project reforms.

In relation to Queensland: Queensland also have overland flow arrangements. They're in the process of continuing their reform process. There are slightly different arrangements in Queensland. They had a moratorium on new flood works which was put in place, I think, in the early 2000s. So that's been in place for quite some time. Volumetric licensing in the Lower Balonne was completed some time ago in Queensland—

**Senator ROBERTS:** They appear to have it in hand.

**Mr Blacker:** They're on a similar trajectory. They're also going through licensing other areas of Queensland within the basin footprint. Those arrangements are due to be completed by the end of 2022, so they're going through similar processes for licensing. There are some areas where the growth in use of overland flow is controlled at the moment by that moratorium on groundworks, but that's being converted to a volumetric licence. So, yes, there's reform happening in both jurisdictions and that will continue for the next period of time in both jurisdictions up until the end of 2022.

**Senator ROBERTS:** Thank you, and thank you, Chair.

**Senator STERLE:** Can I start with a bit of preamble. I'll be quick. Of all the years we have sat on this committee and senators have asked for one last question, I have to give to Senator Roberts, that was a doozy, and the answer from Mr Blacker was even longer. I reckon that would break all Senate records!

**CHAIR:** I wish we had a dollar for each time—

**Senator STERLE:** I've got general budget questions on the Murray-Darling Basin Plan. Have I got the right officials there?

**Mr Metcalfe:** I'll bring the department officers back. We have the MDBA and others here if need be.

**Senator STERLE:** I suppose I will put to you, Mr Metcalfe, and then as directed, I want to know how many programs lie within the water portfolio?

**Ms O'Connell:** I might make this easier. You asked for a summary of the water budgets in your letter before. I have got a document here for tabling.

**Senator STERLE:** So you will table that for us?

**Ms O'Connell:** Yes.

**Senator STERLE:** I haven't seen the response.

**Ms O'Connell:** I haven't yet—I'm happy to do it. Here it is here.

**Senator STERLE:** On your website there is the list of current programs and projects. This is it coming. Can I go through each program. So I don't waste time, Ms O'Connell, I have got a list of seven programs I want to talk about. I want to know the status, when they commenced, when they are due to finish, how much money has been spent and how much remains. If it has to go on notice, there is no stress. We'll go to the Water for Fodder program.

**Ms O'Connell:** We covered this last estimates. The Water for Fodder program—

**Senator STERLE:** I wasn't here, I'm sorry. Mea culpa. It's the first time since Senator Xenophon and Prime Minister Turnbull did the deal for additional estimates that I have not been—Senator Gallacher has always been here.

**Ms O'Connell:** Last time, round 1 is fully done on Water for Fodder. Round 2, requirements changed. It rained, so there was no further need, and there were no further applications for Water for Fodder round 2. We didn't continue with round 2 on the basis that the climate conditions changed and it wasn't needed any further.

**Senator STERLE:** To my question: how much money was left over? What wasn't spent, if that was the case? It's the first time I have ever had to apologise in this committee for not being part of the committee. You got me a beauty. I send out my best wishes to my dear friend Senator Gallacher. Thank, Alex.

**Ms O'Connell:** My apologies. I didn't intend that. It might be easier if we take it on notice. I've given the broad answer. We cancelled round 2 because conditions changed. Round 1 was fully expended and we had no further applications.

**Senator STERLE:** So you will let us know how much was left over, on notice?

**Ms O'Connell:** Yes.

**Senator STERLE:** The Water Efficiency Program—I believe that's been scrapped too?

**Ms O'Connell:** No, that's—

**Senator STERLE:** Still going?

**Ms Connell:** The Water for the Environment Special Account was the source of funds for the Water Efficiency Program. It closed on 3 March.

**Senator STERLE:** What money's been spent? If not all, how much is remaining?

**Ms Connell:** My understanding—we will confirm this—is that \$18.6 million has been spent to date on the Water Efficiency Program. But even though the program has closed to new applications, there are a number of remaining applications and existing projects that will need to be progressed to their conclusion.

**Senator STERLE:** Do you have that figure? Will the whole budget for that program be spent? If not, how much do you envisage or how much will be left over?

**Ms Connell:** The funding for the Water Efficiency Program comes from the Water for the Environment Special Account. That funding is available up until 1 July 2024. It's in the figures that have been provided to you. The third spreadsheet sets out what is currently in the Water for the Environment Special Account.

**Senator STERLE:** I don't wish to make it hard, but I don't have that in front of me. I've asked how much was the program allocated. How much has been spent and how much is left over? Do you have those figures?

**Ms Connell:** In terms of the allocation from the Water for the Environment Special Account to water recovery, I think it's in the region of \$1.4 billion until 1 July 2024. To date \$18.6 million has been spent on the Water Efficiency Program.

**Senator STERLE:** I can't do the sums that quick, but there is a heck of a lot still left. I will move to the Sustainable Rural Water Use and Infrastructure Program. Once again my question is, when did it come on board, when does it finish, how much has been allocated, how much has been spent and how much is left over?

**Ms Connell:** The Sustainable Rural Water Use and Infrastructure Program was established in 2007-2008 and is due to run until 1 July 2024. To date, I understand that \$13 billion has been spent and there remains \$2.1 billion.

**Senator STERLE:** Eye-watering figures, aren't they? The On-Farm Irrigation Efficiency Program.

**Ms Connell:** That's a new program.

**Senator STERLE:** A new one, is it?

**Ms Connell:** That's right. Sorry—I'm thinking about the off-farm.

**Senator STERLE:** On—off—they're close. I got done over in the Industrial Relations Commission on a comma!

**Ms Connell:** We're getting into some detail that Mr Finn will be more able to answer. That program is closed. We'll give you some of the detail about how much has been spent.

**Mr Finn:** I'll go to the page for you for those numbers. You were asking about the on-farm program. That's a component of the broader Sustainable Rural Water Use and Infrastructure Program that Ms Connell just gave you the numbers for.

**Senator STERLE:** That's the \$1.4 billion one.

**Mr Finn:** I will just find the right page. It might be easier if I table that on notice. I can give you the numbers.

**Senator STERLE:** That's fine. We will have that today?

**Mr Finn:** I can give you that today.

**Senator STERLE:** That's fine. Three to go, Chair, then one last question. The Commonwealth On-Farm Further Irrigation Efficiency Program—can you help me out on that?

**Mr Finn:** Likewise I can table that if it's easier. These are all subcomponents of that broader program.

**Senator STERLE:** Of the broader \$1.4 billion—that one?

**Mr Finn:** Yes.

**Senator STERLE:** The Private Irrigation Infrastructure Operators Program for New South Wales. Same deal?

**Mr Finn:** Likewise, I can give you that by the end of the day.

**Senator STERLE:** This is getting easier. And the same one for South Australia—on notice?

**Mr Finn:** Yes, the same.

**Senator STERLE:** My last question, Chair. I will put it to Mr Metcalfe, while he is having a secret squirrel, just to throw things out—

**Senator Ruston:** I don't think he is listening.

**Senator STERLE:** I will put to it the minister. It's not a trap! Could the department advise of the support being provided to the dairy industry in light of the recent flood event; in particular, how the various industry bodies such as Dairy Australia are being utilised to provide that support to its membership?

**Mr Metcalfe:** I'll need to check what Dairy Australia might be doing. Obviously, there have been some quite tragic reports as to impact on livestock, cattle being washed out to sea and whatever. The primary responders in relation to stock issues are the DPIs in New South Wales and, in the case of southern Queensland, Queensland. I mentioned when we appeared before the committee on Tuesday that I'd been in touch with the heads of those authorities or other staff in those departments to say that we were happy to provide any assistance that we could as a department. We think that, primarily, that might be through the fact that we employ a significant number of veterinary surgeons, so there may be issues around animal welfare that we could assist with. We've yet to hear, because I think, literally, the floodwaters are just receding now. In relation to other initiatives, there are, of course, the general Commonwealth payments to individuals who have been impacted by the floods, and that's being rolled out through the Services Australia network. I'll check anything specific that Dairy Australia or other bodies in the portfolio are doing and I'll try to come back through the course of the hearing today.

**Senator STERLE:** Thank you, Mr Metcalfe.

**Senator McALLISTER:** I have a series of questions that go broadly to how the Commonwealth is tracking towards the objectives in the plan. I want to start with the 450 gigalitres. We talked at length at the last estimates about the first review of the Water for the Environment Special Account, and we discussed their conclusion, which is that the 450 gigalitres will not be recovered by 30 June 2024. At that time you told me that you were doing work to assess what projects might be available in relation to the 450 gigalitres. Given that that assessment has progressed somewhat, does the government agree with the assessment that the 450 gigalitres will not be recovered by 30 June 2024?

**Ms O'Connell:** I think, in terms of the 450 gigalitres, the announcement of the minister to look at off-farm efficiency measures in order to achieve the 450 gigalitres is a significant change. There was also a recent announcement, which I'll ask Ms Connell to speak to, that will add some significant water as a result of a particular project, and there are quite a number of projects up for consideration and assessment on the off-farm project site. I'll ask Ms Connell to speak to I think it's 15.9 gigs, with the latest project announcement that—

**Senator McALLISTER:** With respect, it would be good to hear about that project. I'm not so interested in individual projects; I'm trying to understand at a macro level the Commonwealth's perspective on how you are tracking towards the 450 gigalitre target. The review of the Water for the Environment Special Account said you're not going to do it. What is the Commonwealth's view?

**Ms O'Connell:** That was prior to—that was using the measures that were put in place then. There has now been a significant change, with the focus on off-farm, and this project that we're talking about is an example of the change that that policy setting has made in terms of achievement of recovery. If I could just ask—

**Senator McALLISTER:** I don't think that answers my question, Ms O'Connell. I am interested in the project, but I'm trying to understand what the department's view is about the 450 gigalitres. Do you believe that you will meet the 450 gigalitre target?

**Senator McKENZIE:** I'm waiting for your answer.

**Ms O'Connell:** The minister remains committed to the plan and the delivery. Certainly, the review showed that, under those current settings, we weren't achieving it. That's what I'm saying; the settings have now changed. I just referenced that project because it returns a significant amount of water compared to other recoveries and the move to off-farm and the number of projects that are now being assessed as potential projects. It's a step change; that's what I'm saying. Under previous settings, it wouldn't have.

**Senator McALLISTER:** I think you've answered my question. So the Commonwealth remains committed to the 450 gigalitres and has made changes to the program settings to enable that. Can I understand which Commonwealth programs are currently directed towards achieving the 450 gigalitres?

**Ms Connell:** I'm happy to answer that question. As Ms O'Connell said, following the WESA review and the Sefton review there was quite clear advice, which wasn't surprising, that the existing Water Efficiency Program wasn't working. As Ms O'Connell indicated, only 0.2 of a gigalitres had been recovered. On 3 March Minister Pitt announced the closure of the Water Efficiency Program and the launch of the new Off-farm Efficiency Program.

**Senator McALLISTER:** This area of policy has a lot of programs that sound similar. Is there a new program and does it have a new capital letters title?

**Ms Connell:** Yes. The new program has the quite generic name of the Off-farm Efficiency Program.

**Senator McALLISTER:** So we have a new program, the Off-farm Efficiency Program. It is at least quite straightforward. Are there any other programs that are directed towards the 450 gigalitres target?

**Ms Connell:** The new program has two elements to it. There is \$1.3 billion, to be made up of state-led off-farm projects, and there is another component of \$150 million, which will be available for Commonwealth-led grants to proponents. In addition to the Off-farm Efficiency Program—and we spoke about this earlier this morning—there is a component of \$60 million which will remain available for on-farm projects where a basin state brings forward those projects for Commonwealth funding.

**Senator McALLISTER:** So those are the only two programs that are directed towards the 450 target?

**Ms Connell:** At the moment. They the principal programs and they represent, as Ms O'Connell said, a significant step change, and the minister also announced, on 3 March, funding for a Victorian project.

**Senator McALLISTER:** Under which program?

**Ms Connell:** It's funding to Goulburn-Murray Water, through Victoria. That funding has been made available under the Water for the Environment Special Account.

**Senator McALLISTER:** So separate to these measures that you just alluded to?

**Ms Connell:** Yes. Essentially all of the measures that I've alluded to are components of projects and programs that will be funded out of the Water for the Environment Special Account.

**Senator McALLISTER:** Is the example you just provided an Off-farm Efficiency Program—

**Ms Connell:** That's right.

**Ms O'Connell:** It delivers 15.9 gigalitres, which is quite a step change from where we had been before.

**Ms Connell:** The other principal key component of that project is that it will provide significant economic stimulus for the local and regional community in that area, and we are expecting it to create hundreds of jobs as well.

**Senator McALLISTER:** I have a lot of questions, and I do genuinely appreciate that officials are trying to assist by providing additional information, but I don't want to hold up the committee. So, from my perspective, Chair, the best way would be if officials focused their remarks on things I have asked about and less on things I have not asked about, and then I will not use as much committee time, and then we will all have a better day. Would that be alright?

**CHAIR:** I'm completely satisfied with that idea, so long as there's not information that would be useful to you that is unsaid.

**Senator McALLISTER:** Sure. Last time when we talked about this same question I asked for a list of projects that made up the 70 gigalitres that had been identified previously as the sum total of projects, and you tabled a document that essentially confirmed that there were 70 gigalitres of off-farm water identified in this stocktake of off-farm infrastructure projects. Is that still the identified off-farm opportunity that the department is pursuing, or is there a different and longer list?

**Ms Connell:** That essentially remains the core list, but we are open to new proposals that come through, and we expect that the grant component of the new program will provide an opportunity for any projects or potential projects that we haven't captured through that stocktake process to be able to be presented.

**Senator McALLISTER:** I am struggling to see how this is a step change from the last time we spoke, for this reason: at the time of the First Review of the Water for the Environment Special Account, roughly 70 gigalitres had been identified by the department. That review made very clear that at that rate there was no pathway for the department to reach the 450. You are now telling me that there are still essentially 70 gigalitres that have been found available in off-farm projects. I don't understand how that materially changes the assessment that was made in the First Review of the Water for the Environment Special Account.

**Ms Connell:** I didn't refer to the 70-gigalitre figure. We are currently in the process of assessing those projects that have been put forward by states, and we working more closely with states to understand the potential for water recovery. I disagree; there hasn't been a step change. When we appeared before, we were looking at 1.9 gigalitres of water. We have now secured, potentially, an additional 15.9 gigalitres.

**Senator McALLISTER:** That gets us to about 16 gigalitres out of a total target of 450. In terms of the assessment that was made in the first review, it doesn't seem to alter that fundamental assessment that has been made. What other steps is the department planning to meet this target? It remains a priority for the minister. You have identified something in the order of 70 gigalitres. How are you going to meet a target of 450 that is due in 2024?

**Mr Metcalfe:** The simple answer is there is a lot of Commonwealth money available to the states, and we are working with the states to encourage them to identify projects that would, in fact, allow this to occur.

**Senator McALLISTER:** But, at this stage, this answer that you provided at the last budget estimates—it was tabled, thank you—is essentially accurate, give or take one or two other projects?

**Ms Connell:** No, I think it has significantly changed. The Water Efficiency Program has been closed and a new off-farm focused program has been opened. We are working through the current proposals we have from states to assess their water recovery potential, and we will establish a grant component of the new program which will provide the opportunity for additional projects to come forward as well.

**Senator McALLISTER:** These were projects that you identified last time as being worth 70 gigalitres. It was tabled after a long discussion in the committee. For clarity, Ms Connell, this was described as the stocktake of off-farm infrastructure projects by the department.

**Ms Connell:** I don't have it in front of me, but my recollection is that that also said that some of those projects were at concept stage. A critical next step is to work with states to progress feasibility studies to determine what the actual water recovery potential is. We are very focused on that. We are meeting regularly with states to progress these discussions. We have identified 10 projects which we are discussing further with Victoria and New South Wales which have the potential to commence in the next 12 months.

**Senator McALLISTER:** But, nonetheless, this 70 gigalitres of off-farm projects is still essentially the baseline opportunity that you are working with?

**Ms Connell:** We have done a stocktake. A number of projects have come forward as part of that stocktake. The information isn't perfect, because some of those projects were at concept stage.

**Senator McALLISTER:** Is it a different stocktake to the one you were referring to when this document was tabled? I am struggling to understand conceptually. Is there another stocktake?

**Ms Connell:** No; it is the same stocktake. We are working quite closely with states to better understand the higher potential projects. As I said before, one of the elements of the new program is a grant funding stream. That will provide the opportunity, for projects that we haven't captured, for proponents to apply for access.

**Senator McALLISTER:** But this stocktake, which identified 70 gigalitres of off-farm water, remains the baseline against which you are working in this conversation with the states? There's no other larger number that you wish to put on the table? We are still working with a 70-gigalitre potential?

**Mr Metcalfe:** I think what the officer is saying is that we have a new program, a new focus on off-farm recovery and strong encouragement for the states to identify projects that would allow a large amount of Commonwealth taxpayers money to be funded towards those projects.

**Senator McALLISTER:** Are you saying to me that you think that this list is going to get bigger?

**Ms O'Connell:** Yes, Senator; we're expecting further projects through the grants. As Ms Connell was saying, we're expecting more projects.

**Ms Connell:** And we also anticipate that the 70 may, through feasibility studies, become something more like between 100 and 150. But we are going through the process of working with states to identify where additional feasibility studies need to be undertaken.

**Senator McALLISTER:** Okay. What action does the Commonwealth intend to take if the 450 is not recovered?

**Mr Metcalfe:** Our focus is on recovering the 450, Senator.

**Senator McALLISTER:** I see. The special account is a large amount of money. I think you may have provided this answer to Senator Sterle, but how much is currently in the Water for the Environment Special Account?

**Ms Connell:** I think about \$1.7 billion. That's for water recovery and also for constraint projects.

**Senator McALLISTER:** Do you currently expect that amount will be fully expended by June 2024?

**Mr Metcalfe:** That would depend upon the projects the states are able to bring forward.

**Senator McALLISTER:** I see; so we don't know.

**Mr Metcalfe:** To go back to my earlier answer, we are all working to achieve it.

**Senator McALLISTER:** Alright. When the government responded to the first review of the special account, the minister said:

My department will report on progress of the Murray-Darling Communities Investment Package as we lead into the second review of the Water for the Environment Special Account in 2021.

Has that report happened?

**Ms O'Connell:** Yes, Senator; I just tabled it.

**Senator McALLISTER:** My apologies.

**Ms O'Connell:** I tabled both the announcement package and the report card. I hope that it is there, because I did table it.

**Senator McALLISTER:** Thanks very much, Ms O'Connell.

**Mr Metcalfe:** I don't know if you were here before, but I did just put on the record with the committee, and I think I did it last time, that in my previous role I had some involvement in these issues.

**Senator McALLISTER:** You've actually said this already today, Mr Metcalfe.

**Mr Metcalfe:** I'm being very careful of where I sit, but just so that you are aware.

**Senator McALLISTER:** You are very diligent about that, and that is quite proper. When can we expect the second review of the special account?

**Ms Connell:** It's due in September this year.

**Senator McALLISTER:** Who is conducting it?

**Ms Connell:** We're in the process of establishing a project plan for the second review.

**Senator McALLISTER:** I see, and when do you imagine that you will appoint a reviewer?

**Ms Connell:** I anticipate in the next two months.

**Senator McALLISTER:** And then it is due in September? It's a quick review. I want to ask about the backdrop to the decision to cancel the Water Efficiency Program, the WEP. Was this project subject to a review of any kind prior to cancellation?

**Ms Connell:** Yes, the first WESA review.

**Senator McALLISTER:** Okay, so that is essentially the basis for the decision to cancel it. When was the decision made to scrap the program?

**Ms Connell:** The minister announced on 3 March that the program would be closed.

**Senator McALLISTER:** Was that a decision of cabinet or the minister's decision?

**Ms O'Connell:** I'm advised it was a decision of government to do that.

**Senator McALLISTER:** Do we know what date that was taken?

**Ms O'Connell:** No, Senator, I don't have that with me.

**Senator McALLISTER:** Does anyone know the cabinet decision?

**Ms O'Connell:** We've got the date of the announcement.

**Mr Metcalfe:** The key thing is the date of the announcement.

**Ms O'Connell:** Yes.

**Senator McALLISTER:** I'm interested in the date of the decision, not the date of the announcement. If someone can check it, that would be good. I think I know the answer to this, because we've talked through it now, but the minister has said publicly that the government has identified around 50 off-farm projects. That's the same set of projects that we refer to when we are talking about this stocktake.

**Ms Connell:** Yes.

**Senator McALLISTER:** The minister has also said that 10 of those projects would start within three to 12 months. That's consistent with your evidence just now, Ms Connell. Can I have a list of those 10 projects that are likely to start within three to 12 months?

**Ms Connell:** Can I take that on notice? We just need to confirm with the relevant states and proponents before we provide that information.

**Senator McALLISTER:** You may, but I will just point to the requirement that, if you are not planning to provide information to a committee that asks for it, you need to give an actual reason other than it is inconvenient. How much was originally allocated to the Water Efficiency Program, the one that was cancelled?

**Ms Connell:** The Water Efficiency Program was funded out of the Water for the Environment Special Account, as I said before. There is \$1.559 billion allocated to efficiency measures, which the Water Efficiency Program was one of, until 1 July 2024.

**Senator McALLISTER:** Should we understand that the unspent money that was allocated to the Water Efficiency Program is being reabsorbed into the Water for the Environment Special Account?

**Ms Connell:** It remains part of the Water for the Environment Special Account.

**Senator McALLISTER:** How much was initially allocated for expenditure under the Water Efficiency Program?

**Ms Connell:** It was \$1.559 billion. We provided this information in the documents that were tabled earlier, requested by Senator Sterle.

**Senator McALLISTER:** I think it's the dizzying rate of change that just makes it a little bit difficult to understand how all these programs fit together. Many of them are subsets of other programs, and all of them have the words 'water efficiency' in them, so we're just struggling a little bit to understand.

**Ms Connell:** I appreciate that. Perhaps I could take a step back and make that a bit easier to understand. There are two components to the Water for the Environment Special Account which are set out in the Water Act. There is a total of approximately \$1.7 billion in that account, and \$1.559 billion is preserved for water efficiency projects. There have been a number of programs over the years. The most recent one was the Water Efficiency Program. That has now closed, so the efficiency measure element of the WESA will continue to be made available for water efficiency projects and programs, and the new programs are the off-farm program, which has the two components—the state-led component and the grant component—and then there's the \$60 million.

**Senator McALLISTER:** Thank you. That's helpful. I want to turn finally—and this is my last set of questions around this bundle of issues, Chair—to the projects that the New South Wales government was undertaking as part of its contribution to the 605-gigalitre supply project target. Last week *The Land* reported that the New South Wales government is stepping away from the Menindee Lakes project. What are the ramifications of that decision? I will ask first: has this been communicated to the Commonwealth? Is that article correct?

**Ms Connell:** As I understand it, that article reported the fact that the New South Wales government has paused, or stepped away from, the stakeholder advisory panel. It hasn't formally withdrawn the project but it is quite clear that there are some significant challenges with the project, including community and stakeholder concerns.

We are continuing to work with and support New South Wales to look at what could be done differently in relation to that project and how it might be able to be altered or augmented.

**Ms O'Connell:** In short, it's open to the states to put forward reshaped or re-scoped projects. We're encouraging states to consider doing that—given the amount of money still left and there being some years before 2024—and are open to looking at encouraging any re-scoped projects or proposals, and to start focusing on what can be delivered through that.

**Senator McALLISTER:** Have they advised you in any formal way about their decision to withdraw from the stakeholder process?

**Ms Connell:** No, they've not written to formally withdraw the project.

**Senator McALLISTER:** They've just put in in *The Land*.

**Ms O'Connell:** Not to us. There's no withdrawal, but—

**Senator McALLISTER:** I didn't say withdrawal; I said to pause the stakeholder process.

**Ms O'Connell:** That's right. That's why I'm clarifying. We will go back and check, because there is 'telling us' but there is also 'telling the minister'. We will go back and check whether there has been any advice about the pause on the community consultation. I'll offer to check that.

**Senator McALLISTER:** What contribution was this project anticipated to make to the 605 gigalitre target?

**Ms Connell:** The modelled contribution for Menindee is approximately 105 gigalitres.

**Senator McALLISTER:** So it's a very significant project in the context of the 605. Does the Commonwealth have any sense of alternative projects that might be available should this 105 gigalitre project not go ahead?

**Ms Connell:** As Ms O'Connell said before, it is open to the states to put forward changes or variations to existing projects, and we're certainly working with New South Wales in relation to possibilities in that respect.

**Senator McALLISTER:** I think your colleague from the MDBA said that there is a trigger in 2023 to assess the status of that 605 gigalitre adjustment. Is there any earlier point when you might consider adjusting the 605 gigalitre target or the supply project arrangements, if this very significant project is actually formally withdrawn by New South Wales?

**Ms O'Connell:** Our focus is really working with the states on the projects, and if there's an opportunity to re-scope and see what can be delivered, that's what we're doing at this point.

**Senator McALLISTER:** Mr Metcalfe, I might ask you this. On both the 450 and the 605, there seem to be very substantial impediments to reaching the targets. I appreciate that the advice you've given the committee is that you are making best efforts to reach them, and the government remains committed to them. However, I need to understand: is there any contingency planning going on at all in the department for the possibility that both of these targets appear to be at risk from slow delivery of the relevant projects?

**Mr Metcalfe:** I think the most recent review of the situation is what, essentially, led the minister to make the announcements that he did earlier this month. That was a strong focus on off-farm efficiency measures and continuing to work very closely with the states, knowing there is a large sum of money for them to access for these programs. We've also heard evidence from the MDBA about statutory reviews of the plan in 2023 et cetera. All I can say is that our focus is on continuing to do everything we possibly can to achieve what the plan asks.

**Senator O'NEILL:** This is along the lines of the questions from Senator McAllister. I'm a New South Wales senator, and I'm happy to get out around the regions and out to Parkes and the Riverina and down to Farrer—all of those areas where the communities are so exercised about this.

I was very interested in the evidence taken by the Murray-Darling Basin committee by Ms Melinda Pavey, the water minister for New South Wales in September. Are you familiar with her evidence to the Senate?

**Ms Connell:** I'm aware of the evidence she gave before the committee in September last year.

**Senator O'NEILL:** So you would be aware about her comments with regard to the 450 gigalitres? Because I hear you answering Senator McAlister's questions, saying: 'We remain committed. We remain committed.' But earlier this morning—I think we actually heard the backup plan under construction, which is, 'Well, if we don't reach the 450 gigalitres'—for me, I heard dot dot dot. That's what I heard in that evidence this morning.

**Mr Metcalfe:** I think what you heard was evidence from the MDBA about what is required in 23. What we're talking about is what the department is focused on in 2021.

**Senator O'NEILL:** What you're focused on in 2021 is relying on what you have been doing in the preceding years. I'll read what Ms Pavey had to say about projects of the kind that you're continuing to advocate here. Correct me if I'm wrong, but this is what I'm hearing from you: 'We've got the money. Come on board states.' The response from Minister Pavey, I think, indicates they're not coming on board. She said:

New South Wales is involved in 22 of the Basin Plan's 36 sustainable diversion limit adjustment mechanisms, SDLAM, projects, and we've delivered more than half. Thirteen projects are in place or nearing completion. Key projects though, such as Menindee Lakes and Yanco, must change and cannot be delivered in their current state. Similarly, the Constraints Management Strategy cannot be delivered by 2024, and that's just the honest truth. Similarly, we welcome the Commonwealth government's commitment to stop any more water purchases or recovery, particularly around the additional 450 gigalitres. The drought has highlighted that we have no more to give in New South Wales.

That last bit is hard to say while it's raining, but, whether we're in drought or whether we've had these seasonal rains, that is the key sentence from the minister for water in the great state of New South Wales, through which a huge part of this system runs. It's critical to it. She said, 'We have no more to give in New South Wales.'

**Senator DAVEY:** It's true.

**Senator O'NEILL:** I want to know from the department, given that articulation of the reality for the New South Wales government, how can we, as senators, believe your evidence to us today that you're going to just keep showing up with the money, asking them to participate and that there will be a change of focus? This is the Water Minister saying, 'There's no more.'

**Mr Metcalfe:** What we have also heard, is that there are a number of projects that are being considered. I'm not going to, in this forum, get into a discussion about commonwealth-state relations, but I know that the Commonwealth water minister is very focused on this issue and is working with his counterpart ministers to achieve the best possible outcome against the plan. We've been talking about our commitment. It's up to the New South Wales minister to indicate what her views are.

**Senator O'NEILL:** I think she's indicated them, Mr Metcalfe. I don't doubt your sincerity in your approach. What I'm saying is, if you keep doing the same thing, you're not going to get a different outcome. The reality is New South Wales is not engaging with this process. It's a matter of public record now.

**Mr Metcalfe:** But we've actually had quite a long discussion this morning about the fact that there has been a change. The outcome of the review of the water environment special account has led to recent announcements by the minister on a change of focus. He will continue to work, I'm sure, with his state counterparts, to achieve the best possible outcomes for all Australians.

**Senator O'NEILL:** So, my second question—

**CHAIR:** Senator McKenzie has got to go to a function. Senator O'Neill did say that she had two questions, but Senator McKenzie has an event that she needs to be at. Would it be okay if Senator McKenzie could ask her questions and then we'll come back to you?

**Senator O'NEILL:** Yes. Happy to facilitate in the interest of cross-border relations.

**Senator McKENZIE:** So there's no ambiguity where the Victorian Nationals sit, we also reject the notion that any more water will be coming from our irrigators to fulfil any 450 target. Given time, I will table my 450 questions, my questions for the Murray-Darling and I will also table my 2024 deadline questions. I've got a question for the Murray-Darling Basin Authority around analysis of the science. We've heard a lot of talk today. Every time we come to this conversation, we hear a lot of talk about the numbers and not a lot of talk about the science that underpins those numbers. We came to a political solution under a former Labor government about what numbers we would have to take from regional communities to fulfil a Murray-Darling Basin plan. We didn't know the science of how to actually water environmental assets throughout the basin. Ten years on we now have a lot more evidence. My question is—when are we going to reassess the numbers in light of two things: the fact that the science we have now means we can water environmental assets to get the right environmental outcome with less water, and the significant socioeconomic detriment that this blind pursuit of the numbers alone is wreaking on rural and regional communities, particularly in New South Wales and Victoria and throughout the basin.

**Senator PATRICK:** And climate change—

**Senator McKENZIE:** No-one is arguing about climate change!

**Senator PATRICK:** I'm saying it has an effect on the SDLs.

*Senator Davey interjecting—*

**Senator McKENZIE:** The science underpinning the environmental—

*Senator Patrick interjecting—*

**CHAIR:** Senator Patrick, please stop, or we'll be here all day.

**Mr Metcalfe:** I think the witness is ready to answer the question.

**Senator McKENZIE:** I've asked the Murray-Darling Basin Authority. Can you answer my question, please?

**Mr Reynolds:** The science that underpins the establishment of the original Basin Plan numbers were based on the best science available at the time. We continue to review—

**Senator McKENZIE:** Which was negligible to nothing. We've had evidence to this committee over the last 10 years. With your previous—

*Senator Patrick interjecting—*

**Mr Reynolds:** It was based on the best available science at the time. There are a number of reviews and evaluations written into the Basin Plan. We've just completed our Basin Plan evaluation and published that in the last couple of months. That does highlight a number of successes from environmental watering across the basin. It also took a lot of information from the Sefton and other reviews and highlighted some of the impacts of that. There is significant investment going into furthering this science—

**Senator McKENZIE:** Sorry, I really apologise. I would have loved to have had more time on this; unfortunately, I don't. I know all the reviews that have been done. My question is have we revised the science behind the benchmark? You say we used the best available science—we all know what that was. So, what work are you doing now that we know we can water these environmental assets differently, and use the best available science now—which is quite robust—to get great environmental outcomes and save water that could go back into irrigated agriculture and rural communities? Are you going to examine that? Are there any plans to do that?

**Mr Reynolds:** Absolutely. The government has committed \$20 million to the Water and Environment Research Program over the next four years. That will examine just those sorts of things: how we effectively use

environmental water, the impacts of climate change and the demands that might be in the future. That's a significant investment. We'll continue to work through that and bring that information to bear. There are reviews written into the Basin Plan. The 2026 review of the Basin Plan will be the time where any adjustments to the plan would ideally be made.

**Senator DAVEY:** Can I just follow up? When you do that review, the benchmark model was based on a set of targets at certain sites and flow targets in the river which aren't the Basin Plan but have underpinned the establishment of the SDL.

Now that we've had 10 years of the CEWH managing their portfolio, actively delivering water to those sites and establishing and achieving environmental outcomes, will those flow targets and the way we manage water form part of this review that may actually indicate that we don't need to continue to pursue licence entitlements?

**Mr Reynolds:** I wouldn't pre-empt the outcome of that science as to whether or not it's more or less water. We certainly would review the basis on which the environmental outcomes are assessed. It's important to note too that the CEWH has not had access to the full portfolio of water for 10 years. It's been progressively acquired over a period of time. We also know that improvement in environmental outcomes takes time. It's not about one watering event; it's about a systematic watering over a period of many years. The condition of a number of our distressed environmental assets has accrued over many, many decades and it will take some time for that to be repaired. I think we need to be careful not to assume that in a very short period of time we should be making judgements about whether or not all of the outcomes we desire have been achieved.

**Senator RENNICK:** My questions are regarding the Eastern Australia Agriculture buyback, Mr Metcalfe. I want to quote a part of the actual valuation by Colliers. They summarise in one part of the valuation:

The Lower Balonne region as a water market does not have a mature trading market as the water rights are predominantly un-supplemented allocations, which are not traded as often or as easily as supplemented allocations. Secondly the volume of water ... in the system is not large enough to see a reasonable turnover within the "market". With regards to the OLF water licences there is no true market as trading is limited to sales only to the Commonwealth ...

That tells me that the water market around the Lower Balonne and into the Condamine is illiquid. You often hear people say, of liquid markets, liquidity is very important for true price discovery. It's fair to say that, if you're going to have the Commonwealth step in to where you've got an illiquid market, a big buyer—and I'll quote from further on in the valuation:

Land is not a limiting resource in the Lower Balonne, however, water is.

We know that water is fixed, the amount of supply is fixed. But the demand, when the Commonwealth goes in, is going to push the price up a lot, isn't it? Would you agree with that, Mr Metcalfe?

**Mr Metcalfe:** I think I'd agree with that. I think that your characterisation was that this was not just like buying something off the stock market, where there's a lot of it—

**Senator RENNICK:** That's exactly right, yes.

**Mr Metcalfe:** but it was a quite rare and individual thing that was being purchased.

**Senator RENNICK:** Yes.

**Ms O'Connell:** I think also your statement goes to all markets. Where there's intervention, it affects and impacts the market.

**Senator RENNICK:** That's exactly right. If we go back to the valuation, a paragraph on page 15 says—

**Senator PATRICK:** Why don't you just call the valuer and get their position?

**Senator RENNICK:** Actually, I'm about to read the valuer's position, Senator Patrick:

The market sentiment is considered to be improving and, for many of the above properties, if offered on the market today an improvement in value could be anticipated. By our estimate this may range from only 10 percent to as high as 30 percent.

We've paid the mid range above the anticipated increase in market value by 20 per cent. Is that correct?

**Ms O'Connell:** That is correct, and the overall finding is that the price the department paid for water entitlements was equal to or less than the maximum price determined by the valuation.

**Senator RENNICK:** Yes, that's exactly right. Interestingly, in the letter to Senator Patrick from the Auditor-General, it says, 'At the time of the audit, the ANAO considered the department's utilisation of the report reasonable.'

**Senator PATRICK:** They're reconsidering that.

**Senator RENNICK:** Why the valuer decided to reconsider it after the event, I don't know. Would it be reasonable, if you're given a valuation, to act on it at the time you're given the valuation and not for the valuer to come back later on and change his mind?

**Senator PATRICK:** The valuer didn't change his mind.

**Senator RENNICK:** You guys can only act on what you're given.

**CHAIR:** Senator Patrick, the questions are from the senators to the department.

**Senator PATRICK:** It's an erroneous question.

**Senator RENNICK:** Senator Patrick, you don't get to decide what's right and wrong here.

**Senator Ruston:** All erroneous questions not allowed from now on!

**Senator PATRICK:** It's erroneous in fact.

**CHAIR:** Senator Patrick, you don't have the call. If the department would like to take that question, then we can—

**Ms O'Connell:** Senator, it is the case that, at the time of the purchase, the department relied on the written valuation report that you've spoken to.

**Senator RENNICK:** One of the ways you value properties is that you do it with a net present value discounted method. For example, if you want to do future cash flows—

**Senator PATRICK:** [Inaudible]

**Senator RENNICK:** Actually, Senator Patrick, I'm the one here with 30 years in finance. I don't tell you how to drive submarines. Don't tell me how to do valuations, alright? Since then, is it not fair to say that the discount rate—that is, the RBA rate—has reduced dramatically and land values and water values would have increased dramatically since 2017?

**Mr Metcalfe:** I think the best way to answer this is that my general knowledge is that land values have increased in many areas but not necessarily all. As I said to Senator Patrick and Senator O'Neill earlier, effectively the people who have looked most closely at this issue are with the Australian National Audit Office, and I'll obviously be taking careful note of what they have to say.

**Senator RENNICK:** I can vouch for that, because I put an offer in for a bit of land just off the Condamine River back in April 2017 for \$2,200 an acre. It's now worth almost \$4,000 an acre. So it's gone up a lot since 2017. I should also add, as a concluding comment, that the Condamine doesn't flow in a north-westerly direction until reaching Condamine. It flows in a north-westerly direction until it reaches Chinchilla, and specifically a place called Lankey Bend, which just happens to be my family's property, where my first dog and my first horse are buried, so I know this land very well. It's as scarce as hens' teeth. If you want to buy land or water in that basin, you (a) need to wait for someone to die or (b) pay well over the market for it.

**CHAIR:** Thanks, Senator Rennick. I've got a supplementary question from Senator McLachlan and then back to Senator McAllister.

**Senator McLACHLAN:** Just for my edification—I haven't fully consumed the audit report—going forward, are you going to continue to rely on, if the buybacks come back, just one valuation? For something like—

**Mr Metcalfe:** [Inaudible] buyback, Senator.

**Senator McLACHLAN:** I know that's the policy position at the moment, but it's not necessarily cast in stone forever. If the Commonwealth is purchasing something, I find it strange that one opinion was right. I'm not asking for mea culpa again. Intellectually, would the practice change if—

**Mr Metcalfe:** I don't feel I could really answer that question, Senator.

**Senator McLACHLAN:** It's hypothetical. I apologise.

**Mr Metcalfe:** Firstly, we're not buying water, and, secondly, I just couldn't speculate on the process that would be used at the time, but I'm sure it would be robust and I'm sure it would take into account the advice of the Auditor-General in their report.

**Senator McLACHLAN:** That's fine.

**CHAIR:** Thanks, Senator McLachlan. Senator McAllister.

**Senator McALLISTER:** Minister, I just wanted to reflect on the information provided in the last set of exchanges. The testimony from the officials is that the government position remains committed to the plan and the targets for water recovery in the plan, including 605 gigalitres on the supply side and the 450 adjustment. You heard Senator McKenzie put on record the position of the Victorian National Party, which is that the Victorian

National Party considers that Victorian irrigators will contribute no more water to these targets. Senator O'Neill drew your attention to Minister Pavey's comments, who has similarly threatened to take New South Wales out of the plan. You are in coalition with the National Party. I am trying to understand the government's actual position, because we've got National Party senators here in the committee hearing telling us that they are doing everything they can to undermine the targets that Mr Metcalfe tells me remain the government's targets. Can you put on the record for us: is the government committed to delivering the Murray-Darling Basin Plan in full?

**Senator Ruston:** I can confirm that the government policy remains and that the government remains committed to the delivery of the Murray-Darling Basin Plan in full. This is a very complicated process. I note some of the exchanges, and I was following them. Without sounding like I'm patronising, I have been living this now, probably, for 25 years. The complexity of the questions and answers in the exchange that you went through with Ms Connell demonstrates just how extraordinarily complex this is. There are different programs that are moving in different places.

There are a couple of things I would say. One is that I think the comments made by Senator McKenzie were clearly about not taking any more water from irrigators as opposed to not finding water by other means. The irrigation, the class 7 water, is not the only water product that's available to contribute to these targets. Some of them are through efficiency means and some are through reduction in constraints. There's a whole heap of different ways in which water can be achieved to go into meeting the targets that have been set in the plan. What Senator McKenzie said—which I think you repeated almost verbatim—was that there was no more water to be taken from irrigators. I'm just making that clarification.

The other point that I think is pretty evident from the conversations this morning from everyone around the table is that this is a joint partnership between the Commonwealth and the states and territories. It was always going to be particularly difficult. This is one of the largest pieces of environmental reform, I think, anywhere in the world. We remain committed, and we remain very active in working with the states and territories to encourage them to actually deliver on the projects. Somebody might correct me if I'm wrong, but I think that at the moment there are about \$4 billion worth of projects on the table that will be totally funded by the Commonwealth if the states choose to proceed with them. Clearly, we want to encourage the states and territories to actually follow through and deliver on those projects. We also want to say to the states and territories, 'Don't tell us what you can't do; tell us what you can do so that we can continue to work together.'

So to go back, in a roundabout way, to the first question that you asked me, which is obviously the one you wanted an answer to, the government remains absolutely committed to the delivery of the plan in full.

**Senator McALLISTER:** And on time?

**Senator Ruston:** And on time. I think that's part of it.

**Senator O'NEILL:** I'll just follow up on that. I want to be heartened by some of the comments that I receive; there's visionary leadership needed for the country in all sorts of ways. When you said—and I wrote it down—'the policy remains'—

**Senator Ruston:** I did say 'and we are committed'. As you would know from having been involved in government, there's the policy and there's also the commitment to the delivery of that policy. I want you to be assured that both of those are in existence here.

**Senator O'NEILL:** I'll note that the policy remains and the government remains committed. But the sounds that are coming out of the state governments and the National Party, which couldn't have been clearer—your coalition members in government—are increasingly strident. They're saying, 'It's not going to happen.' I've got photos of people who I loved who are no longer with me. I can point to them and I can say, 'That was then.' But this is now; we have to deal with the reality. We're here asking questions on behalf of the Australian people who are here now and who will be into the future.

**Senator PATRICK:** The Nationals are in charge of the portfolio.

**Senator O'NEILL:** You would think so. Are the Nationals still committed to the policy that remains? Clearly, that's not the case.

**CHAIR:** Senator O'Neill, if you've got a specific question for the minister, that would be terrific.

**Senator O'NEILL:** How can we practically, as senators, actually believe what you've just said to us, Senator Ruston? I can hear the appeal to all of these programs that exist, and I can hear that you intend to keep showing up and keep doing this. But at what point does this become a facade? It's starting to feel like that.

**Senator Ruston:** As I said in response to my previous question, this is a very complex program. As you know yourself, working with states and territories and getting everybody to be moving in the same direction at the same

time is often a very complex negotiation. I commend the current minister and previous ministers for water in the delivery of this plan, which will continue until it's completed. You can't give up just because there are some challenges in front of us.

There clearly are some challenges in front of us. One of the challenges we faced coming into this year was the fact that the water for the environment program, as it was designed, was struggling to deliver the water. So instead of just sitting there and going, 'This is too hard,' the minister brought forward a proposal, which was subsequently announced on 3 March, that said, 'Let's try and get the water by a different means,' by a means that isn't going to cause the kinds of challenges of the on-farm delivery of that water, which was problematic. The off-farm delivery of the equivalent appears to have a much better chance of being successful.

**Senator O'NEILL:** I can only wish success for the program, but I just can't see how it's going to happen.

**Senator Ruston:** Would it be okay if I finished? There is nobody more committed to the delivery of this plan than I am, I can assure you, and I will fight to make sure—

**Senator O'NEILL:** You're not the only one in the game, Senator Ruston.

**Senator Ruston:** I didn't say I was the only one in the game. And I'm getting—we will just be respectful, I think, on all accounts. What we have to do, all of us collectively—this plan was a bipartisan, multipartisan, agreement. There were lots of moving parts that managed to get everybody to stick their paw on the paper at the same time, back in 2012. We need to remember that we all said we were going to deliver this plan. So there's no point getting partisan about it now.

When we see obstacles, which often will come up in a plan and a program as complicated and as complex and as long term as this one is, instead of saying, 'We can't do it,' let's work out how we can do it. That's what the minister demonstrated in the announcement he made on 3 March. He acknowledged the difficulties of progressing down a particular path, and he sought to come back and change the program so that we could go down a path that we are now exploring. It's incumbent on us all, as we come to the pointy end of the delivery of this plan, to look at ways that we can achieve a delivery of the plan, even if it means that we have to maybe have a little change in direction, or some change in direction, of the mechanisms by which we go to achieve this water recovery.

I don't think anything is solved by being negative. I think what will achieve the best possible outcome, here, is if we all work constructively together to work out ways that we can deliver this plan. We remain committed to it. I'm sure the alternative government—

**Senator O'NEILL:** Do your colleagues remain committed to it? This is a government that is a coalition of two separate parties—the Liberal Party and the National Party—and the National Party spoke here, pretty loudly, this morning and said they're not in.

**CHAIR:** No, I don't think that's what was said.

**Senator Ruston:** No, I think you misinterpreted what Senator McKenzie said. I don't want to verbal her, and I'm sure she'll let me know if she thinks I have. What she said was: no more water recovered from irrigators. That's the on-farm component of it. That's why the change that occurred in March was so important. It gave a mechanism by which we could achieve the water recovery off farm but, at the same time, still allow states—like mine, South Australia—where there is a desire to continue with on-farm water efficiency programs to deliver water to this particular program to continue. But we've now allowed off-farm projects to contribute to that water as well.

**Senator ROBERTS:** This is not a question, it's a comment. I've come in with fresh eyes. I see so many areas where there is conflict and a lot of batting around of opinions, because no-one's making decisions based on data, and that's in so many areas. I think that might bring people together.

**CHAIR:** That's a terrific comment but it's probably not moving us forward, at this point of the day. Let's just—

**Senator Ruston:** Can I follow up on that? The comment from Senator Roberts is, I think, a part of the process. As we're getting further into the delivery of this plan, as we start seeing more, we understand the impacts of what has gone before us.

We actually have been able to apply the learnings that we have developed and learnt along the way. That has been the result of the change of the design of the way that we are going to intend to achieve some of these water targets—it's has been on the back of the data that we've learnt along the way.

**Senator O'NEILL:** In response to that, that relies on trust. Again, Minister Pavey said of a fed department: 'whether it was authority or federal department there was a \$56 million project to improve the collection of water management data. The system and the money—I don't know what happened to it. We didn't get a system.' That is

\$56 million that was committed that is absolutely not working in New South Wales. I have heard the failure of that on the ground in regional New South Wales.

My question to you, minister, is: how is it possible that this can advance—Senator Patrick asked: 'What's the effect of COAG on water management because COAG's been disbanded? Ms Pavey's response: 'I made it fairly clear at the last ministerial council meeting that unless we deal with the elephant in the room, about the legislative change required for 2024, I can't see the point in attending those ministerial council meetings.' I put to it you, Senator Ruston, there is a very, very deep trust deficit because of multiple failure points in the delivery of the plan. There is this disbanding of COAG and a limitation on further cooperative activity. What is the vehicle that's actually going to deliver the sort of cooperation par excellence that you are indicating you think you can get? How are you going to do it?

**Senator Ruston:** I'm not sure I ever said that I was going to deliver, as you put it, 'par excellence'.

**Senator O'NEILL:** Well, that would be good.

**Senator Ruston:** Indeed. I think we'd all like to think that we can achieve that, but I also think pragmatism is probably something we should apply a lens over this—

**Senator O'NEILL:** To the elephant in the room.

**Senator Ruston:** Senator, I really am struggling to see what is being constructive by some of the interjections that you put into this debate—

**Senator O'NEILL:** I'm just quoting the water minister for New South Wales, another national, another one of your colleagues—

**CHAIR:** Should we go to lunch now, Senator O'Neill?

**Senator O'NEILL:** Sorry, I would like that answer—

**CHAIR:** Great. Let's allow her to finish.

**Senator Ruston:** If you allow me to finish and put it on the record that I have always been extraordinarily respectful to the debates that I have. Whether we agree or disagree, I find them extraordinarily difficult when people are extraordinarily disrespectful in return and make comments that are unnecessary, however—

**Senator O'NEILL:** I hope you're not reflecting on me. I am just passionate about this for the people that I meet in the community. I respect that in you, Senator Ruston. But this is a heated argument. It is vexed.

**Senator Ruston:** It doesn't need to be heated. It can remain respectful.

**Senator O'NEILL:** Yes, it can.

**Senator Ruston:** As I said, the government remains committed to the plan. I think you should be careful that you don't misinterpret or misrepresent the comments that've been made by senators from other parties in this room today. I would extend the offer to you—

**Senator O'NEILL:** I don't believe that's the case, Senator Ruston. You're reflecting on me quite negatively here.

**Senator Ruston:** Could you stop interrupting me—

**Senator O'NEILL:** I'm not going to allow your reflections on me to stand without contest.

**Senator Ruston:** Senator, I only made the comment that you have been interpreting a comment made by another senator in this room. She's not here to contradict what you're saying. She may well contradict me. I think it's probably best that Senator McKenzie gets to speak for herself, as do other senators in here. What I am saying to you is that I think the most constructive thing that we can do for the people of Australia, for the people of the Murray-Darling Basin communities, for the environment and for everybody that stands to gain by the delivery of this plan is for us to continue to work together in a constructive way so that we can overcome some of the difficulties that we are going to have in landing this program in full and on time, and that is the offer I am extending to you today.

**Mr Metcalfe:** Chair, I know that we're trying to go to lunch. There are two matters that I can come back to either now or after lunch. I'm in your hands.

**CHAIR:** Let's do it after lunch.

**Mr Metcalfe:** Also, can we just get a little indication as to the timetable of the committee, as to where we're heading?

**CHAIR:** We are scheduled to continue with the department and the MDBA until 3.45 pm when the Inspector-General of Water Compliance is scheduled to come on.

**Mr Metcalfe:** After that I think we have the water efficiency regulator—

**CHAIR:** Yes, for half an hour at 4.30 pm—

**Mr Metcalfe:** who is actually Ms Connell. Thanks, Chair. I have some information for Senator O'Neill on conflicts of interest and some information for Senator Sterle on dairy in the east of Australia that I can provide straight after lunch.

**CHAIR:** Terrific.

**Senator O'NEILL:** Can you table it or do you need to speak to us? Is it documents or words?

**CHAIR:** I think that we probably want to hear the words don't we? Do you want to hear your dairy question?

**Senator STERLE:** Bearing in mind the time, I'm happy to have it tabled.

**CHAIR:** Okay, please table it.

**Mr Metcalfe:** Very quickly—

**Senator O'NEILL:** We will ask a question afterwards if required.

**Mr Metcalfe:** There has been an impact on a number of dairy farms. I have a note that was sent by Dairy Australia to affected farmers that I can table. It provides the latest information from Dairy Australia. It's not publicly available. They sent to it their farmers but they said that they're very happy for me to provide it.

**Senator STERLE:** That's great. Thanks, Mr Metcalf.

**Mr Metcalfe:** Senator O'Neill, I have a copy of the statement of interest that was completed by SES officers in 2017. This manual form has 2017 written on it. We have now moved to an electronic system. That was a manual collated system. We now have an electronic register. The form is effectively the same but the current online form is labelled 2021. We have been constantly looking at our integrity arrangements. We've just finalised a new guideline for all staff that we're about to communicate with our staff. I'm happy to provide a copy of that to you as well. I'm checking on the precise point of declarations made by the two officers that we've discussed from 2017 but because they were manually collated the file isn't immediately available. At least in relation to the female officer we have seen her electronic records in subsequent years. There is absolutely nothing to indicate she wouldn't have completed the declaration in 2017 but I do need to check on that. I will take this on notice. Thank you.

**CHAIR:** Thank you, Mr Metcalfe. We will break now for lunch.

**Proceedings suspended from 13:05 to 14:06**

**CHAIR:** Welcome back, everybody. Mr Reynolds, you have a document to table.

**Mr Reynolds:** Yes, in response to Senator Roberts' questions about the boundaries of the basin. We previously answered that as a question on notice. I thought it would be helpful if I tabled that again to bring it to his attention.

**CHAIR:** Thank you. Senator O'Neill, are you leading off?

**Senator O'NEILL:** I have a bit of a clean-up question from the previous period in regard to the Murray-Darling Basin. The act provides for a review of the plan. 'Review' seems to be the word of the day. Capital 'R' or small 'r'? They are different things to different people.

**Mr Metcalfe:** Big 'R', I'm sure.

**Senator O'NEILL:** It's a big 'R'.

**Mr Metcalfe:** A capital 'R'.

**Senator O'NEILL:** The act provides for a review of the plan in 2026 and there are five-yearly assessments of the implementation.

**Mr Reynolds:** That's right.

**Senator O'NEILL:** The next assessment is scheduled to be in 2023; is that correct?

**Mr Reynolds:** We have just completed and tabled the Basin Plan evaluation.

**Senator O'NEILL:** I am trying to be precise with the language. I am advised that it is a five-yearly evaluation; is that the one you are talking about?

**Mr Reynolds:** Yes.

**Senator O'NEILL:** You call it an evaluation. That is the one that has been completed and tabled recently?

**Mr Reynolds:** It has recently been released, yes.

**Senator O'NEILL:** To the best of my knowledge, you said this morning: 'As we move to 2024, the authority needs to make an assessment as to whether there is a material difference in the outcomes expected from the SDL projects and, if that is determined to be the case, we will undertake a reconciliation process; we will make a recommendation to the minister, either an amendment to the Basin Plan—' and then the script runs out, or a question came over the top. Could I take you through the evidence you gave us this morning? 'As we move to 2024, the authority needs to make an assessment'. How does that interact with the evaluation you said has just been tabled?

**Mr Reynolds:** The reconciliation process around the SDLAM, the SDL Adjustment Mechanism, is separate to the review of the Basin Plan; it is a separate process. The reconciliation process is specifically around outcomes from the SDL Adjustment Mechanism process. The Basin Plan requires, at December 2023, that the authority make an assessment of the likely outcomes that the package of measures that comprise the SDLAM projects will deliver by 30 June 2024. If that assessment is that those outcomes are likely to be materially different from what was modelled when the package was first developed, the authority has to do what is called a reconciliation, which is a reassessment of how much those projects contribute to the recovery of water or the volume of water that would give the equivalent outcomes. The 605 number could then change.

**Senator O'NEILL:** Based on the evidence we received this morning, my layman's assessment is that the 605 is cooked and the 450 is pretty cooked; there is a lot of static on the line there. We have Senator McKenzie, sitting in that chair over there, saying that the Victorian Nationals are going to contain any further contributions to 450.

**Senator Ruston:** Chair, can I just put on the record that that isn't what Senator McKenzie said. She said quite clearly that irrigators were not going to contribute to the 450. That is quite a different thing to saying that Victoria wasn't going to contribute.

**CHAIR:** Thank you, Minister.

**Senator O'NEILL:** You have heard my evidence from the minister for water in New South Wales saying that there isn't any more. Given that reality, which is now a matter of public record, what preparatory work are you doing at this point for that 2023 assessment? Have you got a forward program of what you have to have between now and then? At what point do you say, 'We cannot land this'?

**Mr Reynolds:** Just to be clear, the 450 is separate from the SDLs, from the 605, so the reconciliation is just around the SDLAM, the 605 number. We publish a six-monthly report card on progress with the SDL projects. We have pointed to the projects that are tracking well; we have also pointed to those that are at risk of delivery. We are tracking and providing regular updates and pointing to governments for the need to progress those

projects, so we are across progress with the projects. We are working through the framework for reconciliation. The original determination is a complex piece of modelling to assess what the projects deliver, and we are working through how the subsequent reconciliation would be done. At this stage, we propose that it would be through the same methodology.

**Senator O'NEILL:** What is the scale of the mountain you need to climb?

**Mr Reynolds:** The most important thing is to understand the status of the projects and how the projects have changed.

**Senator O'NEILL:** I understand that you have to do that. I want to know some numbers. How big is this mountain you have to climb?

**Mr Reynolds:** It might be better for the department to speak to this one.

**Ms O'Connell:** In relation to the progress of the 36 projects that make up the supply and constraints, and what we refer to as the 605, or the SDLAM, 15 projects have actually been completed.

**Senator O'NEILL:** Ms O'Connell, I'm not after a detailed assessment of it. I just want to know—

**Ms O'Connell:** In terms of the mountain—

**Senator O'NEILL:** Yes, how big is it?

**Ms O'Connell:** It is 280—

**Senator O'NEILL:** The height we want to reach.

**Ms O'Connell:** I just want to take you through the status of the various projects. Fifteen projects, subject to the final modelling—at the moment we expect they will contribute about 280 gegalitres—are complete. Another 14 projects are on track to be completed by 1 July 2024. They need some level of intervention and additional support, which we are working on with the states. At this point we anticipate that those projects will contribute about 165 gegalitres to the 605.

**Senator O'NEILL:** That is the year after the assessment, which you said is 2024. The assessment is due in 2023, according to Mr Reynolds.

**Ms O'Connell:** In terms of how the 36 projects that contribute to the 605 are tracking, 15 are complete, which will contribute about 280 gegalitres, or almost 50 per cent, and 14 have some risks, which we are progressing mitigation measures with states to deal with; at this point they are estimated to contribute 165 gegalitres. Before the lunch break we spoke about Menindee and a couple of other projects that we acknowledge are at high risk. We are working closely with New South Wales, Victoria and South Australia to look at what we can do to mitigate some of those significant risks or what states can do to modify those projects to deal with some of those significant risks.

**Senator O'NEILL:** So 605 is the magic number to climb to that level. So far you think you have guaranteed 280, and you have 165, with 14 projects at risk. So the best you have on the books at the moment, if everything is delivered, is only 445.

**Ms O'Connell:** We're on target with our additional intervention to meet 80 per cent of the target. But we are working with states—this was a commitment in the Communities Investment Package—to look at mitigation measures. That is a very proactive area of discussion and work that we are undertaking with states.

**Senator O'NEILL:** That is not my question. Can I get Mr Reynolds back, now I've got that information from you? My question goes back to you now, Mr Reynolds. In light of the information Ms O'Connell has given us, we are a long way off the 605 still, even if everything goes perfectly. The review that you undertake is called an 'assessment' and it is due in 2023. At this stage, it looks like you should anticipate that there will be a material difference in the outcomes between what is required and what can be achieved, even with the best of circumstances. So what does this reconciliation process look like and how do your six-monthly audits feed into it?

**Mr Reynolds:** The 2023 process is for the authority to make an assessment as to whether they think a formal reconciliation—in other words, a formal modelling—of all the projects that have been undertaken will lead to a different number from 605. So it is a decision as to whether or not to undertake a reconciliation process; that is mandated in the Basin Plan to occur in December 2023. If the authority determines that is required, which does look likely, between then and June 2024 that process has to be undertaken. It is a process that is similar to the original determination of the 605 number. It is to model the package of projects as we expect them to be in June 2024. It has to be done as a package, as the projects all interrelate. It is to model the system with all of those projects in it to assess what level of adjustment is appropriate. That is the process that plays out. Those dates of December 2023 and June 2024 are mandated in the Basin Plan.

**Senator O'NEILL:** Did you say December 2023?

**Mr Reynolds:** It is December 2023 for the decision to undertake the reconciliation and then to complete it by June 2024.

**Senator PATRICK:** For the 15 completed projects, I presume that you went in with a contractual framework that required a particular performance coming out. So you have these 15 completed ones. Have you done an assessment of what you were intending to achieve for each project versus what you have achieved for each project?

**Mr Reynolds:** Some of those were already completed. They were not factored into the original Basin Plan modelling, but they were completed by the time the SDL adjustment was being taken account of. Things like the Living Murray projects at icon sites are included in that, so they are completed. So we understand what they look like. The issue is that you have to model the whole package. So, while we have those projects, and we understand them well—

**Senator PATRICK:** So you understand them well. This is a system engineering task, so normally you actually test at each stage along the way. Have you done that testing for those 15 projects, and have they delivered what was intended within the context of the individual projects that you contracted?

**Mr Reynolds:** Those projects were complete when the original SDL adjustment mechanism calculation was done, so we understand what they contribute. The issue is that, in the reconciliation, all of the projects interact with one another as to how water moves through the system, so it's not about adding another project and calculating an individual contribution from—

**Senator PATRICK:** I'm not talking about the system at all; I'm talking about each of the projects.

**CHAIR:** Senator Patrick, perhaps you might like to come back to this when it's your time.

**Senator PATRICK:** Yes, I will; no problem.

**CHAIR:** I will hand back to Senator McAllister.

**Senator McALLISTER:** I want to make some inquiries about the status of the projects announced in New South Wales. The Productivity Commission has said that the cost of the Dungowan Dam project has gone from \$150 million to almost half a billion dollars.

**Mr Metcalfe:** National water have been waiting all morning to come forward.

**Senator McALLISTER:** They've been waiting for this question.

**Mr Metcalfe:** They've been looking forward to the opportunity.

**Senator McALLISTER:** The Productivity Commission has said that the cost of the Dungowan Dam project has gone from \$150 million to almost half a billion dollars; is that accurate, Mr McRandle?

**Mr McRandle:** The status of the project at the moment is that a detailed business case is being developed with support by the National Water Grid. That business case is being developed by the New South Wales government, and we are waiting on that, which will be in the second half of the year, to make any decisions. We've seen those reports around the potential change in the cost of that project, but we're not in a position to make any specific comments about the final cost or the estimation of what that cost will be around a detailed design until that detailed business case is completed later in the year.

**Senator McALLISTER:** Is the government committed to proceeding with the project, or is the decision to proceed dependent on the detailed business case?

**Mr McRandle:** The current state of play is that the state and federal governments committed to the project in October 2019. The New South Wales government signed a bilateral funding agreement based on the original cost estimation in January this year, so we now have a funding agreement in place with the New South Wales government based on the original cost estimation. The way that the milestones work is that we work towards the detailed business case, and there's a pause point there where we assess the outcomes of that business case. We'll provide advice to the Commonwealth government as to the merits of proceeding with the project, as it is presented in that business case. So there is a pause point built into the funding agreement, and that really reflects the new funding Investment Framework that the government announced as part of the budget measures around the Water Grid in October last year.

**Senator McALLISTER:** Is the implication that, if the cost of the project increases and the business case is assessed as being nonetheless worth it, the Commonwealth will increase its contribution to 50 per cent?

**Mr McRandle:** I'm not in a position to, I guess, pre-empt decisions of government.

**Senator McALLISTER:** You perhaps misunderstand my question. Is the framework that you alluded to just now predicated on a firm fifty-fifty arrangement?

**Mr McRandle:** It's based on a fifty-fifty agreement, and the agreement that's been struck to date is on the estimates that were announced in October 2019. If there was a variation to that as a result of the business case, it would be advice that we provide to the government about the merits of whether our contribution could be increased or should be increased. We're limited to 50 per cent of the capital funding of these projects—it's up to 50 per cent; it doesn't have to be exactly 50 per cent—so there's a judgement call to be made about how the government might want to proceed, and there'll be some options around what it is we see when the evidence comes in.

**Senator McALLISTER:** The Productivity Commission has suggested that the prospect of new water associated with this project is illusory, and it makes the point that the proposed project is within a fully allocated water system. It says that it will result in an implicit and expensive transfer of water and that any infrastructure that improves reliability for one user will affect water availability for others. Do you accept that analysis?

**Mr McRandle:** I think the way to look at that question is that they raise some important points that need to be investigated. The PC report that you refer to is in a draft form at the moment; it came in as a draft and it will be finalised in the middle of the year. They'll be talking to a range of stakeholders, including the New South Wales government, around this and other projects, and we'll see where the final PC report lands on that.

**Senator McALLISTER:** Yes, I know. I'm asking about the core idea, which is that building infrastructure of this kind on a fully allocated system has limited capacity to generate new water. Is that a correct analysis, or do you dispute that?

**Mr McRandle:** I think it's hard to dispute the sort of fundamental principle there. What I would say is that a lot of the work that we do and the funding that we apply at the Commonwealth level is about increasing the reliability or the security of water for users. It doesn't necessarily result in new allocations, particularly in a complex system like the Murray-Darling Basin, as all of this morning's conversations illustrate, but some of the projects that we will look to fund will be increasing the reliability of water. So, in many years, there's an entitlement to water, but the allocation is not available because of the lack of available inflows. Projects that improve the storage capacity of some of those systems will increase the reliability, and reliability is one of the key inputs, I guess, for the farming or agriculture community to make decisions about what they grow and the level of confidence that they have from year to year.

**Senator McALLISTER:** The observation that the PC is making is that, in improving reliability for one user you affect availability for another; do you accept that?

**Mr McRandle:** You've got to look at things in a system sense, so I think you do have to look at a whole-of-system approach. The New South Wales government ultimately is the regulator for water in that state, and it will provide us with advice about the outcomes of that which will go into the advice that we provide to the federal government.

**Senator McALLISTER:** If the PC's assessment is correct, the project will see taxpayers shell out \$60,000 a megalitre for water that is currently worth about \$1,300 a megalitre.

**Mr McRandle:** Again, we will reserve our position on the cost of water until we've seen the final case.

**Senator McALLISTER:** Sure. But, even if this is only halfway correct, we are talking about costs that are well in excess of the value that is being created by the project. If this assessment is right, that's 45 times the going rate for water.

**Mr McRandle:** There are probably a couple of elements in there as well. There are some elements of the Dungowan project where there is no action basis. There is some work around, say, a pipeline that services from the Dungowan River, which is part of the project cost, which is going to indeed happen anyway. So there are some things that need to happen, which we need to look at and take account of with respect to the total project cost. But I take your point about the relative cost of water and the willingness of governments to put money into those projects.

**Senator McALLISTER:** In a similar vein, there is now significant evidence that the cost of the enlargement of Wyangala has blown out to \$2.1 billion. Has the Commonwealth compared the costs and benefits of the Wyangala enlargement to upgrading the Jemalong irrigation scheme?

**Mr McRandle:** Wyangala is in a similar situation to Dungowan, in as much as there's a detailed business case and an environmental assessment process underway. The results of that work will come to the Commonwealth in the second half of the year, and there are the same arrangements with our funding agreement where we have a

pause point to assess those cases. That project is over the threshold and will also have Infrastructure Australia assess it, and we're working very closely with Infrastructure Australia in our processes. We'll be forming some views in the second half of the year in relation to Wyangala Dam. We don't know what the detailed or reliable cost estimate is for Wyangala Dam until the detailed business case is done. When that work is done, we'll assess that, and we'll also be looking at whether there are better alternatives at that point than enhancing the dam wall. The truth of the Wyangala project is that it's described as a dam augmentation, with a 10-metre raising of the wall. In fact, it effectively involves the reconstruction of the dam, to a large extent, because it's not just 10 metres of bricks put on top of the dam wall but, in fact, a much larger dam wall to hold that extra water, and the removal and replacement of the existing spillway gates, which are enormous when you get up close and look at them. So, effectively, describing it as an 'augmentation' program probably understates the level of engineering required, and that will feed into the cost of the capital project.

**Senator McALLISTER:** It sounds like a very significant project, but the net effect will be to augment the dam.

**Mr McRandle:** Yes.

**Senator McALLISTER:** If you think about the outcomes that are produced by the project, the purpose of doing it is to augment the storage capacity, isn't it?

**Mr McRandle:** That's right, and to increase security of water for users.

**Senator McALLISTER:** Leaked New South Wales cabinet documents described the Wyangala proposal as having small net benefits and a large cost. They say that expanding the dam's capacity is not expected to translate into higher average water allocations or significantly increase drought resilience. You're in conversation with your counterparts in New South Wales. Is the authority or the government aware of those documents that form the basis of those media reports?

**Mr McRandle:** I'm not aware of leaked cabinet documents; I am, of course, aware of general media reporting on these sorts of issues.

**Senator McALLISTER:** I'm not asking whether you're involved in leaking, Mr McRandle. Just for absolute clarity, I'm sure that you are not. But I am interested in whether you're aware of the documents that form the basis of that public reporting and that analysis. Have they been shared with you?

**Mr McRandle:** No, I have not seen those documents nor am I aware of them. I guess, in terms of the way that the project has been developed and defined, it's not about extra water allocations; it's about extra water security, in terms of the additional yield that the augmented dam would provide and the greater reliability of water that would be provided to the farming community that utilise that water compared to situations in the past. Last year, Wyangala Dam was sitting at about 12 per cent capacity and I think as of today it's about 64 per cent; hopefully, with some more inflows, it will improve. But the idea is to capture water when it is available to improve the certainty that farmers have every year that that water will be available to them and that their entitlement can actually be met.

**CHAIR:** Senator McAllister, can I just check with everybody? We're due to have a break at 3.30 and then at 3.45, after that break, move to the Inspector-General of Water Compliance. I think Senator Roberts and Senator Patrick have questions before the break. Senator Rennick, do you have questions before the break? No. What sort of time frame do you have?

**Senator McALLISTER:** I hope to finish with Mr McRandle within about five minutes, if that's all right.

**CHAIR:** Please keep going. We will go to Senator Roberts after you.

**Senator McALLISTER:** The Commonwealth has made a decision to invest in this funding, but in this particular system a range of alternative ideas have been explored, and I have asked you about the Jemalong irrigation scheme proposal. The reason I'm asking is that, like Dungowan, it appears, based on the early information about the costs, that these are very expensive projects that yield very expensive water and there are other options floating around. I'm interested in understanding your role in making an assessment of this project and its value relative to other projects that might be out there in the marketplace of ideas. For example, there are town water supply measures that have also been proposed in the Lachlan Regional Water Strategy. Are you looking at these alternative projects that might deliver the same outcome or a similar outcome?

**Mr McRandle:** The answer to that is that, yes, we will, in the context of understanding the business case for, say, the Wyangala Dam and then assessing that against what other comparisons might provide equal, better or substitutable sorts of benefits. One of the things to recognise, though, is that the National Water Grid was set up by the government to fund water for agricultural and primary industries' use. So projects that are principally town

water supply remain the responsibility of the states, and the federal government is not investing in those. By virtue of our mandate, there are some things that we are able to look at and some other projects that will be out of scope for us in terms of eligibility.

**Senator McALLISTER:** So your interest in Wyangala is not to do with town water supply?

**Mr McRandle:** No. The state government, of course, will be, and we'll make our contribution to projects that may have a town water component. But that's not the principal role of the Commonwealth government; it's around supporting agricultural and primary industries' use. It's unusual for a project to have solely an agricultural use; it's usually going to have a mixed use. It will provide water security to towns, which is obviously important, as well as water to the agricultural community. The federal government's rationale for the national water grid was to establish an investment mechanism to support more water for the agricultural users and, in turn, support the objectives of things like Ag2030.

**Senator McALLISTER:** These were projects that were described as emergency projects, but we don't have business cases for either of them.

**Mr McRandle:** I haven't heard the term 'emergency project' in the context of these, certainly not in the context of Wyangala in particular, but they might be important projects—

**Senator McALLISTER:** Mr Morrison gave a speech to CEDA and he identified 15 projects that were on a fast track for approval. I'm just curious as to why these projects, for which there isn't yet a business case or a funding decision, would have been included in a list of projects that the Prime Minister said were fast-tracked.

**Mr McRandle:** The Dungowan project was on a fast track. I wouldn't equate 'fast-tracking' with 'emergency'; I think that's a different set of meanings. Fast-tracking, in the context of these projects, really means streamlining the processes so that things like the environmental assessment and the business case are being developed simultaneously rather than in sequence, and that's going to provide a quicker and more efficient way of assessing these projects.

**Senator McALLISTER:** The National Water Initiative commits governments to full cost recovery for new water infrastructure. What proportion of this proposed investment will be for private benefit and what will be the cost recovery arrangements?

**Mr McRandle:** All the cost recovery arrangements sit with state governments, so I can't give you the details of what's going on. To give you an example—

**Senator McALLISTER:** So it would involve increased fees for water users, an expenditure at this scale.

**Mr McRandle:** Not necessarily. It would be a decision of the New South Wales government about how it prices water. The critical thing with what the PC is saying around the National Water Initiative and pricing is that the right pricing recognises the true value of water and also informs governments about the right investment choices that they should make. You should always prioritise efficiency over new builds, and that's true of whether it's water, transport infrastructure or whatever it might be, but the state government is responsible for those processes. To give you an example—

**Senator McALLISTER:** You don't mind investing Commonwealth money into a project; for example, you don't satisfy yourself that they intend to observe the National Water Initiative in terms of—

**Mr McRandle:** No. It's actually part of our investment framework that was released last year, the requirement—

**Senator McALLISTER:** But you haven't got the information yet as to whether they are or aren't going to—

**Mr McRandle:** No. We need to see how the detailed business case plays out and the EIS in relation to how New South Wales, as the water regulator, will make decisions around water pricing.

**Senator McALLISTER:** But you wouldn't be investing in a project that was not compliant with the National Water Initiative in terms of cost recovery? You would be prohibited from doing so under the—

**Mr McRandle:** Our investment framework sets out the way that we deal with those issues, and the NWI principles are part of the investment framework, so adherence to those is important. These are agreements that both state and federal government have signed up to, and it's important that we stick to those sorts of agreements. So, yes, projects need to be consistent with the National Water Initiative; that's part of the Commonwealth investment framework.

**Senator McALLISTER:** If it's not, you won't be investing?

**Mr McRandle:** The decisions for investment are ultimately decisions of government. I'm saying that the advice that we—

**Senator McALLISTER:** Okay. It's either a constraint on investment or it's not. If it's capable of being overridden—

**Mr McRandle:** No, I was just making the point that the water grid provides advice to the government about investment priorities and our investment framework is guided by adherence to the National Water Initiative. I don't think I'm saying anything different on that from what I said a few minutes ago. It's simply that, when you were describing it as us investing, I'm just being clear that we provide advice to government, who make the ultimate investment decisions.

**Senator O'NEILL:** Senator McAllister is too polite to put things as bluntly as I am sometimes, so I just want to ask: is the fund that we're talking about now the next slush fund that the Prime Minister is going to use to stand up and pork barrel in seats across the country?

**CHAIR:** Senator O'Neill.

**Senator O'NEILL:** Is he going to do this; is he going to get around the legislation that you've just described because it's a decision of government?

**CHAIR:** Enough. Senator O'Neill, do you have a question?

**Senator O'NEILL:** I did ask a question.

**CHAIR:** Thank you. Did the department hear the question?

**Senator O'NEILL:** If the government can step outside all of the rules that you've just described—

**CHAIR:** No. Wait for your question to be answered.

**Senator O'NEILL:** is there a risk of it being used in that way, Mr McRandle, because I am scared about that bit?

**Mr McRandle:** Senator O'Neill, that's not what I said. I said that we are guided by the investment framework.

**Senator O'NEILL:** No, you didn't, but my question is asking you that.

**Mr McRandle:** You're asking me whether the government will use an investment framework as a slush fund.

**Senator O'NEILL:** Can they step around the rules and use it in whatever way that they want to?

**Mr McRandle:** No. It was the government's investment framework, and it put that out in October. The government will stick to the announcements that it made and the rules that it's made.

**CHAIR:** Thank you, Senator O'Neill. Have you finished? Senator McKenzie has come back. She only got four minutes before, so we'll let her finish her block of questions.

**Senator McKENZIE:** I'll have the Murray-Darling Basin Authority back at the table, please. I know that we were up at Koondrook and Cohuna et cetera a few weeks ago with the minister but, while we've been sitting in parliament over the past fortnight, it's my understanding that the authority did visit Victoria; is that correct?

**Mr Reynolds:** That's correct.

**Senator McKENZIE:** Where did you go?

**Mr Reynolds:** To Shepparton, Echuca, Barham and Koondrook, and we met with a range of stakeholders through the GMID and around the Koondrook and Gunbower-Cohuna area.

**Senator McKENZIE:** Could you outline the stakeholders that you met with?

**Mr Reynolds:** Yes, it was a large range. We met with people from the horticulture industry, a business that has an integrated process all the way from orchards through to packing and transport.

**Senator McKENZIE:** That would be apples and pears, for instance, in the Goulburn Valley.

**Mr Reynolds:** Yes, that's correct. We met with the dairy industry through Murray Dairy. We actually visited a dairy farm and met with a dairy farmer and a number of board members, some of whom are also—

**Senator McKENZIE:** Dairy farmers; the Goulburn Valley or up Kerang way?

**Mr Reynolds:** In that case, it was in the Goulburn Valley, just out of Shepparton, near Tatura. We met with First Nations people, both Yorta Yorta and Barapa people. We met with local government representatives from both Moira Shire and the City of Greater Shepparton. We met with the GMID leadership group, who are a wide range of leaders in various industries within the Shepparton area. It is an expansive list of people.

**Senator McKENZIE:** It sounds as though you hit all the high notes there, which is great to hear. The feedback that I've had, while being up here, is that a lot of those people, the constituents, are disappointed. They left thinking that the MDBA didn't want to take accountability for the issues that have arisen through the implementation of the plan. They raised things like the severe socioeconomic impacts. They spoke about the

inability to deliver water and the overfocus on the environment in South Australia at the expense of the environment in the Goulburn Valley. They raised all of these issues with you, and they weren't satisfied, I guess, with the responses that they got. Are you happy to go back to address any further concerns that they may have?

**Mr Reynolds:** Certainly. We were travelling with our chair, Sir Angus Houston. He's been on a series of listening and learning tours throughout the basin. He did commit to come back twice a year to that region, as he's committed to go back to other regions. As you can appreciate, there is a range of things that he undertakes, so the timing for those visits is not yet established. But certainly, from an agency point of view, from the authority, we have people in those communities all of the time and we have a number of senior people who regularly visit those communities, myself included.

**Senator McKENZIE:** We visited the opening of the offices in Mildura.

**Mr Reynolds:** We did.

**Senator McKENZIE:** We got a lot of people there. Is it the case that the chair claimed that the MDBA had no power to do anything?

**Mr Reynolds:** No. I think the context of that discussion was the chair pointing out that many of the decisions under the Basin Plan rest with government, either the ministerial council or basin officials committee. As it is Commonwealth legislation, any changes to the Basin Plan necessarily need to go through the parliament. He pointed out that, while many people see the authority as being called the authority and able to make changes to the plan, that's actually not the case. I think the context of those remarks has been reported somewhat differently to that, but that was certainly the context in which he was making those comments.

**Senator McKENZIE:** The concern about the environment, not just in South Australia but the environment more broadly, being overemphasised, shall we say, or the primary deliverable of the plan, is of grave concern to both the industries and the individuals who live in the basin who've had to deal with the socioeconomic impacts. Many people believed that the Murray-Darling Basin Plan was about achieving a triple bottom line. So how have we got this inconsistent approach, where it's not actually a triple bottom line but we're actually overly focused on environmental outcomes at the expense of people and industries—

**Senator PATRICK:** Because the act says environmental—

**Senator McKENZIE:** I'm asking the authority; thank you so much, South Australian senator.

**Senator PATRICK:** I'm just telling you what the law is.

**Senator McKENZIE:** With a guaranteed entitlement.

**Senator PATRICK:** I'm just telling you what the law is; that's all.

**CHAIR:** Thank you, Senator Patrick.

**Mr Reynolds:** The Basin Plan is about getting the basin's river systems back to a sustainable basis. The river systems throughout the basin were overallocated—we were extracting too much water from the system—so water has been recovered for the environment.

**Senator McKENZIE:** Has too much been recovered?

**Mr Reynolds:** I don't believe so. I think we're seeing good outcomes for the environment, but there are still many areas of the basin that remain stressed. With ongoing use of environmental water, over a period of time, I'm sure we'll see improvements in those areas.

**Senator McKENZIE:** Can we use the water that we've recovered better for environmental outcomes?

**Mr Reynolds:** I think we are always continuing to learn, and the Commonwealth Environmental Water Holder spoke this morning about how our use of environmental water is maturing. It's gone from, in the early stages, being quite isolated, single-focused watering events to much more systematic approaches. We continue to adapt and evolve how we do it. Our planning is getting more sophisticated. Our ability to manage water through the system is getting more sophisticated. So I do believe that, over time, we will continue to improve. But there are still many parts of the basin that are stressed and require support and use of environmental water to improve their health.

**Senator McKENZIE:** I think it's excellent that over time, with the use of science, we get better and better at these things, which is why the plan was written to be a flexible, adaptive plan. People on the ground aren't finding that that is the case but that we seem stuck on numbers and not outcomes. If we have done what you've said we've done, which I absolutely agree with, do you envisage a time when there could be more water going back to irrigated agriculture or reducing stress on other environmental assets rather than simply being the blunt instrument of taking more water—using it better?

**Mr Reynolds:** I think we definitely will continue to use water better. The Basin Plan is constructed with very clear review points. Ten-yearly reviews are written into the Basin Plan and 2026 is the point where that review is scheduled to occur. Without pre-empting what it will become at that time, that is the process; and, in the lead-up to that, there's quite a structured process for how that review will be undertaken, including consideration of new science around appropriate SDL, sustainable diversion limits.

**Senator McKENZIE:** It can be envisaged that numbers will go down rather than up?

**Mr Reynolds:** It's possible but there is a structured review process that includes the engagement of states in terms of scoping that review as well as undertaking it. It ensures we bring the best science to bear and the judgements about what a sustainable river system looks like. That is the process.

**Senator McKENZIE:** And it's communities?

**Mr Reynolds:** Absolutely.

**Senator McKENZIE:** I've got a range of questions I'll put on notice. But just in terms of the choke and Goulburn, water trade has changed the traditional irrigation patterns across the Southern Basin, creating third-party environmental impacts. The huge expansion of the almond industry downstream of the choke is causing a huge amount of concern in terms of the ability to deliver the existing entitlements, let alone additional entitlements purchased. Can we effectively deliver the environmental water holdings that have already been recovered without causing further environmental damage to the choke? Are we considering an engineering solution to deal with that? Do you envisage further environmental damage to the Barmah Choke and the Goulburn River if more water is recovered?

**Mr Reynolds:** I think there are a number of points around that and I'll try to address them succinctly. The Barmah Choke is obviously the constriction. The narrow point of the river limits how much water we can get downstream. What we're seeing is a decrease in the Barmah Choke capacity through deposition of sandy material in the choke. So we're not trying to deliver more entitlement across the choke to downstream regions; we're trying to service the existing entitlements that have always been held there but effectively through a smaller river channel, and that provides challenges. There is a limit on trade across the choke that prevents additional water trading from upstream to downstream, unless there is a net trade upstream first; so it's a net-zero situation. The issue that we have through the choke is a declining capacity. We are looking at a feasibility study for how we might manage that issue effectively into the future, and the water grid is looking to fund that feasibility study. We expect to explore a range of things, including optimising more how we use the pattern of water delivery, looking at how water is delivered through the existing irrigation infrastructure on both sides of the river. We currently use, particularly in New South Wales, the Murray irrigation system quite extensively to deliver water past the choke. We take water off at Yarrawonga upstream and deliver it back into the Edward/Kolety-Wakool system and then back to the Murray. We're looking to examine whether there are more sophisticated ways we can do that, potentially some other flow paths through the system.

We would also explore a range of enhancements to that system potentially to understand what costs and benefits would be associated with that and how that might affect both the efficiency of the river system operation but also the environmental impacts. Importantly though, that study is premised on that choke trade restriction remaining in place, not opening up additional trade. That's really important because, if we did, any additional capacity or way of moving water through the system we created would be taken up by trade and we'd end up back in the same place we are now.

**Senator McKENZIE:** You understand that there's a very real and rational fear—

**Mr Reynolds:** Absolutely.

**Senator McKENZIE:** particularly from Goulburn communities and irrigators—

**Mr Reynolds:** I do.

**Senator McKENZIE:** that their water will be going elsewhere?

**Mr Reynolds:** Yes. As I say, the study is premised on that choke trade restriction remaining in place. Part of what we're looking to do is how to, I guess, lock that in.

**Senator McKENZIE:** How would a future government, a future MinCo, at a state or federal level, be able to change those trading restrictions that exist?

**Mr Reynolds:** The trade restriction across the choke at the moment, to put it technically, is made as a protocol under the Murray-Darling Basin Agreement and the decision to relax that trade restriction at any point in time rests with the authority, but the authority is required to consult with and seek the advice of states: the New South Wales, South Australian and Victorian governments.

**Senator McKENZIE:** But it can ignore that advice?

**Mr Reynolds:** We have to consider it. In operating under the Murray-Darling Basin Agreement we understand that we are doing that on behalf of the states. To ignore their advice—

**Senator McKENZIE:** So there really isn't anything to protect these communities other than the Murray-Darling Basin Authority?

**Mr Reynolds:** That, and the logic for why the trade restriction is in place and the impacts that it would have to relax it. We are, though, examining options that would potentially change where that decision is made.

**CHAIR:** Senator Roberts.

**Senator ROBERTS:** In Senate estimates last May, Phillip Glyde made the comment that there will be winners and losers in the Murray-Darling Basin Plan; so far, we understand that farming communities are the losers. Can I reference this panel, please?

**Mr Reynolds:** It's from the Murray-Darling Basin website, our river data site?

**Senator ROBERTS:** Yes. This is the primary document to show what's going on in the basin. Thank you for maintaining the panel. I notice, however, that the figure for water flowing over the barrages is listed as gates and not volume, whereas every other flow volume is listed as megalitres per day. The figure for outflows is critical to ensuring compliance with the plan. Why isn't this metric expressed in megalitres and not gates?

**Mr Reynolds:** That panel, as you describe it, is just for the Murray system; it's not the whole of the basin. The reason we put that as the number of gates open on the barrages is that outflow from the barrages varies very significantly with tidal influences, wind and the level in the lakes; so it's actually quite an exercise to calculate the flow on a regular basis to keep that updated. A lot of the questions that we get and the information that people seek is about the number of gates that are open on the barrages; so that's how we've presented it. But we do have information on flows, of course, out of the barrages.

**Senator ROBERTS:** The South Australian government produces *River Murray Flow Reports*—you're probably familiar with them—and they provide the gicalitres per week. Is there any way of updating that to give people a better indication of where the water is going?

**Mr Reynolds:** Our live river data site updates on an hourly basis; it's taken hourly. The information in the South Australian report is information that South Australia actually calculates, and it does it on a weekly basis by analysing the conditions that have prevailed over that period. So for us to pick that information up and keep it current on our website is not possible, because the calculation is done in a different time frame.

**Senator ROBERTS:** Turning to the *Barmah Choke Sediment Transport Investigation*, how much did this report cost?

**Mr Reynolds:** I'd have to take that question on notice. I don't believe that I have that number with me.

**Senator ROBERTS:** That's Dr Vietz, is it?

**Mr Reynolds:** Yes. I'm sorry, I'll have to take the question about the cost of the report on notice.

**Senator ROBERTS:** The report says that the sedimentation in the Barmah Choke is caused by a sand slug composed of sediment, mostly sand, that has been washed into the river catchment from mining operations in Beechworth and Mitta Mitta, amongst others, 150 years ago. Can you show me in this report where a soil analysis of the sediment clearly identifies the sediment as coming from those geological areas?

**Mr Reynolds:** I couldn't necessarily point to it in that report explicitly without going through it but—

**Senator ROBERTS:** Could you take it on notice and reference it, please?

**Mr Reynolds:** I could. But I will say that the basis of that hypothesis was an extensive piece of work done by La Trobe Uni and others, called *Rivers of Gold*, where they did a lot of work looking at the impacts of gold mining in those streams. When we commenced that piece of work, it was really about understanding the issues in the choke and why we were losing capacity. When we undertook that work, the first thing that we did was a detailed bathometric survey of the choke, which profiles the bottom of the riverbed. From the water surface, you can look down, profile the bottom and also examine the depth of sediment down to a hard bed. When we did that, we observed this sand that was there. We then started to look at the source of it, because it's clearly not from the banks or the bed of the river, which is quite different. It's quite silty clay material rather than sand. It was the *Rivers of Gold* study by La Trobe Uni and others that led us to that hypothesis.

**Senator ROBERTS:** If the sediment did come from the area where you're telling me it came from, Beechworth and Mitta Mitta gold mining 150 years ago, and was washed into the Murray via tributaries, that sediment would have had to pass over the Yarrawonga Weir, which was built in 1939?

**Mr Reynolds:** Or it passed by that point in the river prior to that, which is what we expect has happened, and over the intervening period. A lot of the gold mining happened from 1850 through to the early 1900s. Yarrowonga Weir was completed in 1939. A lot of that material would have been in the river system, we believe, downstream of Yarrowonga at that point in time. We've been seeing declining capacity in the choke since the 1980s and 1990s, as that material has moved downstream.

**Senator ROBERTS:** How do you know that it was below Yarrowonga by that time?

**Mr Reynolds:** That's our hypothesis. We've surveyed about 26 kilometres of the river through the choke, which was our area of focus. Unfortunately COVID prevented us completing that survey because we weren't able to access the area, given that the Murray is on the border; so we are now extending that survey up to Yarrowonga Weir to see the extent of sand in that reach.

**Senator ROBERTS:** You're expecting me to believe that this sand slug came from well above stream but parked itself in the Barmah just now?

**Mr Reynolds:** No, we don't believe—

**Senator ROBERTS:** It has never flushed out to the ocean. The water passing over the weir is known to be sediment quality that generally meets recommended levels?

**Mr Reynolds:** Yes. The study has described why we believe that sand—

**Senator ROBERTS:** This is the hypothesis?

**Mr Reynolds:** Yes, why that sand deposits in the Barmah Choke region, the fluvial streams, and there's quite a detailed description of it in that report. The geomorphologists have explored this. In part, what happens is that the water that is moving material down to the choke—a lot of it then spreads out into the forest. A lot of that energy leaves the main river channel and spreads out through the forest. With that loss of energy, the sand then starts to deposit in the choke, and that's the mechanism that we see. What we are looking to further explore is whether we can expect to see that sand continue to move through the choke or whether it will continue to build up, whether it will reach an equilibrium or continue to lose capacity. That's the really critical part of this study, and that's the work that we continue to undertake.

**Senator ROBERTS:** I think people watching this will find it hard to believe that, because we've seen these photos of the banks being scoured in relatively recent times. The hypothesis is expecting us to believe that it was washed beyond the site of the Yarrowonga Weir but not much further, and the Yarrowonga Weir was built—

**Mr Reynolds:** No. It's believed that it's continued to move throughout that time. The sand in the bed of the river is a very different material to the riverbanks. When we were initially looking at this problem, it was difficult to understand why we were losing capacity in the choke because, a river that's eroding, you would expect to be getting larger and its capacity to be increasing. That was the question we were seeking to answer. When we've done the studies and examined the material in the riverbed, it's clearly not sourced from the riverbanks; it's a very different material. While some of the erosion through the choke is significant, and I acknowledge that, the volumes of material that have eroded, even if they were depositing and staying in the river channel, are not sufficient to cause the reduction in capacity that we see.

**Senator ROBERTS:** A lot of people in the local area don't agree with you. Lloyd Polkinghorne of Walk for Water took these photos. I'd like to see the analysis of the soil and the comparison with the sand slug. It's still your position that the Murray-Darling Basin Authority believes that the sedimentation in the choke was caused by a sand slug from 1850?

**Mr Reynolds:** It's certainly sand that has come from some region upstream. We believe a significant amount is likely to have been mobilised through gold mining. There have been other activities—land clearing, de-snagging of the river and even just river regulation activities—that could also have mobilised that material. But the significant volume of it, we believe, most likely mobilised through those gold mining activities.

**Senator ROBERTS:** Are you aware that the lead author of the report that you commissioned, Dr Geoff Vietz, has also written the manual on the management of riverbanks in areas of high environmental watering flow titled *Standard Operating Procedure for Bank Conditions*. This manual is designed to give guidance to the Commonwealth Environmental Water Holder on how to run extra water down river without scouring of banks and silting of the river. It seems that it's more likely to be scouring of the banks than a sand slug that was created 150 years ago. The report seems to contradict this.

**Mr Reynolds:** I don't think it contradicts it. Dr Geoff Vietz is very experienced in how rivers behave and the geomorphology of rivers. He has a range of expertise, and it makes him eminently qualified to produce both of those documents.

**Senator ROBERTS:** I have another document here whose authors include Geoff Vietz: 'Review of erosion control techniques on the River Murray between Hume Dam and Lake Mulwala'. Page 52 has a table showing the relationship between velocity and erosion tests on Murray riverbank sediment. Page 28 of the report from Streamology reveals that the most likely primary explanation for a reduction in channel capacity of the Barmah Choke, as identified in workshop discussions at the start of the investigation, was a sand slug. Before the investigation started, a workshop discussed it and decided that a sand slug would be the most likely cause due to gold mining. Did you work backwards from the desired outcome being 'it wasn't us' to come up with this comical sand slug theory?

**Mr Reynolds:** No.

**Senator ROBERTS:** Thank you.

**Senator PATRICK:** I am continuing with the line of questioning I had about each of the individual SDL projects. I might go back to the way in which I always dealt with engineering problems when working in Germany. They always talk about cars. The total is the car but, in order to achieve a particular speed, you need to have a particular engine size, tyre performance, aerodynamics; that is all part of the engineering that goes to the total of the car. It is the same with the SDLs. You have a whole bunch of different components in the plan, but each of them should start off with a particular design goal and test criteria. It is in that context that I was asking: for the 15 projects that have been completed, have you examined their performance against what was expected in terms of the make-up of the total plan to achieve the SDLs?

**Mr Reynolds:** Most of those projects were completed at the time we originally did it, so we understood what they were delivering at that point.

**Senator PATRICK:** So they were baseline?

**Mr Reynolds:** That is right.

**Senator PATRICK:** How many were completed when we passed that legislation?

**Mr Reynolds:** All of the Living Murray projects and some of the rules projects as well. I would have to take that on notice.

**Senator PATRICK:** In principle, let's put those projects aside. Have you done testing on the programs that have been completed since the changes were authorised to make sure they achieved the aim going into them, as a subcomponent of the SDL?

**Mr Reynolds:** Some of the projects are around changes in operating arrangements, which is rules about how we operate the river. We understand, in designing those rules, what they deliver in terms of changed flow regimes; so yes, we have that information.

**Senator PATRICK:** Is that public?

**Mr Reynolds:** The description of what those projects are is in the register of all the projects on our website.

**Senator PATRICK:** But I am talking about the performance measurement at the other side.

**Mr Reynolds:** I struggle a bit when you talk about the performance measurement here. The rules projects are about describing how the hydrology changes with a different operating regime. So, in a way it is a modelled outcome looking forward, saying that if we make decisions to release water at a different time or to store it in a different—

**Senator PATRICK:** Sure; but it is still no different from a car. When I talk about the tyre component of a car, it is going to perform differently in the wet as it is on the dry or as it is on the dirt.

**Mr Reynolds:** But the issue here is that they are modelled outcomes. In designing those rules you have the outcome. So when you talk about testing it, the design of it settles what those rules deliver.

**Senator PATRICK:** But you model things going in, and that's a proper thing to do. Proper system engineering would require you to test to make sure that what was modelled is exhibited in the final product.

**Mr Reynolds:** To the extent that we have a couple of years of operating in that way, you have that example. But the models project what happens over a long period—over a hundred years or longer.

**Senator PATRICK:** That is part of the build-up of an understanding for when you get to 2023. You might be in a situation where you understand shortfalls at this point because you know that a particular project didn't meet expectation and it is under, and another project is over. I would have thought that is the way you would do things from a system engineering perspective.

**Mr Reynolds:** Yes. But when we actually come to do the reconciliation, we have to model the whole package, all 36 projects, at that stage, because they interact with one another. You can't model one of them and say, 'It is over by this much,' or, 'It is under by that much.'

**Senator PATRICK:** There are lots of moving parts.

**Mr Reynolds:** Yes. We need to take the decision in 2023 about what we anticipate the whole package of projects to look like by the middle of 2024, and that is what we then model.

**Senator PATRICK:** I might do a bit of research and, hopefully, I'll get permission to speak to you about how to perhaps put a better question to you. I will switch to water resource plans. I presume that the MDBA have received all the plans at this stage?

**Mr Reynolds:** We have all of the New South Wales plans and we are progressing the assessment of those.

**Senator PATRICK:** When you get to the end of the process, my understanding is that the plans are adopted under section 79 of the Water Act as a legislative instrument; is that correct? Effectively, they are tabled.

**Mr Reynolds:** I might ask Mr Goodes to speak to the specifics of the water resource planning process.

**Senator PATRICK:** The next question I have is: are they disallowable instruments? Are the water resource plans legislative instruments that are, presumably, tabled under the act?

**Mr Goodes:** They are instruments under the Water Act, but they are not disallowable legislative instruments, to the best of my knowledge.

**Senator PATRICK:** I had a quick look, and my thought was that they were, but I will take your view on that. Have any of them been tabled at this point? I know that some are not approved. I thought some of them were.

**Mr Goodes:** No, none of the New South Wales plans—

**Senator PATRICK:** No. I'm talking about across the basin.

**Mr Goodes:** All of them? Yes. There are 33 plan areas, and the plans for 13 of those areas have been accredited by the Commonwealth minister.

**Senator PATRICK:** And tabled as a legislative instrument?

**Mr Goodes:** No, that is not required. They are available on the website, but they are not tabled.

**Senator PATRICK:** But I thought we were just saying that the way in which they come into effect is that they are a legislative instrument.

**Mr Goodes:** They come into effect when they are accredited by the federal water minister.

**Senator PATRICK:** A conversation that took place at the multijurisdictional hearings talked about the way in which the baseline diversion limits and sustainable diversion limits will be modified as a function of the floodplain harvesting changes that are occurring. They change the SDLs, don't they? They modify the SDLs?

**Mr Goodes:** Yes. The process of assessment and accrediting water resource plans is an opportunity for new and better information to adjust the baseline diversion limit in the plan. For surface water plans, when you adjust the baseline diversion limit, that has an automatic flow-on on to the SDL.

**Senator PATRICK:** My understanding is that the SDLs can only be changed by way of sections 45 to 49 of the Water Act. That, for example, requires 80 weeks of consultation and the consideration of climate change under that section of the act. Or are you suggesting that the SDLs in this instance will be changed but not under those sections of the act?

**Mr Goodes:** The process of adjusting the baseline diversion limit can just be done by virtue of the authority's assessment of new and better information.

**Senator PATRICK:** I understand that, but because it adjusts the SDL I would have thought that actually does require approval by the parliament.

**Mr Goodes:** No, not for surface water. For groundwater it requires an amendment to the Basin Plan because the numbers are hard-wired in.

**Senator PATRICK:** Have you sought legal advice on that?

**Mr Goodes:** I would have to ask that question.

**Senator PATRICK:** I ask you to respond to that on notice; thank you. There is a Barmah Choke bypass project or study underway; is that right?

**Mr Goodes:** Yes, that is correct.

**Ms O'Connell:** Andrew Reynolds was talking to that earlier.

**Senator PATRICK:** I am just trying to understand. I note that New South Wales appears to be abandoning Menindee Lakes, the Menindee projects. Is there some alternative SDL project that this is going to morph into?

**Mr Reynolds:** It is not an SDL project, as designed. It is about being able to run the river efficiently and reduce the risk of shortfalls: reduce the risk of not being able to deliver water to entitlement holders.

**Senator PATRICK:** It is to get around the constraint, in some sense.

**Mr Reynolds:** Yes. At the moment, at certain times of the year we can have difficulty in delivering all of the water that entitlement holders might have access to, as the channel reduces in capacity. So it is about alleviating that issue.

**Senator Ruston:** So it's a constraints measure?

**Mr Reynolds:** It is not part of the constraints measures. Constraints are about being able to run water onto the lower part of the floodplain.

**Senator Ruston:** So what measure is it?

**Mr Reynolds:** It is not an SDL project. It is part of our arrangements to manage the river on behalf of joint governments to deliver allocations under the Murray-Darling Basin Plan.

**Senator PATRICK:** So it is clear in my mind that it is not an SDL project; it is not trying to replace a constraints project. So, if the New South Wales government abandons Menindee, it has to come up with something different if it is going to hit the 605 and not risk water buybacks in 2024.

**Mr Reynolds:** One of the things we will explore through this project is whether or not it changes the efficiency of how we can run the river. I cannot pre-empt how that will come out, because it is an examination of all the options before us.

**Senator PATRICK:** So are you modelling the bypass?

**Mr Reynolds:** That will be part of the study when we get into it. We are not into that level of detail at this point.

**Senator PATRICK:** I presume that will be modelled and you will look to see how it improves any environmental outcomes, efficiencies and so forth.

**Mr Reynolds:** I would like to be clear that it is not necessarily a bypass of the Choke. It could be more effective utilisation of the existing infrastructure or it could be profiling the timing of how we deliver water in the system. There is a range of things it could be. A bypass of some description or increased capacity past the Choke could be part of that.

**Senator PATRICK:** What are the long-term losses through the Barmah Forest at the moment?

**Mr Reynolds:** They vary greatly from year to year, depending on the season. At the lower end, in a year of very low water availability, they're probably in the order of 700 to 750 gigalitres a year. If we get a very wet year with large floods and a lot of overbank flow, they could be many times that. This year we're tracking towards about 800 gigalitres.

**Senator PATRICK:** Can you perhaps give, on notice, a more definitive range? That's interesting from the point of view of efficiencies.

**Mr Reynolds:** Yes, I can. In fact, we will be publishing a report shortly with some of that information.

**Senator PATRICK:** So there's a report coming. Have you estimated the cost of this project? It sounds like you haven't quite defined it.

**Mr Reynolds:** We haven't defined it well enough in terms of potential engineering solutions, which would be an expensive side of it. There are options around revised management arrangements, which could be relatively inexpensive, but they may or may not deliver as much of an outcome.

**Senator PATRICK:** Where will the budget come from in respect of any bypass project?

**Mr Reynolds:** At this stage, the Water Grid Authority is funding a feasibility study to understand what the works might look like. It will be a discussion between the Commonwealth and the state governments as part of the joint venture regarding the benefits that accrue from that project. That will probably, I imagine, determine the potential funding sources.

**Senator PATRICK:** That feasibility study—is that what we call it?

**Mr Reynolds:** Yes.

**Senator PATRICK:** That will be made public?

**Mr Reynolds:** Once completed, there will be an extensive consultation process around that as well.

**Senator PATRICK:** I was going to get to that in terms of making sure that you inform the public and then actively seek input. I presume you'll look to the Barmah board, RGA and a whole range of different stakeholders?

**Mr Reynolds:** That's correct.

**CHAIR:** You have reached your time, Mr Patrick.

**Senator PATRICK:** Thank you. I'll just close off on this: who's contracted to do the feasibility study?

**Mr Reynolds:** We're working through that arrangement at the moment. We haven't contracted. MDBA is managing the process. I imagine we will let a number of consultancies explore different elements of it. There will be the engineering type works, there will be potential environmental impacts of any works and there will be potential impacts on communities around how water might be delivered differently. I anticipate letting a number of consultancies address those issues.

**Senator PATRICK:** Just to clear up what you said before: it's the National Water Grid Authority that's paying for this, but you are managing the work?

**Mr Reynolds:** MDBA will be managing the work. Given that we're the river operator and we'll need to pull all of that information together and provide the advice to governments about how that will influence the potential of future shortfalls, it's appropriate for us to manage that piece of work.

**Senator PATRICK:** Thank you. That's a nice clean break. Thank you, Chair.

**CHAIR:** Thank you very much, Senator.

**Senator PATRICK:** I'll still hang around and scoop up any time I can.

**CHAIR:** I might let Senator Patrick go for another five minutes and then take a break at 3.30. I didn't expect him to finish with such alacrity.

**Senator PATRICK:** Are you conducting any audits or investigations of trades within the independent irrigation organisations?

**Mr Reynolds:** I might just ask Daniel Blacker, who's our lead officer for compliance.

**Senator ROBERTS:** While we're waiting, Chair, could I request that we get a copy of that study that's going to clear up the question as to how much water is lost through the Barmah forest that was mentioned?

**Senator Ruston:** It's not finished, but it will be made publicly available when it is.

**Senator PATRICK:** It was agreed to take the losses on notice. You're after the losses?

**Senator ROBERTS:** Yes, and the report.

**Senator Ruston:** The losses and the report.

**Senator PATRICK:** There are two things. There are the losses, which are just the numbers, and there is the report, which is not finished.

**Senator ROBERTS:** That's right. When the feasibility is done, we'd like to see it.

**Senator Ruston:** The feasibility study is something completely different.

**Senator PATRICK:** Are you conducting any audits or investigations of trades within the independent irrigation organisations?

**Mr Blacker:** Thank you for the question. Each year we publish an annual work program for our audit work program 12 months in advance. We have flagged that we will be auditing an irrigation infrastructure operator as part of that plan.

**Senator PATRICK:** You haven't selected which one that is?

**Mr Blacker:** We have, yes.

**Senator PATRICK:** Is that public?

**Mr Blacker:** No, it's not at this point.

**Senator PATRICK:** And you don't want it public?

**Mr Blacker:** Not at this point.

**Senator PATRICK:** Okay. Is there any investigation of the PIIOP spending within the independent irrigation organisations—the Private Irrigation Infrastructure Operators Program?

**Mr Blacker:** Our regulatory role in relation to IIOs is quite narrow. We will be looking at compliance with the Basin Plan requirement to disclose the reasons for any trade restrictions within their system of operation, specifically delivery entitlements.

**Senator PATRICK:** Those were my questions on auditing and investigations. Just in relation to the Wyangala Dam project—I might need the Murray-Darling Basin Authority on this one—I understand that the dam levels would need to be lowered to around 30 per cent for the construction period, assuming it were to go ahead, and that would have implications for general security water allocations during that period. It might also have implications for the Commonwealth Environmental Water Holder. Can you tell me what your plans are in relation to high security, general security, environmental water, if that were to go ahead?

**Mr McRandle:** I am probably not able to give you specific responses to those elements now. As I was saying to senators earlier, there's a detailed business case and environmental study being conducted at the moment for the Wyangala Dam. You're correct that the works would require a lowering of the dam to allow them to remove the gates and to install new ones, but we don't have the information yet, or I have not received the information yet, as to what the effects would be as part of that project implementation.

**Senator PATRICK:** That's a fair enough statement. I wonder if the MDBA have at least looked at it because I know they made a submission to the New South Wales Legislative Council inquiry.

**Mr Reynolds:** Given Wyangala is New South Wales storage and would be subject to the New South Wales allocation policy, it's not something that we're involved in. It's not part of the Murray system, so any assessment of impacts on allocations would be something that New South Wales would need to do and manage. It's not something that we have an input into.

**Senator PATRICK:** It's going to affect flows down the system. I get that the allocations are not your problem. Have you looked at it at least from an environmental water perspective, or do you say that's not your problem?

**Mr Reynolds:** Not until there's some more detail about what is being planned. In terms of the allocation impacts, that will be a matter for all allocation or entitlement holders in that system, not just Environmental Water Holder. As I say, it's a New South Wales policy position and a decision they have to make about how they manage that water system on behalf of their entitlement holders. We don't have any information at this point in time to be able to make a judgement on that anyway.

**Mr McRandle:** Perhaps the best way for us to handle this is to take it on notice. I'll contact the New South Wales colleagues and put those questions to them. This idea of lowering the dam is going to depend on how much water there is in the dam at the moment. Last year it was only 12 per cent, so you probably wouldn't have to do any lowering.

**Senator PATRICK:** There's a bit of rain around at the moment.

**Mr McRandle:** There's a good bit of rain around at the moment. I will take those questions on notice and we'll come back with some answers.

**Senator PATRICK:** That would be helpful. Just a final question in my last 30 seconds: you have made a submission to the New South Wales Legislative Council that did raise some concerns. Are you engaged with the Legislative Council? Are you going to appear and give evidence and are you in discussions about the concerns that you raised directly with the New South Wales government?

**Mr Reynolds:** I'd have to take that detail on notice, I'm afraid. We've made the submission. I believe that's probably all we've intended to do at this point, but I'll take that on notice.

**Senator PATRICK:** It's exactly 3.30.

**CHAIR:** Impressive, Senator Patrick.

#### **Proceedings suspended from 15:30 to 15:46**

**CHAIR:** We will move to the Water Efficiency and Labelling Standards regulator.

**Senator PATRICK:** I don't have much for WELS. Ms Connell, this is a matter that's dear to my heart. We've talked about it before. To describe the issue, a company that is a constituent of mine in Adelaide basically gets by because it makes high quality and niche products. They don't make many of them. They do that because they can't compete against foreign imports that are perhaps not as high in quality but are in bulk. That puts them in a position whereby, if they have to alter something to fit a customer's needs, which is what they're prepared to do, they have to go through regulatory processes. I asked you last time whether you would go to Adelaide. I understand you have, or at least someone in WELS has, and has had a look at the operation down there.

**Ms Connell:** That's correct. A number of our staff went to Adelaide, in February, I think, and have also had a couple of subsequent follow-up discussions and a virtual meeting with the company in question.

**Senator PATRICK:** I understand they noted the concerns in relation to the way in which that business operates. The issue of the Australian-New Zealand Standard 6400 committee was raised. Apparently, they're considering changes to aspects of the standard. How do industry or stakeholders interact with that committee and how does the committee determine what is and is not a priority?

**Ms Connell:** The committee is convened by Standards Australia. My understanding is that there are industry and business representatives on that committee. Ms Bunfield can provide some more information.

**Ms Bunfield:** Thanks, Ms Connell, for passing that question on to me. That's right; the 6400 standards committee is run by Standards Australia and has representatives on it from the Commonwealth, from state governments, from water utilities, appliances and products, primary industry groups and other interested bodies. Requests for consideration of items on that committee can come through any of the members of the committee and it also can come through Standards Australia through information on those.

**Senator PATRICK:** What about from the Commonwealth government?

**Ms Bunfield:** For example, the South Australian manufacturer has spoken to members of the WELS team who are observers on that committee and they have put through the request for a future agenda item and for future work for that committee.

**Senator PATRICK:** In effect what I think my constituent is asking for, noting the difference in his business model, is treatment under the standard in respect of small variations and changes. He may have the same pipe size in the tap; he just might make it slightly longer for a particular customer and he's finding that he has to go through a regulatory process. I'm also informed that even if the colour changes he has to go through a regulatory process. Is that your understanding as well?

**Ms Bunfield:** No. If it's just a colour, if it's a variant which is a colour that doesn't impact the size or the water efficiency of the product, that can be registered as a variant. While it's registered there's no cost to the registration and it is done at the same time as the main product. So if you have a set of taps and you can get them in a range of colours, you register the tap. You do need to advise on the registration that there are different colours but that's done at the same time.

The South Australian manufacturer has spoken with the team about that and it's certainly something that they're working with him on, to look at efficiencies in the registration process, and we're also undertaking a redevelopment of an IT program. Our businesses interact with him when they register products to make sure that we capture a streamlined approach with the new IT system. As I understand it, in relation to the South Australian manufacturer, we've really welcomed his feedback on it and he's actually agreed to participate in the user experience testing and to provide even further feedback on that development.

**Senator PATRICK:** My last question basically in relation to this is really about how we take his concerns—they're not really concerns; but he only survives because of the niche, high-quality and responsive nature of his business; he cannot compete with the overseas entities in bulk—either we or the government and somehow get that item on the agenda, noting that there aren't many Australian companies that do it. We want to support Australian manufacturing. I don't want to usurp the process in any way but I'd like to think that we can present that to the committee as something that should get some serious consideration. I wonder how we might do that.

**Ms Bunfield:** That particular item is already on the forward work plan for the 6400 standards committee. We are also, as you are aware, in the current process of the independent review of the WELS scheme, and the South Australian manufacturer and many, many others have contributed to that independent review. Allen + Clarke are the independent reviewers. The government will receive a report on that independent review by the middle of the year. And that feedback, which is very important, and the feedback from other businesses and consumers alike, will be forwarded to the government and then the government will respond to that report.

**Ms Connell:** Essentially we've got two pathways open: the forwarded work agenda for the standards committee and the current independent statutory review, and we've facilitated the manufacturer's participation through both.

**Ms Bunfield:** Yes.

**Senator PATRICK:** I am grateful for your help. Thank you very much. That's all I have.

**CHAIR:** We release you with our thanks. We are going to continue with the department. We will have to just leave the Inspector-General waiting. If you'd like to turn off your camera you're welcome to, while we deal with some other matters and then we'll come back to you.

**Senator O'NEILL:** Secretary Metcalfe, could I just confirm that all the items that were requested of you by Senator Sterle have actually been tabled?

**Ms Connell:** In relation to the letter, we've tabled as much of the information we had to hand in 24 hours.

**Senator O'NEILL:** Could you just go through and make it clear to me what we've got and what's yet to come?

**Ms Connell:** We've tabled three spreadsheets in relation to the Sustainable Rural Water Use and Infrastructure program funding.

**Senator O'NEILL:** If you could work through the letter, that would probably make sense.

**Ms Connell:** We provided you with three tables. I might just also take the opportunity to correct the record in relation to some of my earlier evidence around budget items. I misread a number. In relation to the total that's currently being spent out of the Sustainable Rural Water Use and Infrastructure program, as at 28 February this year it was \$7.3 billion, which was \$4.5 billion on infrastructure and supply measures and \$2.8 billion on water purchase.

Just back to the letter, we've also tabled a detailed summary of all strategic water purchases made since 2013.

**Senator O'NEILL:** The second one is complete. The first one, is that complete or is there more to come?

**Ms Connell:** There is some more information to come. We weren't able to pull together all that information in 24 hours.

**Senator O'NEILL:** That's fine. I just want to be clear about that.

**Mr Metcalfe:** We'll take that as if it is on notice, just for the sake of completeness.

**Senator O'NEILL:** Thank you. In relation to dot point 3?

**Ms Connell:** We've given you a table which is titled 'All purchases 1 January 2013 to July 2019'.

**Senator O'NEILL:** That is all valuations? There are no further ones?

**Ms Connell:** That's correct. That's complete. And I think we've also tabled—but I have to confess I did lose track a bit in the middle—a list of reviews, reports, inquiries and investigations made in relation to the Murray-Darling Basin since 2013.

**Senator O'NEILL:** What does that one look like?

**Ms Connell:** I can provide it.

**Senator O'NEILL:** I don't think I've seen that one.

**Ms Connell:** We'll table that now.

**Senator O'NEILL:** Thank you very much.

**Ms Connell:** In relation to the final dot point, we've tabled information about the Murray-Darling community's investment package and the first report card that was released yesterday. I do just have some additional information in relation to two other programs.

**Senator O'NEILL:** Does that close it out or is there more to come?

**Ms Connell:** That does close it out.

**Senator O'NEILL:** Thank you. I accept those. I'm happy to move that way. If I could now go to just a quick follow-up with regard to another dam and then I'll come back to the Wyangala Dam. I have some questions about that. Can I go to the Eurobodalla Dam. The Productivity Commission has said that the government should not be excluding town water from infrastructure funding and I understand that is the problem for the community that are so well served by the new member of parliament, Kristy McBain, down there in Eden-Monaro. Why won't the government fund the Eurobodalla Dam that Kristy McBain is championing?

**Mr McRandle:** Perhaps part of this answer also goes to your earlier question about project selection. I think you used the term 'slush fund'. But just to be clear, the states provide—

**Senator O'NEILL:** I'll come back to that.

**Mr McRandle:** project proposals to the Commonwealth. We don't pick the projects. Projects come forward to us from the states and we fund them through a national partnership arrangement which is handled under the Federal Financial Relations Act.

**Senator O'NEILL:** Under those arrangements that you describe, do you currently exclude town water from infrastructure funding?

**Mr McRandle:** The remit for the National Water Grid Authority and the eligibility for projects mean that we fund projects that have a substantial primary industry, agricultural or mining resources element to it. The government, in forming the National Water Grid, had decided that funding of town water should remain solely the responsibility of state governments.

You mentioned the draft PC report. They do make a couple of observations, I guess, in their report. One is whether the Commonwealth should indeed be in any water investment at all, but then they say that the remit for the water grid should be extended to town water. That's a draft report and it's going to be finalised around the middle of the year and the government will make a response to the PC report in the usual way after they finalise their report. So we'll see what they have in their final report.

At this stage our eligibility criteria would not support projects that are solely about town water supply. But where projects have a combination of town water supply and primary industry supply it may well be a project that is eligible. What it relies upon is the state government putting the project forward to us. We don't go out and choose the projects. The projects come to us via the states and territories under the investment framework that was announced last year.

**Senator O'NEILL:** In short, it's a state problem?

**Mr McRandle:** It's a state responsibility to bring the project forward to us. I wouldn't call it a problem. I'd say it's their responsibility to bring the project forward to us. We will assess the project if they do bring a project like that one forward around—

**Senator O'NEILL:** Even if it is outside the remit that you've described?

**Mr McRandle:** No. What I was going to say was: we will assess it against our eligibility criteria. If it is a project that is potentially eligible, we'll form some advice and we'll provide that to government for their consideration about whether they would like to put it onto the infrastructure pipeline for water infrastructure.

**Senator O'NEILL:** What's the quantum in the dam funds? What's the quantum of funds available for building dams?

**Mr McRandle:** How much money's allocated to the National Water Grid Administrative program? There's about \$3.5 billion in total to the program. I'll just get some notes to make sure I've got the most recent. Of the \$3.5 billion, \$2 billion went in at the last budget on top of the \$1.5 billion that the government had already committed to provide that \$3½ billion funding base. That's to provide the means to fund a pipeline of projects. So what we're really trying to do is pick up some of the elements of the infrastructure program that senators would be aware of through the department of infrastructure and IA and apply that to the approach of the water grid, where we have a pipeline of water projects, if I can use that term, that will come forward with a 10-year outlook. So it gives states an opportunity to do some long-term planning and to know that we'll be there to partner with them on those projects.

Of that \$3½ billion, about \$1.7 billion is currently committed to projects. Of that \$1.7 billion, \$1.2 billion is contracted and we've expended \$279 million of the program to date. So what we do is, as projects are announced and we settle funding agreements that—

**Senator O'NEILL:** Sorry, can I just go over those figures again?

**Mr McRandle:** Sure.

**Senator O'NEILL:** There were two amounts, \$1.5 billion and \$2 billion?

**Mr McRandle:** The \$1.5 billion became \$3.5 billion at the last budget.

**Senator O'NEILL:** So it is \$1.5 billion plus \$2 billion. We've got \$3.5 billion allocated?

**Mr McRandle:** That's right.

**Senator O'NEILL:** You've got \$1.7 billion committed?

**Mr McRandle:** Committed.

**Senator O'NEILL:** With \$1.2 billion under contract?

**Mr McRandle:** That's correct.

**Senator O'NEILL:** At the moment, of the \$3.5 billion that's sitting there that I'm sure has been announced, the amount that has been expended is actually how much?

**Mr McRandle:** It's \$279 million.

**Senator O'NEILL:** That's \$279 million, with an 'm'?

**Mr McRandle:** 'M', that's right.

**Senator O'NEILL:** So there's billions sitting there?

**Mr McRandle:** It can't be a billion because it would be well in excess of the funding envelope. We've expended \$279 million to date. We've got \$1.2 billion contracted. Under the milestones that we're settling with states as we do the national partnership arrangement it's determined—the states are the ones who—

**Senator O'NEILL:** Sorry, Mr McRandle, I don't think that we can have a longer conversation. If I can just get some answers because we've only got a short period.

**Mr McRandle:** Sure.

**Senator O'NEILL:** If there's anything that you want to put on notice for me to find out more about, I'm happy to receive that.

**Mr McRandle:** We have a lot of it on the website already.

**Senator O'NEILL:** Thank you very much. What I'm worried about is the possibility of the construction of what I'm going to call 'dam rorts'. I am the daughter of an Irish immigrant who built a lot of roads. I love infrastructure in all its forms. I can remember going out to see the Warragamba Dam—how impressive and exciting. I love infrastructure so much that my mother even gave me a book on the great builds around the world and a book on the Hoover Dam build, one of my favourites.

**Mr McRandle:** Fabulous.

**Senator O'NEILL:** These are visionary things that capture people's imagination. We can all be overwhelmed by the sight of those things, or the thought of something like that coming to our community.

**Senator STERLE:** I'll take you up to Kununurra to see Lake Argyle.

**Senator O'NEILL:** I would love to do that, Senator Sterle. These things capture the public imagination—they certainly capture headlines. We have had an awful lot of announcements about dams and, from what I can see, an incredible failure of delivery on those announcements. I am concerned with the numbers we have looked at there. Are you aware of the commentary from the Productivity Commission around good governance with regard to the National Water Initiative, NWI?

**Mr McRandle:** The Commonwealth interest in the National Water Initiative is administered through the Department of Agriculture. We have the National Water Grid, which is the infrastructure program consistent with the NWI, but the NWI is a different thing to what we do.

**Senator O'NEILL:** Can you answer questions for me about the NWI?

**Mr McRandle:** That is probably a Department of Agriculture question.

**Senator O'NEILL:** Okay. What about the NWIDF?

**Mr McRandle:** That is a different thing. That is the National Water Infrastructure Development Fund. We are getting a few acronym confusions here.

**Senator O'NEILL:** Well, clean it up for me.

**Mr McRandle:** Okay. The National Water Initiative is the agreement between states and territories about the management of water, pricing and those sorts of things. The NWIDF is the National Water Infrastructure Development Fund. It was established in 2015. It was originally in the agriculture department but transferred to the department of infrastructure a few years ago and has now become part of our responsibilities in the National Water Grid.

**Senator O'NEILL:** Does that mean that through the process you have just described there is a connection to the dams we were discussing earlier?

**Mr McRandle:** The National Water Infrastructure Development Fund is the administered fund for funding the government's infrastructure programs.

**Senator O'NEILL:** All my questions go to that, so there is no confusion.

**Mr McRandle:** So you are probably back to me again.

**Senator O'NEILL:** While I do have you, can you confirm that the responsibility for the NWI remains with the agriculture department?

**Mr McRandle:** The National Water Initiative? That's right.

**Senator O'NEILL:** That is good to know. The NWIDF integrates water services for agriculture and primary industry; is that correct? Is that what its main purpose is?

**Mr McRandle:** Yes. Those dollars were the funds against the National Water Infrastructure Development Fund that I was referring to.

**Senator O'NEILL:** According to this report, there seems to be a lot of problems with the decision-making by governments around how this money is spent. Is that a fair assessment, Mr McRandle?

**Mr McRandle:** What the PC fairly does is set out some problems around project selection that existed prior to the government's decision to establish the National Water Grid Authority and also the new investment framework. The new investment framework, which I spoke about earlier, provides a basis for the government to select projects that rely on the states to bring forward well-developed proposals. My view of it would be that the PC criticism in their draft report is about project selection that would have occurred earlier. We have those projects now. We have 22 project commitments from government that came from earlier commitments. I am happy to report that we have now delivered seven of those projects since the National Water Grid Authority has been established. We will have an eighth project completed before the end of the year. So we will be more than a third of the way through the government's infrastructure project commitments by the end of this year.

**Senator O'NEILL:** I am happy to receive that, but I want to go to questions around the Wyangala Dam and the Dungowan Dam, in particular. As I understood it from what you said to Senator McAllister, there is a pause in the process that has been engaged in. You have the state on the hook; you have the federal on the hook. There is all this money there. It has all been talked about. The community is all excited. Was there an announcement of the funding of these two dams?

**Mr McRandle:** Yes. I mentioned before that the New South Wales Premier, the Prime Minister, and I think the Deputy Prime Minister as well, were involved in an announcement in October 2019 that they would contribute to the augmentation of the Wyangala Dam and the Dungowan Dam.

**Senator O'NEILL:** Just to be clear, the announcement has been made—I am sure there was a front page. The community thinks they are getting a dam. You have told us that.

**Mr McRandle:** They've got a dam. It is an augmentation of a dam. There is already a dam. As you say, you have been out there and seen it.

**Senator O'NEILL:** But they think there is money to be spent in their community on it.

**Mr McRandle:** That is the commitment the government has made. This was a funding commitment of \$650 million between the state and the federal government for the augmentation of the Wyangala Dam.

**Senator O'NEILL:** It sounds pretty impressive. I am sure it got the front page. What I am trying to find out, though, are the processes around not just that dam—if it can happen with that dam it can happen with plenty of others. The Productivity Commission has said:

The decisions in this fund reflect a suite of weaknesses in decision-making by governments, including those highlighted by inquiry participants. They don't always identify clear issues, consider the full suite of options, business cases are not long-term or comprehensive, assumptions are not always rigorous or transparent, decision-making processes lack transparency. There is insufficient publicly available information to assess 21 projects with a total government funding commitment of \$1.15 billion against all NWI criteria.

It states that, according to the Institute for Water Futures, which submitted sub No.30, on page 17, to the Productivity Commission:

Seven projects have received Australian Government funding commitments prior to business case development and environmental approvals.

To me that sounds like: 'Where can I make an announcement? Oh, this is where I can make an announcement. I'll put that out there. I'll announce the money. I'll get the front page—and I'll do all of that without a business case even being in place.' I have great concerns about dam rorts.

**Mr McRandle:** Putting aside that term, the point I am making is that the government, through its decision-making in establishing the Water Grid Authority and establishing the Infrastructure Investment Framework, is moving to a more rigorous project selection and project assessment phase.

**Senator O'NEILL:** It is moving to that now. Remember, the government has been in for eight years, Mr McRandle.

**Mr McRandle:** The water grid was an announcement in the 2019 election campaign. I am responsible for that entity.

**Senator O'NEILL:** I am not going to hold you to account for what the government did before you got there, but this is the reality of what you are doing: you are interacting with projects that were advanced without a business case.

**Mr McRandle:** One of the things the government has done by setting us up and the framework is that we are looking at those projects and we are putting them into better shape for investment decisions for government. That process is working very well.

**Senator O'NEILL:** Is one of the processes going to be that a business case is put in place and proper assessments are done before the government gets to announce millions or billions of dollars?

**Mr McRandle:** That is in the framework that was announced at budget. So it is out there as a public document already. We are very transparent about the process. The government is very transparent about the process.

**Senator O'NEILL:** Mr McRandle, you may be attempting to be transparent now, but you could hardly describe the processes that have allowed millions and billions of dollars to be committed without a business case to be transparent.

**Mr McRandle:** I am not in a position to comment on projects that were announced years ago, Senator. I appreciate where your question is coming from, but I am just saying what we are doing now.

**Senator O'NEILL:** My questions continue to come from the point of good governance and proper management of the Australian taxpayers' dollars in the interests of the community. I will get to that bit in a minute.

**Mr McRandle:** Sure.

**Senator O'NEILL:** The report goes on to say:

It's common for the costs of major water infrastructure projects to increase substantially between the early feasibility work and final construction.

We are not even at the construction phase, but the costs of the Dungowan Dam and the Wyangala Dam have escalated even at this point, where you have a pause.

**Mr McRandle:** The statement about the price change between feasibility stage and detailed business case is probably true of pretty much any infrastructure project. A feasibility study is usually done on a fairly general set of design principles around the infrastructure design, so industry for dams. That is why we have a process where you work through a detailed business case, build up a reference design, and get a high level, a P90 level, of costing estimation, so that there is a high degree of reliability. So we completely agree that the projects should be funded at a point when we have a very good understanding of what the real costs are likely to be.

**Senator O'NEILL:** That is not the case for the Dungowan Dam, where the Prime Minister, along with the Premier of New South Wales and Mr McCormack, the deputy leader of the country—so the Liberal-National coalition in force—stood up and made an announcement of a total of \$150 million for the construction of the Dungowan Dam, which has now formed a case study in the Productivity Commission report that says, 'The benefit-cost ratio of 1.06 is marginal and contingent on optimistic assumptions. Non-infrastructure options were excluded from the analysis.' These other options that were non-infrastructure—which are harder to get a front-page story on in the local paper—may be considerably more cost-effective. This is why I am saying this is dam rorts. This is getting a picture on the front page—make a big splash with a big announcement. This announcement is so flawed that it doesn't even deliver water cost-effectively to the government on this analysis.

**Mr McRandle:** Let me respond in terms of where our responsibilities sit and the role we have. We are an entity set up to co-fund infrastructure with states for water. Therefore, by definition, only projects that are infrastructure in nature will come to us for consideration and advice to government. That does not mean that states should not be doing the studies before that point to identify the infrastructure and non-infrastructure solutions. To some extent we support them with that.

**Senator O'NEILL:** Yes, we can talk about the states, but it wasn't the state that was just standing there by itself; it wasn't just Premier Berejiklian. Mr Morrison, the Prime Minister of the country, was standing there alongside the Deputy Prime Minister making this announcement for a dam that is described as 'a costly way to protect general security licences relative to the value of the water'.

**CHAIR:** Senator O'Neill, you have made a few statements. Do you want the official to finish so that we can keep going this afternoon?

**Mr McRandle:** We are going through that process now. As I mentioned before the break, we have a detailed business case under way. We are helping to fund that business case. We will make an assessment when we see the results of that and provide our objective and honest advice to government about that. We have structured the funding agreement in such a way that there is a point where the business case arrives. Both the state and federal governments will independently assess the project and will provide advice to our respective governments.

Beyond that, I cannot speculate on the outcome. The PC's draft report talks about the benefit-cost ratio of slightly over one. We will see what the final PCR looks like when the business case is done. But I don't want to speculate about numbers. I would also note that Infrastructure Australia and others are looking at assessing projects beyond just the number of a benefit-cost ratio. It's a very simple measure and it relies on what discount rate you use. Typically, these projects use a seven per cent discount rate. When you look at the cost of capital these days, seven per cent seems particularly high. It does have a material effect on the BCR at the end of the day.

**Senator O'NEILL:** Mr McRandle, I do not doubt that you take your job seriously, but you cannot undo the front page that has a big splash about Mr Morrison, Ms Berejiklian—

**CHAIR:** I don't think the department official will be able to comment on a front page.

**Mr McRandle:** I cannot comment on that.

**Senator O'NEILL:** You have pushed 'pause', you said.

**Mr McRandle:** No. We have a structure in our funding agreement with milestone payments.

**Senator O'NEILL:** So there is a pause period.

**Mr McRandle:** And there is a built-in review point, which is when the business case—

**Senator O'NEILL:** The Productivity Commission, which I do trust to be completely independent—

**Mr McRandle:** As do I.

**Senator O'NEILL:** has indicated that there is flawed decision-making involved in the Dungowan Dam and its announcement. When the Productivity Commission is proved right, will you make sure that the local community, who were duped by these sorts of announcements, gets the facts about what was going on? Is that a responsibility you can undertake? Can you make sure proper information gets out to the community?

**CHAIR:** Senator O'Neill, I don't think an official can respond to a question where you are using language like that. If you want to ask about the detail in the project I am sure he can assist you with that.

**Senator O'NEILL:** Maybe Minister McCormack can take out an ad to apologise for misleading people.

**CHAIR:** Senator O'Neill, do you have a question so we can keep going?

**Senator O'NEILL:** I might move on to a different line of questioning. I want to express grave concern that there is essentially another big slush fund of \$3.5 billion that Australians should be watching this government with.

**Mr McRandle:** I can respond to that. As I explained, the states put forward the proposals for projects. We are not selecting the projects. We will assess the proposals and put advice to government. I do not think what you are suggesting there can operate under the way the government has set up the new funding agreement framework.

**Senator O'NEILL:** So you've got the brakes on the Prime Minister: 'You can't go out and do this anymore'.

**Mr McRandle:** It's the government's framework. They agreed it and they announced it as part of the budget last year.

**Senator O'NEILL:** After they'd already made all these other announcements. Thank you very much Mr McRandle; I appreciate your frankness. If I could just go to some questions to the department. Senator Patrick asked a few questions about the elements of climate change that are within the Basin Plan. Has the Minister for Resources, Water and Northern Australia or anyone from his office requested any staff in his department to remove the words 'climate change' from ministerial correspondence?

**Ms Connell:** Senator, I'd refer you to a question on notice that was tabled in relation to that question.

**Senator O'NEILL:** If I could have a copy, that would be helpful.

**Ms Connell:** I think it was a question put by your colleague.

**Senator O'NEILL:** Do you know what number that is?

**Ms Connell:** Sorry.

**Mr Metcalfe:** We will let you know. I think the answer is no, Senator.

**Senator O'NEILL:** So there have been no requests to remove the words 'climate change' from ministerial correspondence?

**Mr Metcalfe:** That's my understanding, Senator.

**Senator O'NEILL:** I'll look for the QON. As soon as you can identify the number, that would be helpful.

**Ms Connell:** I have found it.

**Senator O'NEILL:** Thank you very much. I appreciate that. Has the Minister for Resources, Water and Northern Australia or anyone from his office requested any staff in any portfolio agencies to remove the words 'climate change' from ministerial correspondence?

**Mr Metcalfe:** I think the response to the question on notice, question No. 2477, provides a response to that question.

**Senator O'NEILL:** A third one may be encapsulated there as well: has the minister ever indicated to his staff an alternative preference to the phrase 'climate change'?

**Mr Metcalfe:** I can't answer for what the minister may have said to his own personal staff. I can answer it in relation to the department. Our responses are covered in the question on notice.

**Senator O'NEILL:** How many ministerial briefings from the department to the minister contain the phrase 'climate change' in relation to water? And does the minister receive briefings verbally or written that involve you using the words 'climate change'?

**Mr Metcalfe:** As the response to the question on notice says, the minister has made it clear that he expects responses from the department being provided for his consideration to be relevant to the topic at hand. So, depending on what the constituent has written to him about, he quite naturally expects us to write a letter that responds to those matters.

**Senator O'NEILL:** In responding to those matters, is there any indication to the departmental staff not to use the words 'climate change'?

**Mr Metcalfe:** I've already answered that question; the answer's no.

**Senator O'NEILL:** Thank you very much. Thanks, Chair.

**CHAIR:** Senator Roberts has one question.

**Senator O'NEILL:** And then his last question.

**Senator ROBERTS:** Very quick. Subclause 4(3) of schedule 3 of the Water Act 2007 contains a requirement that all water trades should be recorded on a water register. In 2012, an attempt was made to implement this provision with the creation of the National Water Market System, a grandiose scheme that collapsed under the weight of its own ambition. Following that \$30 million failure, the Murray-Darling Basin Authority gave up. It's been 14 years. Where is our water register and when will we get it?

**Ms Connell:** In relation to that specific program, I'd have to take the question on notice. In relation to existing systems, I would refer that to the MDBA and the systems that the states have in place. It's obviously a question that the states would need to answer.

**Senator ROBERTS:** At the moment there seems to be a big black hole and, under those circumstances, people can rip off the system. We've heard evidence of that from people in our constituencies. I'm very concerned about it. That was a statement, not a question.

**Ms Connell:** The states have primary responsibility for water trading. The Murray-Darling Basin Authority has some compliance responsibilities under the Water Act, but principally the current responsibilities in relation to water trading and the requirement to maintain registers sit with the states.

**Senator ROBERTS:** The Water Act requires a national water register.

**Ms Connell:** It may be a provision in relation to foreign ownership. I might just have to take that on notice.

**Senator ROBERTS:** We have a big black hole when it comes to water trading and that's an opportunity for roting the system. People are telling us that there is roting of the system, extensive and deep. We need to stop that.

**Mr Metcalfe:** We note your questions and we'll endeavour to provide a fuller answer on notice.

**Senator ROBERTS:** Thank you very much.

**CHAIR:** Terrific. Senator O'Neill has no more questions. We thank the department and all the officials who stayed longer than we expected. We appreciate your time and your commitment to the job.

#### **Interim Inspector-General of Water Compliance**

[16:26]

**Senator STERLE:** While the Inspector-General is making his way to the table—

**CHAIR:** On screen, yes.

**Senator STERLE:** When we go into the budget estimates and everything is doubled, do we get two days of this portfolio as well?

**CHAIR:** Senator Sterle, you ask such excellent questions. I will come back to you on that. Let's hope not, though.

**Senator STERLE:** Senator O'Neill is only just getting warmed up.

**CHAIR:** Good afternoon, Mr Grant. I will start with questions from Senator O'Neill.

**Senator O'NEILL:** I'm just going to ask some questions about the process of appointment et cetera. To your knowledge, how were you appointed to the role? How did that process unfold?

**Mr Grant:** I received a phone call asking if I would be interested in the role from Gerard McManus in Minister Pitt's office.

**Senator O'NEILL:** Sorry, Mr Grant, you're breaking up a little. You might just have to start again. You received a phone call. On what day?

**Mr Grant:** I don't recall the day. I'd have to check some records and come back to you on that.

**Senator O'NEILL:** Thank you. I appreciate that.

**Mr Grant:** It was some time ago.

**Senator O'NEILL:** What month? What year?

**Mr Grant:** I don't want to mislead the committee, so I'll have to get back to you. It was last year, 2020.

**Senator O'NEILL:** It was a year that many of us would prefer to forget. I'm sure that—

**Senator Ruston:** I never will.

**Senator O'NEILL:** You probably never will, Senator Ruston; true. So you got a phone call in 2020. Do you think it was in the middle of the year or towards the end? When did you come into your role?

**Mr Grant:** The second last week of December.

**Senator O'NEILL:** Was it a long time before that or in close proximity?

**Mr Grant:** No; it was some time. I would hazard a guess that it was somewhere around July or August, potentially, but I will look it up.

**Senator O'NEILL:** Thank you for that; that's really helpful. We will look for you to confirm that on notice.

**Mr Grant:** Sure.

**Senator O'NEILL:** So you received a call in, say, July or August 2020. From whom did you receive the call?

**Mr Grant:** Gerard McManus.

**Senator O'NEILL:** Who is Mr McManus?

**Mr Grant:** He's a staff member in Minister Pitt's office—I'm not sure of his job title—and was canvassing my interest in taking up the role. I also received a call from Mick Keelty, the interim inspector-general at the time, informing me that he had nominated me to the minister's office for the role.

**Senator O'NEILL:** To be clear: did you express interest in this role at any point of time to Minister Pitt, Mr McManus or Mr Keelty?

**Mr Grant:** I thought about it initially and then I was contacted by the department shortly thereafter asking me for some initial details, I think, which related to my curriculum vitae.

**Senator O'NEILL:** Can you just hold it for a second, Mr Grant. I just want to be really clear about this. My question was: did you mention your interest in the role to Mr McManus, Minister Pitt or Mr Keelty? You said, 'I thought about it initially and then', but you didn't just think about this and get the job. Did you contact them beforehand or did they contact you?

**Mr Grant:** No. They contacted me and canvassed my interest—of which I would think about my interest. Whilst doing that—and I had no conversations with Minister Pitt in relation to this role—I got contacted—

**Senator O'NEILL:** You never expressed interest to anybody in the National Party in this role?

**Mr Grant:** No.

**Senator O'NEILL:** You are a former National Party member in New South Wales?

**Mr Grant:** Yes. I used to be the leader of the New South Wales National Party and the member for Dubbo.

**Senator O'NEILL:** Do you have casual interactions with Minister Pitt in your post-parliamentary life?

**Mr Grant:** In person I think I've met Minister Pitt a total of four times in my lifetime.

**Senator O'NEILL:** When you were approached, did Mr McManus say it was on Minister Pitt's request that he was acting or was he searching for candidates independently?

**Mr Grant:** It was part of a broader candidate search, as I understood it.

**Senator O'NEILL:** How broad was the candidate search, to the best of your knowledge, Mr Grant?

**Mr Grant:** I wasn't provided with any of that detail. I was simply asked if I was interested and if I could provide my CV to the department when they rang. That was largely it.

**Senator O'NEILL:** Okay.

**Mr Grant:** Apart from a conversation with Mr Keelty; sorry.

**Senator O'NEILL:** Just because it's a public role, what is the remuneration for this important role?

**Mr Grant:** I can get you the exact figures on notice. I've got a three-day a week contract to perform the role, for which I am performing far in excess of those three days.

**Senator O'NEILL:** That's the problem with part-time jobs, isn't it?

**Mr Grant:** Yes, but I'm very happy to be doing it. I think it's important, obviously, to give the role the time in this interim period to make sure that the office is set up to its maximum effect. I get a daily rate for those three days and then expenses are paid by way of reimbursement.

**Senator O'NEILL:** For when you have to travel along the river.

**Mr Grant:** Yes. That is under the Commonwealth arrangements.

**Senator O'NEILL:** What's the daily rate? Do you know that, roughly; not to hold you to it?

**Mr Grant:** I'm honestly not a person who takes a great interest, to be honest—

**Senator STERLE:** Come on.

**Mr Grant:** For a 12-month period, the total remuneration for the three days a week is something like around \$200,000.

**Senator O'NEILL:** \$200,000?

**Mr Grant:** Yes; ballpark.

**Senator O'NEILL:** \$200,000?

**Mr Grant:** Yes.

**Senator O'NEILL:** For three days work a week, plus expenses for when you travel?

**Mr Grant:** That's correct.

**Senator O'NEILL:** Were you surprised when you got the phone call from Mr McManus?

**Mr Grant:** Yes. I was more surprised by Mick Keelty's phone call because I had no idea that he was leaving the role.

**Senator O'NEILL:** Mr Keelty was selecting the role; is that what you just said?

**Senator Ruston:** Leaving the role.

**Senator O'NEILL:** Leaving the role.

**Mr Grant:** Leaving the role. It was Mr Keelty who informed me that he recommended me to the minister.

**Senator O'NEILL:** What is your relationship with Mr Keelty and how do you know him?

**Mr Grant:** Mr Keelty is a former commissioner of the AFP, and for 22 years I was a police officer with the New South Wales Police Force. I had met him probably on two or three occasions in that capacity. Then I engaged Mr Keelty when I was the Minister for Emergency Services to conduct the Keelty review on the Tathra fires.

**Senator O'NEILL:** So it was in your role in New South Wales as the leader of the New South Wales National Party that you interacted with Mr Keelty?

**Mr Grant:** No, as Minister for Emergency Services.

**Senator O'NEILL:** It sounds like you got on pretty well if he decided to give you a call for this kind of job. He recommended you to Minister Pitt's office; is that correct?

**Mr Grant:** That's what he told me.

**Senator O'NEILL:** He told you that. On what basis do you believe Mr Keelty recommended you, seeing as he only knew you in the role, as you describe, as Minister for Emergency Services? What particular skills do you think he saw in you that made him say, 'Keith, mate, this is the fella. You've got to get this bloke. He's the one'?

**Mr Grant:** That's a question that Mr Keelty can answer.

**Senator O'NEILL:** You provided him with a CV. What is it in your CV that you think Mr Keelty would have been most attracted to, Mr Grant?

**Mr Grant:** I had a long history of investigations experience, problem solving and communications at grassroots and executive level. Obviously, in my ministerial role, I don't know whether he observed my performance as a minister, and looked at the types of difficult and complex issues that I had to deal with as Deputy Premier and Minister for Police, in counterterrorism matters and emergency management. I was Parliamentary Secretary for Natural Resources for three years, and the Murray-Darling Basin was a key role. I played a full-time role on that for three years. These are all assumptions I could make, but they're questions best directed to Mr Keelty.

**Senator O'NEILL:** In terms of your CV, did you engage in writing a new CV or did you have one that you used? Were you given a role description for this role, Mr Grant?

**Mr Grant:** No. I already had one established and I forwarded that to the department.

**Senator O'NEILL:** After your appointment were you provided with a role description?

**Mr Grant:** Yes, and a contract; that's correct.

**Senator O'NEILL:** Is that role description a public document?

**Mr Grant:** I'm not sure, but I'm happy to provide it to you.

**Senator O'NEILL:** Thank you very much. Have you made any declarations to the government about potential conflicts of interest?

**Mr Grant:** I have no conflicts of interest but I have made declarations for all roles that I'm involved in.

**Senator O'NEILL:** Where are they lodged?

**Mr Grant:** I submit them to the department. I updated the register recently, when I finished as a non-executive director of Magnis Energy Technologies.

**Senator O'NEILL:** You have no financial connections with any of the transactions involved in water trading, infrastructure or anything to do with the Murray-Darling Basin?

**Mr Grant:** Zero.

**Senator O'NEILL:** Have you ever held such—

**Mr Grant:** Never.

**Senator O'NEILL:** Your experience with the Murray-Darling Basin has simply been as a public official in your role in the New South Wales government?

**Mr Grant:** Yes, and I've lived in the basin for the majority of my life.

**Senator O'NEILL:** In your view, do you think the Basin Plan will actually be implemented in time for the 2024 deadline?

**Mr Grant:** My role is to do everything in my power to see that outcome achieved. That will be assisted by the passing of legislation to give me an office with the capacity to have the right people in the right roles to achieve those outcomes.

**Senator O'NEILL:** When do you believe the passage of that legislation will occur, in order to give you the powers that you say you need to bring the Basin Plan to completion by 2024?

**Mr Grant:** That's a question I'm not able to answer; that's a question for the department, who have carriage of the legislation.

**Senator O'NEILL:** We might need to get the department back for that at the end, if we can. How long have you been in the role now, Mr Grant?

**Mr Grant:** Since 22 December 2020.

**Senator O'NEILL:** Nearly four months in, and you've just said that you need legislation passed for you to be able to do your job, but every day passing is time ticking.

**Mr Grant:** I've got the role of interim inspector-general, so I'm doing that job now.

**Senator O'NEILL:** What is it that's going to be different? I'm assuming that you are going into the inspector-general role. This is interim because of the legislative impediment; is that correct?

**Mr Grant:** That's my understanding. But to answer your question, the legislation provides the office with certain powers and ability to compel information and to conduct inquiries, and provides us with staff to make sure that standards are achieved, assurances are garnered and audits conducted, that things like floodplain harvesting are properly examined, and information from departments and the authority can be validated.

We also have a key role to play in the communication of all matters regarding the Murray-Darling Basin with all stakeholders. Part of the role of interim inspector-general is having the ability to get around the basin to understand the varied, complex issues that are driving the lack of trust in the plan, in those responsible for the plan, and to come up with strategies to overcome that and mitigate concerns. Ultimately, it is about being a single source of independent truth regarding contested matters.

**Senator O'NEILL:** Mr Grant, when you come into a complex role like this, of course, there's a settling-in period. If the \$200,000 rough figure is applied, about \$50,000 has been spent to this day in terms of getting your feet under the desk and getting you into the role. You can't do the job of getting all of those things in place unless you have the statutory powers that are indicated in the upcoming legislation. How frustrating is it for you not to be able to do your job properly because the government aren't doing theirs properly?

**Mr Grant:** I don't accept the premise of the question, but I can answer that. The sooner the legislation is enacted in the parliament, the quicker we can start doing more than we are currently able to do. We can start to achieve more outcomes and rebuild that trust across the basin in the plan, and start to have more accountability and transparency on many matters, as complex as they are. The overwhelming sentiment I've received as I've travelled throughout the basin is that the basin communities are desperately wanting the role to be fully functioning as quickly as possible.

**Senator O'NEILL:** They are, indeed. That was one of the things that Mr Keelty provided in evidence to this committee previously, regarding his frustration; yet it continues. You're the second person in the job and still the statutory capacity that you need, that you've described very capably this afternoon, is not available to you to do the job that you're being paid to do. I know a little bit about people in the basin who have grown up where you have, and they're pretty hardworking people. They want to get on with the job. They show up every day. They're up before dawn. They're doing what they need to do. This must be very frustrating for you, Mr Grant.

**Mr Grant:** There's still lots of work to do. With the interim period, the advantage of it is that the machinery of government arrangements that we're working through, to make sure that the office is the right size, right fit, right scale and has the right functionality, is a very important part. I'm very confident that, when the legislation is passed, because of all the work we've been doing in the last 16 weeks through the machinery of government arrangements, it will have us ready and firing on day one to our full capacity. There will be an evolution—

**Senator O'NEILL:** You're working to day one. When's that going to be, in your estimation, Mr Grant—day one, when you really start doing the job of the inspector, rather than the interim role that you're saddled with at the moment?

**Mr Grant:** That's determined on the timetable of the parliament and the assent to the act by the Governor-General. I don't know those time periods.

**Senator O'NEILL:** How urgent is the need for you to get these powers, Mr Grant?

**Mr Grant:** As soon as possible; that's my hope and wish.

**Senator O'NEILL:** Do you support the implementation of the plan, including the delivery of 450 gegalitres?

**Mr Grant:** Yes. My job is to ensure that it is complied with. That's what compliance is. There are many challenges and complexities in order to facilitate that and achieve those outcomes. I'm absolutely aware of those and the enormity of the challenges, but I'm also optimistic about the ways in which we can do better.

**Senator O'NEILL:** There seems to be some considerable unrest between the National Party and the Liberal Party on the way in which this might be delivered. You've indicated that you support the implementation of the plan as it stands. To be clear, do you support the delivery of the 450 gegalitres?

**Mr Grant:** Yes. My job is to get compliance with the plan, and that's the figure in the plan. My job isn't to debate the volumes or the targets. My job is to assure compliance.

**Senator O'NEILL:** Do you support the delivery of the 605 gegalitres?

**Mr Grant:** It's the same answer. It's not my job to debate the decisions arrived at by the Commonwealth and the states in relation to the plan. My job is to achieve compliance with those figures.

**Senator O'NEILL:** In achieving that compliance—and Mr Keelty was widely endorsed by the people in the community that he consulted with—did you receive a handover from Mr Keelty, and what did that entail?

**Mr Grant:** Yes, I did. I received a comprehensive handover. That contained details of referrals to the interim inspector-general's office, and those matters that were referred back to the appropriate jurisdictions. It was a substantive briefing that had lots of components to it.

**Senator O'NEILL:** Was it a written brief, Mr Grant?

**Mr Grant:** Written and verbal; both.

**Senator O'NEILL:** Would you be able to provide the written brief to the committee?

**Mr Grant:** I'll take advice on that. I've only got it in hard copy, not an electronic copy.

**Senator O'NEILL:** Thank you very much. It would be very helpful if we could get that. Was it a day that you had with Mr Keelty or was it a longer period? Where did the handover happen?

**Mr Grant:** Brisbane. I'd have to check the date. I'd have to go back to my records re the date.

**Senator O'NEILL:** Thank you. Could you take on notice what the handover actually entailed and provide any written materials that you can to the committee? Do you have staff working with you, Mr Grant?

**Mr Grant:** Yes. I have an interim deputy inspector-general. I have two engagement officers, for want of a better description, that are on secondment; one at Mildura and one at Goondiwindi. And I have two administrative personnel.

**Senator O'NEILL:** So the total for staff is seven or something?

**Mr Grant:** Five.

**Senator O'NEILL:** How were those staff selected? Did you acquire them or did you choose them?

**Mr Grant:** No, they were all attached to the office when I arrived.

**Senator O'NEILL:** There are no new staff in those roles?

**Mr Grant:** Sorry; there's a new staff member who starts in Mildura on the Tuesday following Easter. He was selected by the deputy inspector-general, with my consent.

**Senator O'NEILL:** What kind of staffing arrangements do you foresee for the office of compliance?

**Mr Grant:** We're working through that now with the compliance section of the MDBA. I've spoken to the current staff of the compliance section. I met with them in Canberra the week before last, as a meet-and-greet, to answer as many questions as I could before the bill came in and before the functional split and all of the arrangements were made. We're currently in the design stage for the office. We're doing a bottom-up build and also complying with the machinery of government Commonwealth arrangements regarding industrial and human resource arrangements.

**Senator O'NEILL:** Where do you see the office being sited?

**Mr Grant:** My plan is to have five what I would describe as field offices that are placed regionally.

**Senator O'NEILL:** Together or along the river?

**Mr Grant:** In the basin.

**Senator O'NEILL:** Across the basin or together in one place in the basin?

**Mr Grant:** No, that's five offices; a number of personnel will be attached to those offices.

**Senator O'NEILL:** How many is the personnel count in toto?

**Mr Grant:** It's still to be formally and finally resolved, but the ballpark figure is anywhere between 25 and 30.

**Senator O'NEILL:** How many of those will be Indigenous and how many will be women? Have you given any consideration to the diversity aspect there?

**Mr Grant:** Absolutely. I've already asked for identified positions through the department for those recruitment processes for Indigenous to be started. I don't have the exact count of females. When I came in to the office it was fifty-fifty. One officer has returned to an MDBA secondment and has been replaced by a male. I don't know what the gender split is, but I'm an absolutely strong supporter of equity in employment.

**Senator O'NEILL:** I'll put a couple on notice because I want to ask one more of the department and I know Senator Roberts wants to ask a question. On notice, how do you investigate matters if you do not have any statutory powers? Are you undertaking any investigations? Could you explain how that's operating? What outcomes have you achieved since you came into the role? And have you had any briefings in relation to the establishment of the National Integrity Commission?

**Mr Grant:** No, to that last question. Do you want me to take on notice those other two?

**Senator O'NEILL:** If you could take the other two on notice. Finally, when do you think—I've asked you this before but I'm really asking you again—the legislation is likely to be introduced? Have you been consulted on it in any way?

**Mr Grant:** Yes, I'm part of the consultation through the Basin Officials Committee and we're providing very blunt and direct feedback to the crafters of the legislation, given that we will have to implement it and make sure that it works as well. They've been receptive to that. I think it's making good progress but that's a question that I'm not able to answer for you. It's a question for the department.

**Senator O'NEILL:** Do you expect further consultation or has it advanced past that point now?

**Mr Grant:** Hopefully there should be no further need, as I understand it, but I am ready and available, if required, to provide further information, if sought.

**Senator O'NEILL:** Given that the second iteration of the role was supposed to be able to refer matters to the National Integrity Commission but that has not yet been established—neither the role of the inspector-general nor the role of the National Integrity Commission—have you provided any advice to the government about what will happen in the interim? Where are you going to refer matters if you haven't got an inspector-general and you haven't got a National Integrity Commission?

**Mr Grant:** There are state-based integrity bodies for those related matters.

**Senator O'NEILL:** All jurisdictions?

**Mr Grant:** Yes.

**CHAIR:** Senator Roberts.

**Senator ROBERTS:** Thank you, Mr Grant, for appearing. My first three questions have already been asked by Senator O'Neill. I thank her for her consideration. There are just a couple of things. Have you ever been involved in water trading or owned a water allocation?

**Mr Grant:** No I have not.

**Senator ROBERTS:** Where do you live?

**Mr Grant:** The Sunshine Coast, Queensland, since November; previous to that, Sydney; and previous to that, Dubbo for 13 years.

**Senator ROBERTS:** You grew up in Dubbo?

**Mr Grant:** No. I was born in the Hunter. My family were dairy farmers. My father joined the police. I transferred with him. I spent most of my time growing up in the Tamworth region.

**Senator ROBERTS:** Which area did you represent?

**Mr Grant:** Dubbo. In my 22 years in policing I spent, I think it was, eight of those within the basin in regional locations.

**Senator ROBERTS:** In your first three months have you heard of any accusations of corruption in water trading or in water allocations?

**Mr Grant:** No.

**Senator ROBERTS:** I have. I've tried to do something about it and have been threatened about it. I'm happy to talk with you about that. I've travelled all over the Murray-Darling Basin. Have you met with Peter Millington, a former Murray-Darling Basin Commissioner, in Sydney?

**Mr Grant:** Sorry, I've met with literally that many people. I'm just trying to go back through my memory. As I said to the Senate committee for the Murray-Darling Basin, it's my intention to publish my diaries, make those available. I have to double-check because I've done a lot of meetings virtually and a few of the names are just blending in. I don't want to mislead you. I'll just have to check my diary.

**Senator ROBERTS:** It wasn't a question. I strongly recommend a meeting with Peter Millington.

**Mr Grant:** Sure.

**Senator ROBERTS:** And also Neil Eagle. Peter is in Sydney. Neil is in the Murray area. I got a lot of benefit from a lot of people right across the Murray-Darling Basin. There are a lot of different needs. Have you read the submission, I think it was to a federal inquiry, by the late Professor John Briscoe?

**Mr Grant:** No, I have not.

**Senator ROBERTS:** I'd recommend that.

**Mr Grant:** Thank you.

**Senator ROBERTS:** I can get that you to, if you want, John Briscoe's submission.

**Mr Grant:** Yes, that would be appreciated. Thank you.

**Senator ROBERTS:** Have you met with Maryanne Slattery? I spent time with Maryanne and it was very well worth it.

**Mr Grant:** No, I haven't personally met with her. The office has on a number of occasions, from my understanding, but personally I haven't as yet. But I have a long schedule of meetings. I'd have to check that to see if she's in there or not as yet. That's just an ongoing process. I'm meeting with literally hundreds of people and already have met with many, many in the last 14 weeks.

**Senator ROBERTS:** Another person I'd recommend is Bob Wilson in Sydney who knows a lot about water around the state. I just want to wish you well in your new job and thank Senator O'Neill again for her consideration.

**CHAIR:** Thank you very much, Mr Grant. That was terrific. We're just going to ask the secretary to return and see if he can provide any information on the advancement of the legislation. Mr Grant, you go with our thanks.

**Mr Grant:** Thank you.

### Department of Agriculture, Water and the Environment

[16:56]

**Senator O'NEILL:** Mr Metcalfe, I was going to ask you if you could give an update on the consultation with Mr Grant around the legislation and any other consultation; where it's up to in terms of its advancement and what date you think it might be delivered.

**Mr Metcalfe:** I'll ask Ms Connell to provide the detail. I understand there's an ongoing consultation process. Mr Grant referred to some of that. Indeed I'm advised that the opposition have been briefed on a number of occasions about the legislation as well. Currently it's on track to be introduced to the parliament in the winter sittings, is my understanding.

**Ms Connell:** That's correct.

**Senator O'NEILL:** Do you have anything to add, Ms Connell?

**Ms Connell:** I would just add that in addition to consulting the opposition and the interim inspector-general we're obviously working quite closely with states as well.

**Senator O'NEILL:** I'm pleased to hear it's anticipated that the winter sittings might be the time when this legislation is introduced to give Mr Grant the powers. But there is that problem that I just mentioned at the end that the recommendation was that there was a referral capacity for the Inspector-General to the National Integrity Commission. Neither the role nor the entity of the Integrity Commission exists. That's going to be a bit of a hole. What is being anticipated to provide a suitable place for referrals while the government is not delivering on its commitment for an integrity commission?

**Ms Connell:** I can't speak for the process in terms of developing the Integrity Commission legislation directly but I would imagine there would be consideration for the ability of a range of Commonwealth bodies to refer matters to that entity.

**Senator O'NEILL:** At this point in time, Ms Connell, is there any existing entity to which Mr Grant would be able to refer matters? Is that being considered in the current legislation?

**Ms Connell:** Actually the role of the statutory inspector-general will be an oversight and assurance role. The statutory role will oversight the department, the water divisions, the Commonwealth Environmental Water Holder, the Murray-Darling Basin Authority and basin states and have the ability to conduct inquiries into how those agencies are implementing the Basin Plan.

**Senator O'NEILL:** If I understand what you say, Mr Grant is oversighting all that in the new role if the legislation is delivered and passed in the winter sitting?

**Ms Connell:** That's correct.

**Senator O'NEILL:** My question is: for him to be able to refer matters—which is a recommendation—where will he refer? Is that being given consideration in the draft legislation?

**Mr Metcalfe:** I think it really depends on the interplay of the timing of the legislation around the Integrity Commission and this legislation. We'll check on that and we'll come back on notice.

**Senator O'NEILL:** Do you have any sense that the legislation is advancing with regard to the Integrity Commission?

**Mr Metcalfe:** I would only be aware of public statements about that issue. It's not something that I'm briefed on. The carriage of that is with the Attorney-General's Department.

**CHAIR:** We look forward to a bipartisan approach to the introduction of that legislation later this year—I can see everybody's enthusiasm for it—and look forward to the support in the Senate, Senator O'Neill and Senator Sterle. On that note, that concludes today's proceedings. I thank Minister Ruston and all witnesses who have given evidence to the committee today. Thank you also to Hansard, broadcasting and the secretariat. The committee stands adjourned.

**Committee adjourned at 17:01**