



Premier of Western Australia

Our Ref: 24-141266



Senator Hon Bill Heffernan
Chair
Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Bill
Dear Senator Heffernan (Chair)

ORD EAST KIMBERLEY EXPANSION PROJECT

I refer to your letter of 21 December 2012 regarding Stage 2 of the Ord East Kimberley Expansion Project and provide advice on each of the issues raised below:

1. *Can the Western Australian Government explain what it sees as the benefits of the Ord-East Kimberley Expansion Project?*

The Ord-East Kimberley Expansion Project will provide major opportunities for growth and sustainability for the region's economic and social development, in conjunction with the improvement of social, community and common-use infrastructure.

The Ord-East Kimberley Expansion has two primary objectives: to carry the available waters of Lake Argyle to new areas of the Ord River Valley, and to engage the Miriuwung and Gajerrong traditional owners in meaningful business partnerships and sustainable jobs. The goal is to create, over time, a regional city based on agricultural enterprise, and eco and cultural tourism.

The East Kimberley region is rich in natural resources and renewable energy. In 1959 the Commonwealth and Western Australian Governments agreed to develop Stage 1 of the Ord River Irrigation Area (ORIA). The Kununurra Diversion Dam, now known as Lake Kununurra, which provides for the reticulation of water to the irrigation scheme, was completed in 1963. The Ord River Dam, now known as Lake Argyle, which provides additional water storage and water pressure to the Ord River Hydroelectricity Power Station, was completed in 1971. The power station was commissioned in 1997.

The land area currently irrigated in the Kununurra region is approximately 14,000 ha. The Western Australian Government estimated that in 2006-07 the gross value of the irrigated farm activity, including the imputed value of tropical forestry, in the ORIA was around \$80 million. The current Western Australian Government proposal is to double the irrigated land area in the ORIA, with an immediate focus on 8,000 ha in the Weaber West plain area.

The future potential for irrigated agriculture in the region based on best practice irrigation practices has been estimated by the Western Australian Department of Agriculture and Food to be as much as 100,000 ha.

The signing of the *Ord Final Agreement 2005*, a Native Title agreement between the State Government and the Miriwung Gajerrong people, was a major step forward in acknowledging the Native Title rights of the Miriwung Gajerrong people and working towards a more positive and inclusive future. This Agreement governs the expansion of the Ord irrigation project and allows for the benefits of employment and business opportunities for the Traditional Owners of this country.

The Ord-East Kimberley Expansion is an opportunity to demonstrate significant Indigenous engagement. The project will see the creation of new agricultural land with associated common user irrigation and transport infrastructure. A percentage of the new irrigation land is to be owned by the Miriwung Gajerrong people who may choose to farm it themselves or partner with others.

The Commonwealth's parallel investment in social and community infrastructure is pivotal to the success of the expansion and has brought significant change to the communities of Kununurra, Wyndham, Warmun and other smaller communities. There is significant potential for agriculture, pastoralism and tourism in the Ord Valley-East Kimberley and this historic State-Commonwealth investment gives the region the economic stimulus it deserves.

2. *What are the terms of the lease agreement made between the Western Australian Government and Kimberley Agricultural Investment? Specifically, the committee requests detail about:*

- *the arrangements for sub-leasing and share-farming partnerships that the company has indicated it would offer to Australian growers;*
- *the benefits identified in exchange for the rent in the lease; and*
- *any conditions relating to the transfer of assets or capital on the expiry of the lease.*

The lease conditions are currently the subject of negotiations between the State of Western Australia and Kimberley Agricultural Investment (KAI). These negotiations commenced on 19 December 2012 and are expected to be complete by mid-2013. Details of the terms of the lease agreement are therefore considered to be Commercial-in-Confidence at this current time.

3. *What conditions have been put in place to ensure that the agricultural production of Kimberley Agricultural Investment is marketed on a commercial basis and does the parent company have any right to preferential treatment for the purchase of such produce?*

KAI will be expected to act on a commercial basis as a private company and in accordance with any development agreement or leases negotiated with the State of Western Australia.

4. *How has the value of the water attached to the land leased to Kimberley Agricultural Investment been determined and what conditions have been placed on the use of the water and any sale or transfer of the water entitlement?*

The bulk water price is set at \$1.32 ML for both Ord Stage 1 and Ord Stage 2 by decision of the Ord Ministerial Council approved through Cabinet.

Water entitlements for Ord Stage 2 will be granted subject to a statutory licence application and assessment process set out in the *Rights in Water and Irrigation Act (1914)*.

As explained in the *Rights in Water and Irrigation Act (1914)* conditions will be applied to the licence(s) granted. These conditions are yet to be considered but will likely include obligations to meet distribution efficiency targets, on-farm recycling and monitoring the water diverted, used on-farm and discharging from the irrigation area. The water entitlement is granted following consideration of matters including the water demand of crops to be grown, water efficiency targets and the planned development timing.

The duration of the licence will depend on negotiations with the applicant and the final conditions adopted. A licence can also be reviewed at any time.

There are sufficient water entitlements available to supply KAI's expected water needs for Ord Stage 2 under the Ord Surface Water Allocation Plan.

5. *If the Ord Stage 3 development proceeds, what arrangements have been considered and committed to or are contemplated between the Western Australian Government and the Northern Territory Government regarding the use and management of water resources from Western Australia on land in the Northern Territory?*

For the purpose of this correspondence, it will be assumed that "Ord Stage 3" refers to land within the Northern Territory. The Western Australian Government intends that should the Northern Territory Government determine that development of land within that Territory's jurisdiction for irrigated agriculture be appropriate and Native Title and environmental approvals are obtained for the development, water from Lake Argyle would be supplied across the border, via the irrigation channel under construction, governed by the principles, laws and conditions that apply to Ord Stages 1 and 2.

The Western Australian, Northern Territory and the Commonwealth Governments have established the Northern Australia Ministerial Forum, with a view to resolving issues such as water management, infrastructure, funding and approvals for the Ord Stage 3 development in an effective and collaborative manner.

6. *The committee is aware of reports of plans for foreign owned farms in Western Australia to ship grain through Albany to China rather than the usual path of CBH's port facilities (The West Australian, 12 November 2012). The committee requests further information about this plan and detail about what conditions have been placed on any future port expansions to ensure that grain produced on these foreign owned farms is sold on a commercial basis and is available to potential Australian purchasers.*

The Albany Port Authority has not at this stage formalised any new agreements with a third party to export grain through its port. As this potential new trade has not progressed to the stage of commercial arrangements for port upgrades, no conditions are in place yet to ensure that grain is sold on a commercial basis and is available for potential Australian purchasers.

If you have any further queries regarding this matter please do not hesitate to contact Mr Stephen Wood, Director General at the Department of State Development, Western Australia

Yours sincerely

Colin Barnett MLA
PREMIER; MINISTER FOR STATE DEVELOPMENT

5 APR 2013