



## Australian politics

# \$13m mistake: valuer says \$80m water buyback price was not in line with its advice

**Anne Davies**

🐦 @annefdavies

Wed 17 Mar 2021 07:53 AEDT

An internal investigation is under way into why the federal government paid at least \$13m over the odds for an \$80m water buyback from Eastern Australia Agriculture - a company linked to federal MP [Angus Taylor](#) - in 2017.

The auditor general, Grant Hehir, [who reviewed the government's water purchase program last year](#), contacted the valuer used by the Department of Agriculture for the sale, Colliers International, after receiving a complaint from a senator about the audit findings.

Colliers said the way the department used its valuation was “not reasonable.”

The department took the highest valuation that Colliers recommended and then added a premium of about 20% on top of that.

It resulted in the department paying a record price of \$2,745 per megalitre for the unreliable floodplain entitlements.

It has now emerged this was not what the valuer intended and the department appears to have misinterpreted the valuation advice.

Colliers' discussion of a premium in the valuation was to guide the department if it chose to move beyond the recommended valuation of \$1,500 per megalitre.

Colliers provided a range of values between \$1,050 and \$2,300 per megalitre and discussed factors that might shift the price.

Instead, the department took the top of the band and added about 20%.

The latest controversy over commonwealth procurement comes after **revelations the government paid the Perich family almost \$30m** for a piece of land known as the Leppington Triangle, 10 times what it was valued at just 11 months later. An investigation is now under way into that sale.

"This is a screw up of a similar magnitude," said independent senator Rex Patrick, who has spent three years trying to get to the bottom of the mammoth \$80m water purchase, and requested the auditor general review his own findings.

"No reasonable person, reading the valuation could come to the conclusion that the maximum price to be paid wasn't \$2,300 per megalitre.

"For the cost of a phone call the department could have saved the taxpayer \$13m.

"It's inexcusable that the person managing the sale didn't discuss the valuation with the valuer. In the interests of accountability someone must lose their job over this."

The water purchase from EAA was already controversial because of the company's link to federal minister Angus Taylor who co-founded it.

Taylor has said in parliament he severed links with EAA before entering parliament, was not aware of the sale prior to it being announced and neither he nor his family received any benefit from the \$80m sale.

The amount paid by the department in 2017 was a record for floodplain water entitlements. It proceeded without tender, after the department says it approached the EAA in order to secure more water from the environment. EAA had tried to sell water to the government in the past, including when Taylor had been a director of the company in 2008 - five years before he entered parliament.

The **main beneficiaries of the windfall price** were international investors in EAA which included the Hong Kong-based fund, Pacific Alliance Group, headed by one of

Taylor's former Oxford rowing teammates, Chris Gradel.

Bureaucrats involved with the controversial 2017 transaction justified the \$80m paid by saying they simply followed the advice from Colliers International.

"The water purchase was consistent with commonwealth procurement rules and paid at a fair market rate, as informed by independent market valuation," they said in an answer to Senate estimates last year.

The auditor general had been critical of the department's water buyback process, labelling it "not fully effective" in its report last year, but stopped short of saying the prices paid were inflated.

It now seems that the ANAO had relied on the department's interpretation of the valuation and only recently made inquiries of Colliers after Patrick's complaint.

In a letter to Patrick last week, Hehir said: "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."

He said that the Colliers advice had been "somewhat contradictory" having both set out a maximum and minimum price and then discussed the concept of a premium without directing how it would be applied.

It does not seem that the department sought clarification at the time.

"The ANAO has discussed the subsequent view of the valuer with the department and they have undertaken to review the 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," he said.

The department continues to insist it achieved value for money for the Eastern Australia Agriculture purchase in 2017.

"The department's position has not changed based on the statement made by the valuer. The material relied on at the time supported the decision," the department said in response to questions from Guardian Australia.

The department said that while the valuation was \$1,500/ML with a market value range of \$1,100/ML to \$2,300/ML, the valuation also stated that the department should be prepared to pay 10% to 30% above the standard market rate.

That would have allowed a price of up to \$3,000 /ML, the department said.

"We understand the ANAO has recently written to Senator Patrick and we have not been provided with a copy of the letter," the department said.

The auditor general declined to comment, saying the appropriate place to comment is to the parliament. The ANAO's audit of strategic purchases of water entitlements is now being reviewed by the joint committee on public accounts and audit.

---

... we have a small favour to ask. You've read more than [105 articles](#) in the last year, making you one of our top readers globally. And you're not alone; through these turbulent and challenging times, millions rely on the Guardian for independent journalism that stands for truth and integrity. Readers chose to support us financially more than 1.5 million times in 2020, joining existing supporters in 180 countries.

For 2021, we commit to another year of high-impact reporting that can counter misinformation and offer an authoritative, trustworthy source of news for everyone. With no shareholders or billionaire owner, we set our own agenda and provide truth-seeking journalism that's free from commercial and political influence. When it's never mattered more, we can investigate and challenge without fear or favour.

Unlike many others, we have maintained our choice: to keep Guardian journalism open for all readers, regardless of where they live or what they can afford to pay. We do this because we believe in information equality, where everyone deserves to read accurate news and thoughtful analysis. Greater numbers of people are staying well-informed on world events, and being inspired to take meaningful action.

In the last year alone, we offered readers a comprehensive, international perspective on critical events - from the Black Lives Matter protests, to the US presidential election, Brexit, and the ongoing pandemic. We enhanced our reputation for urgent, powerful reporting on the climate emergency, and made the decision to reject advertising from fossil fuel companies, divest from the oil and gas industries, and set a course to achieve net zero emissions by 2030.

If there were ever a time to join us, it is now. You can power Guardian journalism and help sustain our future. **Support the Guardian from as little as \$1 - it only takes a minute. If you can, please consider supporting us with a regular amount each month. Thank you.**

Support the Guardian →

Remind me in May

VISA

