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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Friday, 25 October 2019

**Members in attendance:** Senators Antic, Davey, Gallacher, Hanson, Hanson-Young, McDonald, Patrick, Rennick, Roberts, Watt.
CROSS-PORTFOLIO MURRAY-DARLING BASIN PLAN MATTERS

In Attendance

Senator Canavan, Minister for Resources and Northern Australia

Department of Agriculture

Executive

Mr Malcolm Thompson, Deputy Secretary

Assurance and Legal Division

Ms Alice Linacre, General Counsel
Ms Cassandra Ireland, Deputy General Counsel
Ms Lauren Swift, Principal Government Lawyer

Water Division

Ms Mary Colreavy, Acting First Assistant Secretary
Mr John Robertson, Assistant Secretary, Sustainable Water Branch
Ms Tanya Stacpoole, Acting Assistant Secretary, Water Recovery Branch
Mr Matthew Dadswell, Assistant Secretary, Murray-Darling Basin Policy Branch
Ms Kirsty Bunfield, Assistant Secretary, National Water Policy Branch

Murray-Darling Basin Authority

Mr Phillip Glyde, Chief Executive
Mr Carl Binning, Executive Director, Science, Knowledge and Engagement Division
Mr Andrew Reynolds, Executive Director, River Management Division
Ms Annette Blyton, Chief Operating Officer, Corporate Strategy and Services Division
Ms Megan Winter, Acting Senior Director, Communications and Media, Science, Knowledge and Engagement Division
Mr Harish Madan, Chief Finance Officer, Corporate Strategy and Services Division
Dr Matthew Coleman, Director, Riverine Connectivity, Science, Knowledge and Engagement Division
Ms Deranie Jackson, Director, Knowledge and Evaluation, Science, Knowledge and Engagement Division
Dr Peta-Joanne Derham, Acting Executive Director, Water Resource Planning and Accounting Division
Mr Pradeep Sharma, Senior Director, Water Resource Group, Science, Knowledge and Engagement Division
Ms Kelly Casey, Chief Legal Officer, Corporate Strategy and Services Division
Dr Tony McLeod, General Manager, Sustainable Diversion Limit Accounting and Aboriginal Partnerships, Water Resource Planning and Accounting Division

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE
Dr Marcus Finn, General Manager, Water Resource Plans, Water Resource Planning and Accounting Division
Dr Neville Crossman, Social and Economic Integration, Science, Knowledge and Engagement Division
Dr Michael Wilson, Director, Information Systems and Climate Change, Science, Knowledge and Engagement Division
Ms Vicki Woodburn, General Manager, Engagement, Partnerships and Policy, Science, Knowledge and Engagement Division
Dr Ben Gawne, General Manager, Science and Evaluation, Science, Knowledge and Engagement Division
Mr Brent Williams, Acting Executive Director

Department of Environment and Energy

Commonwealth Environmental Water Office
Ms Jody Swirepik, Commonwealth Environmental Water Holder
Mr Mark Taylor, Assistant Secretary, Wetlands, Policy and Northern Water Use Branch
Mr Hilton Taylor, Assistant Secretary, Southern Water Use, Aquatic Science and Community Engagement Branch
Mr Bruce Male, Director, Wetlands, Policy and Northern Water Use

Department of Infrastructure, Transport, Cities and Regional Development

Executive
Dr Rachel Bacon, Deputy Secretary

National Water Grid Authority
Ms Ruth Wall, Acting Executive Director
Mr Drue Edwards, Acting General Manager, Water Infrastructure Policy Branch
Mr Matthew Squire, Director, North Queensland Water Infrastructure Authority

Committee met at 09:00

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 2019-20 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 6 December 2019 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 Friday 8 November 2019.

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
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 a discretion to withhold details or explanations from the parliament or its
committees unless the parliament has expressly provided otherwise.

The Senate has also resolved 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 the 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 specifically reminded 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.

Commonwealth Environmental Water Holder
Commonwealth Environmental Water Office
Department of Agriculture
Department of Infrastructure, Regional Development and Cities
Department of the Environment and Energy
Murray-Darling Basin Authority

[09:03]

CHAIR: I now welcome Senator the Hon. Matt Canavan, representing the Minister for
Agriculture; Mr Malcolm Thompson, deputy secretary of the Department of Agriculture; Dr
Rachel Bacon, deputy secretary of the Department of Infrastructure, Transport, Cities and
Regional Development; Ms Jody Swirepik, Commonwealth Environmental Water Holder;
and Mr Phillip Glyde from the Murray-Darling Basin Authority. Minister Canavan and
representatives, do any of you wish to make an opening statement?

Senator Canavan: No, Chair, I don't.

Mr Thompson: Not an opening statement, but just to note, as the acting secretary of
infrastructure noted on Monday in Senate estimates hearings, that with that government's
decision to establish the National Water Grid Authority it's also taking the opportunity to
bring the Commonwealth water infrastructure and resource policy functions, currently located in the infrastructure portfolio and in the Agricultural portfolio, together. There is a machinery-of-government change which will see Commonwealth water functions currently in the agriculture department brought together with water infrastructure functions in the Department of Infrastructure, Transport, Cities and Regional Development.

CHAIR: Thank you for that information.

Mr Thompson: I think Mr Glyde has an opening statement.

Mr Glyde: We'd like to provide an overview of the current situation in the Murray-Darling Basin and a brief summary of progress in implementing the Basin Plan.

We'd like to acknowledge the difficult and ongoing drought conditions that communities across the basin are experiencing. Since I last appeared before a Senate committee conditions have worsened significantly. There are some communities that have run out of water, while others are already on high-level water restrictions, and it's not even summer. Temperatures across most of the basin were above average during September, and as of 22 October water in storage for the whole basin was at 39.7 per cent and some storages in the northern basin are as low as one or two per cent. Conditions are dire in the north, and as of last week the total active storage in the southern basin was 44 per cent. While it's not as dire, if there is no significant rainfall in winter and spring next year the southern basin's water resources will be severely limited.

The long-term forecast suggests there is little relief in sight. The Bureau of Meteorology has found that the 33 months from January 2017 to September 2019 have had the driest average on record across the Murray-Darling Basin. The bureau has also forecast low flows for the rest of spring and summer, with a warm and dry pattern highly likely to continue through to January. These conditions continue to place immense pressure on communities, industries and the environment. Sadly, the basin can't be drought proofed. Drought is a natural part of Australia's climate.

The Basin Plan ensures that in times of drought water is prioritised for critical human needs. Water is now provided to communities for drinking and household water before being allocated for any other use. In severe drought when rivers cease to fully function it's not always physically possible for governments to supply water, even for critical human needs. Water allocations and entitlements vary from state to state, and these differences mean that some entitlement holders have an allocation this season while others have little to none. In the southern basin, while more water is available, allocations will still be limited. In the current environment, it's expected water will be allocated to those with high-security water entitlements but those with lesser entitlements are likely to remain without an allocation unless it rains.

We know low rainfall across the basin can have a severe impact on water quality and can have a tragic impact on our native flora and fauna. We are expecting more fish deaths and water quality issues like blue-green algae this summer. The MDBA and the basin state governments are working hard to carefully monitor water quality and adjust our operations where possible. That is why the water for the environment is so important: when it's dry, the whole river system suffers, including the plants, animals, fish and birds that rely on the basin for survival. The Basin Plan provides for this water specifically for times like these. The
health and sustainability of the rivers, wetlands and flood plains is important to the sustainability of the whole basin. Water for the environment creates refuges during times of drought so that these habitats can grow in better times. At the moment, where there is water for the environment available, which is primarily in the southern part of the basin, the environmental water holders are working together to use their water for critical habitats and for species survival. Spring, this time of the year, is the time to deliver water for the environment, because we can piggyback what little water we have on natural flows and we're more likely to achieve the environmental outcomes we need. As we get to summer, more of the water in the river will be used for consumption and farming.

It's important also to note that all water entitlement holders are treated the same regardless of whether the water is for farming or the environment. This means that in times of drought reductions in allocations are the same for all water users. We know this makes it hard for entitlement holders with no allocations. It's hard to see water in the river flowing past when their crops are suffering. The water is there because entitlement holders have carried their allocation over or stored water from previous years and have made a business decision not to access it. This is the water market in operation. It operates like any other free market. In these times, commitment to the Basin Plan is more important than ever. When things are tough, available water is shared fairly between communities, irrigators and the river. Implementation of the plan must continue for the simple reason that partial implementation of the Basin Plan will not be enough to ensure a healthy working basin.

Both the Productivity Commission and the MDBA have found that challenges remain in implementing the Basin Plan. The MDBA's second report card, released in June this year, confirmed delays across two areas of Basin Plan implementation—water resource plans, and the projects under the SDL adjustment mechanism—while noting that progress is being made in other areas. We're seven years into a 12-year reform. We are generally on track, but there remains a lot of hard work ahead for all governments involved.

Water reform in the current climate is challenging. The MDBA works in partnership with state and Commonwealth governments. The Basin Plan remains a shared commitment for all governments. Thanks.

CHAIR: Thank you for that statement. The topic we're discussing today is possibly the most important one in Australia at the moment. It is very serious. Australians expect us to treat this with the respect and the consideration it deserves. I hope that everybody engages today in that way. This is not a political fight. This is very serious, and we need to have a well-considered discussion. Thank you for those comments, Mr Glyde.

Mr Glyde: I'm happy to table the statement.

CHAIR: Thank you.

Ms Swirepik: I also have an opening statement, if that's okay.

CHAIR: Marvellous.

Ms Swirepik: As the committee would be aware, there are a lot of issues running in the media on environmental water management and use. When the communities and the environment are under enormous pressure from drought, misinformation can lead to anxiety, anger and polarisation within already stretched communities. As part of an ongoing effort by my office to supply factual information to inform communities, I'd like to put a few facts on
the record related to how we use our environmental water, how water is allocated to us, and what we can and can't do regarding loaning, gifting or trading water.

With regard to how we use our water, especially with the current spring flows, I know that people have been concerned about how much water is going down the Murray at the moment, but most of this is not environmental water. Much of the water flowing through the mid Murray is for downstream communities and industry to use, not for the environment. Around 25 per cent of all the water that has flowed downstream of Yarrawonga this year is environmental water, with the remaining 75 per cent meeting irrigation and other downstream demands. I will table some graphs for the committee that will show the proportion of environmental flows in the River Murray at Yarrawonga over the last five quarters.

Environmental flows released in the Murray over winter and spring are really the heartbeat of the river. They help to keep our native plants, animals and fish healthy. Without these pulses of fresh water we see situations unfold like those in the Lower Darling and the northern basin. While it's hard for some people to believe, media commentary suggesting that water in the forest is unnatural is actually wrong. If there were no extraction and no dams upstream, inflows this year would have resulted in at least three overbank flows in the Murray River through the forest in the last four months. This is because there has been reasonable rain and inflows from the Victorian tributaries into the Murray, which is also why Victoria has a greater amount of water available for allocation.

The watering that we have undertaken at the Commonwealth Environmental Water Office and with other environmental waterholders is based on methodical planning, the best available science evidence, a continual assessment of the onground conditions, and a practical approach to deliver our water around the needs of other users. Last year much of our water could not be delivered without risking shortfall to other users, so this year we have delivered water earlier, based on the natural cues that I mentioned. This allowed us to finish our spring watering before the irrigation demand ramps up and means that we are not in competition with other users for channel capacity. The planning to achieve this is deliberate and a collaborative effort involving multiple agencies and reference groups with the community to get the best outcomes for the environment and respect other water users.

Delivering our water overbank into lower-lying parts of the forest and the braided creek system significantly increases environmental outcomes and lessens the pressure on the Barmah Choke. These flows pick up nutrients from the forest and transfer them to the river, driving the food web that feeds our iconic native fish, like golden perch and murray cod. Flows through the forest have now receded to less than channel capacity, although small flows are still underway through some of the creeks in the Millewa Forest to support the murray cod breeding.

With regard to how water is allocated to us, the current environmental water use is having no impact on water allocations for drought affected farmers. Environmental water holders receive allocations on exactly the same basis as other entitlement holders. For instance, in the New South Wales Murray, we have also received zero allocation, just like other users, against our general security entitlements. Like other water users, we can carry over water to manage risk. We've done this in the Southern Basin this year to help protect the environment in the face of drying conditions. Our carryover is fully committed to meeting environmental demands this year and next. Most of the water we are using in the Murray is from carryover in
Victorian accounts and new allocations on our Victorian entitlements. These allocations reflect where the rain has fallen across the Murray catchment. Low New South Wales allocations mean only six per cent of our water this year will be from the New South Wales Murray.

With regard to loaning, gifting or trading water, I'm well aware of the calls for making water for the environment available for irrigation. I can only consider trading on the open market when there is not a requirement for the environment, and that's clearly not the case now. Under law, I cannot gift or lend environmental water. We saw the terrible impacts during the millennium drought when the Murray didn't have enough water to run to its natural end point and, just last summer, we saw the fish deaths in the lower Darling when there was insufficient river flow to reach the end of the Darling system. I recently published a statement on lending, gifting and trading water on our website, and I'm happy to take any questions from the committee. I thank the committee for the time to make an opening statement. I'll table the graphs that are attached to my statement.

Senator GALLACHER: Mr Quinlivan's not here today, Mr Thompson?

Mr Thompson: No, the secretary sends an apology. He's with Minister McKenzie at the agriculture ministers council in Melbourne.

Senator GALLACHER: I think we've both been at these hearings for a number of years. It's the first time the secretary hasn't appeared; is that correct?

Mr Thompson: No. I've been in the department for two-and-a-bit years. There was one other occasion when the secretary didn't appear.

Senator GALLACHER: How long ago was that?

Mr Thompson: It was probably in my first year in the department, when I appeared for the department.

Senator GALLACHER: About 2½ years ago?

Mr Thompson: About 1½ to two years ago.

Senator GALLACHER: You have been a regular attender, Mr Glyde.

Mr Glyde: I have.

Senator GALLACHER: This is a well-known program. It's fairly unusual for the secretary to not appear. What was the pressing necessity again?

Mr Thompson: He's with Minister McKenzie at the agricultural ministers council meeting in Melbourne. That was also a prearranged date. That council meets twice a year.

Senator GALLACHER: But this schedule would have been well in advance of that schedule.

Mr Thompson: I'm not sure about that.

Senator GALLACHER: Why? It's a parliamentary schedule. This has gone on for—what?—three parliaments now.

Senator Canavan: Just to be absolutely clear, it is the COAG ministerial forum on agriculture. So it's obviously a very important meeting as well on issues such as the drought. We have here the deputy secretaries of the various departments who are responsible for the areas under inquiry here today.

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE
Senator GALLACHER: I think the timing was the 22 October. We're here on the 25th. What could have happened was, had there been a meeting of the committee, we could have refused and said, 'No, you come here.' Advice on the 22nd for the 25th is a little short, in my view, and that's what I would have advocated on the committee.

CHAIR: Excuse me, I just acknowledge that there's now media in the room. Everybody be aware that they may be filmed. If you have a problem with that, please speak now. No? Terrific. I'll just remind the media to stay within the taped area on the floor. Thank you.

Senator GALLACHER: I'll now go to the budget. What is the total water budget?

Mr Thompson: I'll just ask my colleague, Mr Robertson, to come to the table. Just to clarify, the question was: what is the total water budget?

Senator GALLACHER: Yes.

Senator Canavan: You mean the expenditure for water priorities?

Senator GALLACHER: We've got a—

Senator Canavan: I just want to clarify, because we have two departments here. You're presumably asking the Department of Agriculture for those figures, or—

Senator GALLACHER: I'm asking if someone's got the overall budget. I'm looking for the granular detail on the Sustainable Rural Water Use and Infrastructure Program. What sort of figures have you got there?

Mr Robertson: The total water budget is more than just the Sustainable Rural Water Use and Infrastructure Program budget. That is the largest—

Senator GALLACHER: I understand that. I've got several questions about the programs within it. So can you give us the headline figure?

Mr Robertson: The total water budget is $1.162 billion.

Senator GALLACHER: Thank you. Then we'll go down and go through. So that's the headline figure?

Mr Robertson: Yes.

Senator WATT: That's for that sub-program, is it, the Sustainable Rural Water Use and Infrastructure Program?

Mr Robertson: Yes, in the last financial year.

Senator WATT: That's a figure for the forward estimates?

Mr Robertson: No, that figure was in the original budget last year. Subsequently, because of changes in the MYEFO and additional estimates or appropriations, that figure moved to $958,850,000 for SRWUIP that year.

Senator GALLACHER: That's the Sustainable Rural Water Use and Infrastructure Program?

Mr Robertson: Yes.

Senator GALLACHER: The current figure is nine—

Mr Robertson: The figure for last financial year is $958,850,000.
Senator GALLACHER: And Water for the Environment Special Account enhanced environmental outcomes?

Mr Robertson: In relation to that same year, the original budget appropriation was $120 million. In the 2019 budget papers, after the additional estimates process, that was shown as $110 million.

Senator GALLACHER: Excellent. And the South Australia River Murray Sustainability Program efficiency purchase component?

Mr Robertson: The original budget for that was $8½ million, but, because there'd been some delays in the delivery by South Australia, there were some funds that hadn't been expended the previous year that were then moved into that year. The final budget for that year was $24,045,000.

Senator GALLACHER: Just give us a bit of an explanation about that. You're saying that the previous year's allocation wasn't spent. Was there any particular reason for that?

Mr Robertson: What happens with a lot of the water funding is that—and this was touched on in the additional estimates earlier this year—we have contracts with a range of state government and private sector delivery partners. If, for a range of reasons, funding is not all spent in a particular year, the budget processes and arrangements we all work under enable the government to make a decision to move money that's not spent in one year into subsequent years. That's, of course, reflected in the additional estimates—

Senator GALLACHER: I accept that. My point was more, why wasn't it spent, if it's such a pressing—

Mr Robertson: South Australia had contractual obligations and we had a funding profile that was estimated sometime previously. They hadn't met their particular milestones by the end of that financial year. As a result, we didn't pay them the money in that year. They have subsequently met those, and those funds were paid during that financial year.

Senator GALLACHER: So they're back on track, in terms of the efficiency purchase component?

Ms Colreavy: It's done.

Mr Robertson: Yes, that particular program has now been concluded. That one's successfully been completed.

Senator GALLACHER: Implementing water reform in the Murray-Darling Basin—what's the budget there?

Mr Robertson: The budget there was $20 million, both the original and the final budget.

Senator GALLACHER: Has that all been contracted, expended and progressed?

Mr Robertson: That was all contracted and spent. That's the payments to the states based on their performance in implementing the Basin Plan, based on the existing intergovernmental agreement. Each year there's an assessment of reports. We get advice from the MDBA and the Commonwealth Environmental Water Holder, and the minister makes a decision on whether those payments are made or not.

Senator GALLACHER: Commonwealth contribution to the Murray-Darling Basin Agreement joint programs?
Mr Robertson: That particular one, the original and the final budget, was $12,741,000.

Senator GALLACHER: Is that expended? Is work progressing there?

Mr Robertson: That contribution was made. That goes into the joint program administered by the Murray-Darling Basin Authority.

Senator GALLACHER: Give us an example of what the expenditure is.

Mr Robertson: The expenditure itself? Perhaps the MDBA would be able to give you the full detail of that, what the joint program funds are spent on, because the joint program includes funding contributions from the other southern basin states.

Senator GALLACHER: Mr Glyde, do you have an explanation of that? What's that spent on?

Mr Glyde: Mr Reynolds will be able to help us out here.

Mr Reynolds: The joint programs have two components. One is the River Murray operations, which goes to run and maintain the infrastructure of the river system itself to deliver water store and deliver water. The Commonwealth contributes a quarter of the capital investment costs to that program. The other component to the joint venture program is the natural resource management elements, or what's referred to commonly as the non-RMO component. The Commonwealth also contributes a quarter to that. That goes to fund entitlement fees held by the joint venture for living Murray entitlement. It goes to contribute to some of the salinity management policy work, water quality monitoring and management activities as well.

Senator GALLACHER: That's all proceeding as budgeted, as planned? There are no issues, queries or problems?

Mr Reynolds: Those programs are well embedded. There have been some underspends in those programs in the River Murray operations. There are a number of capital projects, relatively small capital projects, that have run slightly behind time. Under the arrangements for management of the joint venture the funds for those projects can be carried forward to the following year to complete those works.

Senator GALLACHER: Given the importance of this plan why would there be a carryover? Why wouldn't you get stuff done on time in full? You've got the money, so what are the logistics or the hold-ups?

Mr Reynolds: Some of it is around the logistics of doing the works. A lot of the works on the infrastructure require either water levels or system operations to be of a nature that we can actually do those works. And so in some instances it's just not possible to do the works because of the need to operate the infrastructure—

Senator GALLACHER: Because the water level is too low?

Mr Reynolds: Water levels are low at the moment so that helps facilitate some of the works. In terms of the living Murray entitlement fees they're very dependent on the entitlements that are held and used. And so in periods of low water availability the entitlement fees end up being lower because there's less water to use. We do budget for less than full use, but we budget to make sure that we can use all of the water that is available, so that does lead to some unders and overs from year to year.
Senator GALLACHER: Okay. But it's an area where you give yourself better than a pass? You've got money. You're getting the job done.

Mr Reynolds: I think the infrastructure management and the operation of the river are all going according to plan, and the environmental works programs are on track.

Senator GALLACHER: What about the on-farm water infrastructure rebate scheme? What's the headline figure for that?

Mr Thompson: Just to clarify, this is the On-farm Emergency Water Infrastructure Rebate Scheme?

Senator GALLACHER: on-farm water infrastructure rebate scheme, yes, all good—

Mr Thompson: It was an emergency scheme. Ms Colreavy will answer in detail, but it was an emergency scheme that was put in place to assist farms with drought preparedness. The allocation for that program, which provides a 25 per cent rebate to farm holders, in 2018-19 was $19.857 million.

Senator GALLACHER: How has that progressed? Is someone going to give us a quick overview of that?

Ms Colreavy: I can do that. At 16 October we had received 4,436 applications, 2,783 of those have so far been approved and $15,380,489 has been disbursed to date to drought affected farmers.

Senator GALLACHER: So, doing the rough sums there, there's an unmet need of 2½ thousand or thereabouts? Is that because they don't—

Ms Colreavy: I think they're still going through the assessment process.

Senator GALLACHER: So they haven't met the criteria in the—

Ms Colreavy: Not necessarily.

Mr Thompson: We're still assessing them. We work with each of the states and territories to administer this program. A number of states have their own rebate programs so they double up and provide that.

Senator GALLACHER: So, that's 15 of the 19 spent. Is it on track? Have you budgeted for a certain number of people per annum at a certain cost? Whilst you might have a backlog of applicants, not all of them may need it or—

Mr Thompson: It is on track. In fact, demand has probably exceeded expectations in New South Wales, in particular, and the minister decided to—

Senator GALLACHER: I can understand that.

Mr Thompson: provide some additional funding there. The government has also made a decision to expand the eligibility criteria beyond stock and domestic use to assist with works to help drought resilience for permanent plantings, as well, in horticulture. So it is very much on track.

Senator GALLACHER: And is that an area where more funds would be usefully deployed?

Mr Thompson: I think the government is tracking this pretty closely. And, to an extent, there is a budget for it. I won't call it a demand-driven program, but I think the government
has shown, particularly in the case of New South Wales where demand exceeded the allocation for that state, that it is willing to provide additional funding, if demand increases.

**Senator GALLACHER:** Mr Robertson, is the 1.162 figure the combined total of all of those programs? What is the combined figure?

**Mr Robertson:** No, the 1.162 was the original budget figure for the Sustainable Rural Water Use and Infrastructure Program.

**Senator GALLACHER:** What is the combined figure? I haven't used a calculator. Can you give me the combined total of what we just spoke about?

**Mr Thompson:** Just bear with me for a moment—

**Mr Robertson:** We might have to that on notice and come back to you.

**Senator WATT:** It's possible that there might be subprograms that we haven't included there as well; they're the ones we're aware of. But what we're trying to get a handle on is: what is the overall budget for water programs across government—because some of these are in different departments and agencies—and how much of that budget has actually been spent?

**Mr Thompson:** Just to be clear, we've been talking about the 2018-19 budgeted amounts, so we're covering that and we're only covering those programs which were administered by the Department of Agriculture. To add on to that the National Water Infrastructure Development Fund and the loan facility, that would be my colleagues from the department of infrastructure.

**Senator WATT:** So all of those subprograms that Senator Gallacher has gone through are administered by the Department of Agriculture?

**Mr Thompson:** That's right.

**Senator WATT:** Let's just stick with those for the moment, then.

**Mr Robertson:** In relation to those, they are the ones on which there was expenditure last financial year. There have been other water programs in the past or water activities which have basically concluded. We mentioned the SARMS program in South Australia, which is the one that that's now concluded. That won't have expenditure in this current financial year because the program has concluded. So that list does change from time to time as the government brings in new measures.

**Senator GALLACHER:** If we get that total for this department, it would give us a useful baseline anyway to look—

**Mr Thompson:** To clarify, the number that we gave in relation to the On-Farm Emergency Water Infrastructure Rebate Scheme was for this financial year. It covered last financial year as well, but—

**Senator GALLACHER:** Perhaps if you could supply that on notice, we've got it in evidence here—

**Mr Thompson:** We can. We've got a table here which has that.

**Senator GALLACHER:** If you give us a document that sets out clearly what is what—

**Ms Colreavy:** Yes.

**Mr Thompson:** I'm happy to do that.
Senator GALLACHER: What estimates do you use for the price of water when you're calculating a purchase, particularly for budget purposes? It's a volatile commodity. What do you do when you're budgeting for water purchases?

Ms Colreavy: We get independent valuations on the price of water in most cases. We also have a team of people within the department who closely monitor the movement of the water market. We have calculations done based on not just actual prices sold, but we also look at the volume-weighted average price of water, because that can actually have a fairly large bearing on the real value, because very small quantities of water could sell for a high price, whereas larger volumes might sell for a different price. It would depend. So we take that into account as well. We do take commercial valuation advice before we undertake any activity in the market ourselves and also to inform the valuation of water as we post the book value of water to the Commonwealth.

Senator GALLACHER: I have read some commentary that people are actually investing in water and, whilst we asked ASIC whether that was a thing that they were regulating, they said, 'If they hold it in their own name, it's not something we would regulate.' If the allegation is that people are investing in water and taking advantage of particularly dry periods—and the spike in water has gone to 750 million, the media was reporting the other day—it brings into focus, what do you actually do in your planning if this activity is going on? I understand that's part of the market, but how do you look through? Do you have a hedging philosophy or do you just not buy when it's high if you haven't got the money? That could be one of the outcomes.

Mr Thompson: I should say at the outset that the government took a decision quite a number of years ago to move away from direct water purchases in the market to using a mix of strategic water purchases—so, working with very large water entitlement holders—but, more importantly, to invest in water use efficiency, both in the system and also on farm to recover water. The sort of description around how we value water that Ms Colreavy gave holds for both of those programs because we have to value water when we make investments in water infrastructure as well because we're seeking to take back a portion of the water to address the overallocation issue. We very much take the advice of the commercial valuers and commercial operators in terms of what the water market price is. We are driven, in terms of our water recovery goals by the Basin Plan rather than by what price the water might be at a particular time.

Senator GALLACHER: Mr Thompson, it may assist the committee if you take on notice that question: how do you address water purchases in your budgeting processes?

Mr Thompson: Sure, I'm happy to do that.

Senator DAVEY: I think the water market is going to be a topic that we talk about today. Can we make it very clear when we're talking about it, whether we're talking about entitlement purchase, which is permanent, or allocation which is variable and volatile, because I think it's very easy for us all to get very mixed up.

Ms Colreavy: I think we could be very clear, in response to that, that the comments we've made to date have been in relation to entitlements. In fact, we don't trade in allocation.

Senator GALLACHER: Can someone explain why the figure for expenses not requiring appropriation in the budget year 2018-19 administered expenses is so much higher than in
other years? It's 795,700,000 in 2018-19 compared to 8,759 for 2019-20 and going on. Mr Robertson, have you got a line on that?

**Mr Thompson:** Just to confirm, Senator, is that—

**Ms Colreavy:** Table 23?

**Mr Thompson:** Table 23 in the annual report?

**Senator GALLACHER:** It could well be.

**Mr Thompson:** Okay.

**Senator GALLACHER:** I've got budget expenses for outcome 3 in portfolio budget statement 2019-20, page 52.

**Mr Thompson:** We'll just grab that, Senator. We're working off the annual report. If it's 2019-20 you're interested in, we'll go back.

**Senator GALLACHER:** The 2018-19 figure is fairly large, compared with the 2019-20 figure and the 2017-18 figure. The 2018-19 figure looks to be a big stand-out expense, compared to the preceding year and what's budgeted for 2019-20. Have we got that right?

**Mr Thompson:** I think the footnote in the annual report refers to those expenses not requiring appropriation in the budget year, which is where your question started, being made up of depreciation expenses and amortisation expenses right down to impairment of assets and resources received free of charge. I don't know if Mr Robertson wants to add anything.

**Senator GALLACHER:** Are you saying you've depreciated or written stuff off? So it's out of kilter, if you just look along the line. It's out of kilter because you've taken a whole heap of depreciated assets?

**Mr Thompson:** It looks like it.

**Ms Colreavy:** It would be mainly impairment—

**Mr Thompson:** It's mainly impairment, I think, of water assets.

**Senator GALLACHER:** Sorry, what was that?

**Ms Colreavy:** I think that would be mainly made up of impairment of water assets, but—

**Senator GALLACHER:** What does that mean?

**Ms Colreavy:** we could clarify that if we take that on notice.

**Senator GALLACHER:** What does 'impairment of water assets' mean?

**Ms Colreavy:** That is the writedown in the price of water due to the change of water value in the water market.

**Senator GALLACHER:** So that feeds back into the earlier question: how do you budget for this stuff if it's going to come back in one year as a writedown? Is that essentially what's happened there?

**Ms Colreavy:** The impairment of assets is in relation to the book value, if you like, of the water that's already held.

**Mr Thompson:** I think there's a difference between budgeting for it and—we have our budget, if you like, to spend on water recovery through programs and strategic water purchases. This goes to an accounting treatment, and the accounting treatment is reasonably well worn and the ANAO—
Senator GALLACHER: So the explanation will be on notice. When you look across that line, why does it go like that?

Mr Thompson: That's right.

Ms Colreavy: Yes.

CHAIR: Senator Hanson-Young, do you have any questions?

Senator HANSON-YOUNG: For the sake of clarity, while you've been answering questions on figures and budgets from the opposition, how much of the $13 billion for the Murray-Darling Basin Plan implementation is actually left in the kitty?

Mr Robertson: As at 1 July this year, in terms of the funding, there was still in the order of $4.8 billion predominantly for infrastructure and related efficiency measures left in the kitty. That's essentially made up of a few main components. One is the funding in the Water for the Environment Special Account and the funding for the implementation of the supply measures, also under the SD adjustment mechanism. Then there is some residual funding to do with water recovery and other projects like Coorong and the Lower Lakes, which have been funded under the original water of the Sustainable Rural Water Use and Infrastructure Program where the contracts go on for various periods of time. A lot of them conclude this year, but others conclude in subsequent years. So it's $4.8 billion of that $13 billion figure.

Senator HANSON-YOUNG: And you say the bulk of that throughout those programs is to be spent on efficiency measures. Is there anything left aside for buybacks in any form?

Mr Thompson: Just to be clear, Senator, I don't think the bulk of that's on efficiency measures. Around $1.5 billion is for efficiency measures and another $200 million on top of that for constraints measures.

Senator HANSON-YOUNG: That's not how Mr Robertson opened his answer, so perhaps you would like to clarify.

Mr Robertson: What Mr Thompson said is correct. I gave you the three categories. I started with WESA, but the Water for the Environment Special Account does have two components. From the original appropriation, there was $1.775 billion of which $200 million was for the alleviation of constraints, which is part of the SDL adjustment mechanism as well, because those projects have been notified as measures. Then, the rest of it is in the order of $1.3 billion for the supply measures. I think you're aware of the nature of those projects. Then there is funding for the tail, I suppose, of a lot of those other projects: $70 million for the Healthy Coorong, Healthy Basin project in South Australia—

Senator HANSON-YOUNG: Mr Robertson, is there anything left of this $4.8 billion that has been earmarked for possible buybacks?

Mr Robertson: Because of bridging the gap, we're not quite there yet. There is some funding in this current financial year for residual buyback. It's not a lot. I would have to dig out the exact figure, unless Ms Colreavy has it.

Mr Thompson: We would say that there's not money earmarked for buybacks. Rather, buybacks remain an option, as part of government policy, to continue the bridging the gap part of the Basin Plan water recovery, and there's a small amount left to do that.

Mr Robertson: Just on that, for absolute clarity, some of the funding in the past and, perhaps, even currently, has been allocated through the bill 2 capital funding that the
department administers. The bill 2 capital is purchase money. In that particular context, as the supply measures are contracted with state governments, that money over time has been, and will continue to be, basically reclassified to bill 2 Treasury for payments through the states to implement a lot of those projects.

**Senator HANSON-YOUNG:** Is it still government policy that there's a freeze on buybacks?

**Mr Thompson:** I don't think it's ever been government policy that there's a freeze on buybacks. So, as I mentioned before, there was government policy to shift much more in our water recovery efforts for bridging the gap towards infrastructure—both on-farm and systemwide infrastructure. We can give you the numbers, in broad terms, on how much has been spent to date on that. We have continued to engage in strategic water purchases on a select basis. We've also run, over the last year, an open tender to recover groundwater in the Condamine-Balonne system as well. We're continuing to use buybacks, but just not in a significant way.

**Senator HANSON-YOUNG:** How much water has been recovered thus far to the target?

**Mr Robertson:** It's in the order of 2,082 gigalitres. It is, I think, the most recent published figure: 2,082 gigalitres in long-term average annual yield terms. I think Senator Davey made the comment before that because that figure is long-term average annual yield terms it's actually made up of a lot of different types of entitlements across the basin with different so called cap factors, so the face value of the entitlements is higher than that. I'm sorry, I don't have that figure with me, just because of the nature of the fact that there are so many different types.

**Mr Thompson:** We've recovered 2,082 gigalitres towards the 2,100 gigalitre target.

**Senator HANSON-YOUNG:** Yes. Do you want to take on notice the figures you're not able to give us today?

**Mr Robertson:** We can do that, but it will be quite misleading in a sense, because some of the low security entitlements don't contribute much in long-term annual yield terms and obviously the high security ones do more so. You could look at a superficial figure and think, 'That's a lot,' but it's actually—

**Mr Thompson:** We'll take that on notice.

**Senator HANSON-YOUNG:** I'm happy for you to make that clear in the documentation.

**Mr Thompson:** Of course.

**Senator HANSON-YOUNG:** Out of the 2,082 gigalitres, how much of those entitlements are actually in the bank now, as opposed to waiting to see how those efficiency programs or other returns eventuate in 2025-2026?

**Mr Robertson:** I think at the moment virtually all of them would be in the bank, because they were the target towards our averaging water recovery target. As projects have been completed, that water has been transferred, so we had a few significant projects finish last year where the water transfer parts were completed, including the GMW Connections Project in Victoria. Those figure had been accounted for when they were contracted, because we were confident that the Victorian government would deliver those.
Mr Thompson: We can take that on notice and come back in this hearing, if you want, with that number.

Senator HANSON-YOUNG: Thank you. Where's the 450 gigalitres issue up to? When is South Australia going to be told whether that is actually going to come or not?

Mr Thompson: We'll address the first part of your question and see if it answers the second part. I'll let Ms Colreavy expand on this, but, as you would know, at the December ministerial council meeting of the Murray-Darling Basin water ministers, there was the decision to improve the design of the efficiency measures program in order to give confidence that we were achieving the intent of the Basin Plan, which is the water recovery through that program—450 gigalitres would come at neutral or positive socioeconomic impacts for communities and that program was relaunched with those new criteria in July of this year.

Ms Colreavy: That's right. We actually have a program live now inviting proposals for funding under the water efficiency program. It's still very early days. We're providing quite a lot of marketing for that. There are three streams through which people can apply for funding in this program or enter proposals forward. One is through state led projects and the other is to apply for funding as a project partner. We have delivery partners also available in the field to work with proponents to bring forward proposals for us.

Senator HANSON-YOUNG: In terms of a date, when will South Australians be told that 450 gigalitres will be delivered?

Ms Colreavy: In terms of a date, we have a target of June 2024 that we're working towards and we're continuing to work towards.

Senator HANSON-YOUNG: Where are the government's and the MDBA's responses up to in relation to the Productivity Commission's report and its recommendations?

Senator Canavan: That has been published. I'll let the officials talk to it.

Senator HANSON-YOUNG: I guess I'm talking about the implementation of the recommendations.

Senator Canavan: The response is available publicly. I'll let officials talk to the implementation.

Mr Thompson: As you would know, at the last ministerial council meeting in August, Murray-Darling Basin water ministers agreed on a joint response. That then went to first ministers of basin states for a side meeting at COAG later on in August, and they approved that response. It covered a range of areas, including improving the work of the MDBA and jurisdictions on climate change, improvements to the way in which Aboriginal people are engaged in water management across the basin, building resilient communities, and enhancing environmental outcomes. In that context, the Australian government committed $88 million to improve the health of the Darling River, including in response to the Vertessy report, and $180 million in supporting toolkit measures to improve environmental management in the northern part of the basin.

Senator HANSON-YOUNG: Can I clarify, Mr Thompson: does that come out of the remaining $4.8 billion, or is it in addition to that?

Mr Thompson: It's part of that envelope.

Senator HANSON-YOUNG: Thanks for that.
Mr Thompson: One of the recommendations of the Productivity Commission was to have governments consider splitting the functions of the Murray-Darling Basin Authority between its compliance and its river management functions. Ministers considered that and kicked it around quite a bit. In the end they decided that they wouldn't do that at this time and that they would give it some further consideration. In the meantime, they agreed to the initiative of Minister Littleproud to appoint an Inspector-General of Murray-Darling Basin Water Resources.

Senator HANSON-YOUNG: For the sake of being able to move on, perhaps, Mr Glyde, you could take on notice those elements in the response. I'd like a status report on where the implementation is up to.

Mr Glyde: I'm more than happy to do that.

Senator ROBERTS: Thank you, everyone, for coming today. As many of you will know, I've been raising the water issue and the Murray-Darling Basin since early 2017 when I first found out what was happening in southern Queensland and northern New South Wales. I'm currently working my way through the whole Murray-Darling system and listening to farmers and stakeholders, who know what the problems are. Recently, on 17 September 2019, the Minister for Water Resources, Drought, Rural Finance, Natural Disaster and Emergency Management—and I don't know, Senator Canavan, whether 'minister for drought' is for causing or fixing the drought!—Minister Littleproud said 'water storage in Queensland has dropped from 2.78 megalitres to 1.75 megalitres per person' and 'there has been no water storage planning or thinking.' We know that, but that comment from Minister Littleproud shocked a lot of people.

Senator Canavan: Could you just repeat that quote, please, Senator?

Senator ROBERTS: 'Water storage in Queensland has dropped from 2.78 megalitres per person to 1.75.'

Senator Canavan: Right.

Senator ROBERTS: Everyday Australians who are concerned about our country and our farmers would like to know if this shocking position has changed since 17 September. My question to the staff here is: if so, how?

Senator Canavan: I might start. The figures that you referred to and quoted are the very reason the government is focused on building dams and water infrastructure. It is a well-established fact that when we came to government six years ago there had not been much work done on developing, designing or planning for dams for probably a generation. That's why, since coming to government, we've invested a significant amount in bringing back up to speed those proposals and plans. I think something in the order of $1 billion—although officials will confirm that—has now been expended to get cracking on building dams and water infrastructure.

Those plans and initiatives are now starting to bear fruit, with the recent announcements of water infrastructure in rural New South Wales—Wyangala and Dungowan; and previous funding allocations to water infrastructure projects in Queensland—Rookwood Weir; Emu Swamp; the Hughenden Irrigation Project; and the Big Rocks Weir, which is part of the Hells Gates project as well. Things are moving on. This is the first time in a generation that a government has taken seriously the building of dams and the turning around of the figures...
you quoted that concerned us six years ago. We quoted similar figures on coming to government six years ago, and that's why we're seeking to turn them around.

**Senator ROBERTS:** I'm just concerned, because two of the dams you mentioned were implied to be 'new' dams when they're just the extending of old dams. We've got to get away from misrepresenting the reality. We're still fiddling with water. We're not getting serious about it. We haven't got a vision in this country for a complete water system. I asked: what has been done? What has actually happened?

**Senator Canavan:** The government is interested in the outcomes, and the outcomes are additional water infrastructure, additional water supply for farmers and communities and for industrial development in our nation. We're not ideological about a particular type of investment here. If increasing the capacity of an existing dam can deliver those outcomes in terms of higher water at a reasonable price, we'll back it. Likewise, we've invested in a lot of irrigation modernisation programs, pipeline extensions et cetera. They, too, can make a big difference. We're focused on the result, which is more water for people, farmers and communities. Obviously building new dams is a way to do that, but expanding existing dams can sometimes be just as good a way, if not a more cost-effective way, of doing that.

**Senator HANSON:** Minister, you said that it has dropped from 2.78 down to 1.75. When will it be up to that 2.78? What period of time are we looking at? You must have an idea when you will be back up to that 2.78. With an increasing population in the country, that's a lot of water infrastructure you are going to have to put in place. At what point of time do you expect to have it back up to what it was?

**Senator Canavan:** I don't have the figures in front of me, except to say that I don't believe—unless I'm corrected, and I'm representing the minister—the government's targeting a particular level. We obviously look at our country's water needs on a case-by-case basis and a community-by-community basis and the opportunities we have. The trend, as you identified, is one we are concerned about and seeking to rectify. But each individual infrastructure project has to be judged on its own merits and stack up for the Commonwealth, for communities and for pay-off for our country.

**Senator HANSON:** You mentioned water projects. One project in particular, which I have spoken to the Prime Minister about, is Coalstoun Lakes. You've got Paradise Dam there. Only 11 per cent of that water is being used. There are over 100,000 gigalitres in it. Only 11 per cent is used. It requires a pipeline to be built. It requires an average of 35 kilometres of pipeline to be built. Is it in your planning stages to get water to Coalstoun Lakes, which is a town just out of Biggenden. The community there are a great farming community. It has possibly the best agricultural land in the state or the country and does not have water. Is it on your agenda to get the pipeline built?

**Senator Canavan:** I'll have to ask officials. I'm aware of those projects. We were all surprised and shocked at the decisions of the Queensland government in recent months with regard to Paradise Dam. I'm not sure about the Coalstoun Lakes project in particular. I might ask Dr Bacon if there's anything to add there.

**Dr Bacon:** As you know, the National Water Infrastructure Development Fund has a total of $1.5 billion allocated to it to fund water infrastructure projects around the country. In relation to the Coalstoun Lakes project, my understanding is that an additional $1.5 million
from the National Water Infrastructure Development Fund will be provided to ensure the benefits of the Coalstoun Lakes irrigation pipeline proposal are comprehensively investigated as part of the North Burnett and South Burnett feasibility study.

Senator HANSON: I'm aware of that, but you gave the state government $2 million 18 months ago for a feasibility study. Nothing has been done about it, and I feel that the letter I received this week from the Prime Minister for an extra $1.5 million is an appeasement. So, after 18 months of $2 million being put into a feasibility study and another $1½ million, I don't believe it's good enough for the farming sector, with a farmer there who was producing 150 tonnes of peanuts now down to producing 40 tonne. Farmers are leaving areas. They can't water their crops, and there is the cost.

CHAIR: Is there a question, please?

Senator HANSON: I'll go back to Senator Roberts.

Senator ROBERTS: Can you tell us specifically what is going to happen with water as a national crisis unfolds in the Murray-Darling Basin. What have you got specifically to build in the way of extra infrastructure?

Senator Canavan: Well, I'll ask officials perhaps to go through more of the detail, but, as I mentioned briefly earlier, the government has announced significant investments in regional New South Wales in the Murray-Darling Basin, in Dungowan and Wyangala. Also looking alongside that announcement, there was an allocation of funding to do the business case or work towards the Mole River Dam, near Tenterfield. There is the Emu Swamp Dam, which we've already allocated $42 million to, and we welcome the Queensland government's commitment to that dam—again in the Murray-Darling Basin, in the Southern Downs, near Stanthorpe. We've invested in a range of programs in the southern Murray system, particularly around pipelines around the Murray River to increase water security there. Dr Bacon, you'd be best placed to go through some more of the detail in that area?

Dr Bacon: Yes. As I mentioned, we have the $1.5 billion National Water Infrastructure Development Fund, and we've now committed $1.48 billion from that fund to fund capital infrastructure for 21 water infrastructure projects. Those projects are underway. We're happy to provide details in relation to some of those projects, if that would be useful.

Senator ROBERTS: Could we get details in writing, just a list?

Dr Bacon: We're happy to take that on notice, yes.

Senator ROBERTS: Thank you. Another issue is the issue of complexity of water management. My question is to the Water Division. Can you tell us if the Water Division is the only agency managing the water— the whole lot?
Senator Canavan: Maybe Mr Thompson can just outline—I think he might have earlier today—the different functions across government, because there are a range of things we do in the water space.

Senator ROBERTS: It's the complexity that's bothering me as well—so many people interfering with each other. It's a nightmare for people on the ground to understand what's going on.

Mr Thompson: The Water Division in our department, as I mentioned earlier, will be joining colleagues who are responsible for water infrastructure in the department of infrastructure at the end of this year. But the Water Division in Agriculture is responsible for national water policy matters and a number of water issues outside of the Murray-Darling Basin, including those interjurisdictional basins, the Great Artesian Basin and the Lake Eyre Basin. So we're involved in working with the Commonwealth government and the states to help manage and plan for those resources and also, as we touched on before, the On-Farm Emergency Water Infrastructure program, a drought-initiated program. But we're also specifically responsible for policy and program spending to recover water to address overallocation in the Murray-Darling Basin. So we have that responsibility. We work very closely with our portfolio agency, the Murray-Darling Basin Authority. We and the Murray-Darling Basin Authority also work very closely with Ms Swirepik, the Commonwealth Environmental Water Holder, who is responsible for using the water that we recover. So, while it is complex, and no-one would pretend that it isn't a complex management arrangement, we work very closely with colleagues across those agencies to deliver good outcomes in the basin.

Senator ROBERTS: My concern with the complexity is that it fractures accountability and creates inefficiencies. I'm not advocating a national body—the last thing I would do is advocate a national body.

Senator Canavan: I'm only representing the minister here and can't extol on all of the rationale and discussions that might have occurred, but clearly the government is consolidating those water responsibilities in the department of infrastructure. I presume that that is at least in part to consolidate those responsibilities and make sure it is very clear about the direction of the Australian government. Mr Glyde might want to add to that.

Mr Glyde: Senator, as you heard at another Senate inquiry last week, it is not just the Commonwealth that is involved in this; the states have constitutional responsibility for water. In the interest of time, we'd be happy to provide you with a briefing in terms of the history and background of all the water regulation that occurs across the Murray-Darling Basin. It is a complex story, as Mr Keelty, the interim Inspector-General of Water, has pointed to as well.

Senator ROBERTS: We would welcome that. Our offices will be in touch to sort that out. So we are not going to get any detailed planning for an overall vision yet?

Senator Canavan: I reject that characterisation. As I said earlier—

Senator ROBERTS: I'm talking about a vision for the whole country.

Senator Canavan: You can make your own conclusions—

Senator ROBERTS: Two upgrades of a dam is not a vision for the whole country.
Senator Canavan: If you'd let me answer. The Deputy Prime Minister recently outlined the initiative to establish a National Water Grid Authority. That is very much a vision to, if you like, re-plumb Australia and invest more in water infrastructure right across our country, connect different regions in our country and improve water security. Alongside that is the creation of the North Queensland Water Infrastructure Authority to help oversee and drive the development of the extensive water infrastructure initiatives we are making in North Queensland. The National Water Grid Authority builds on previous government announcements to announce the National Water Infrastructure Development Fund, which has been referred to here this morning. It goes back before we were even in government when we announced plans to build dams across Australia and, as I said, change the direction of governments across the country.

It has taken us time. Before we came to office, there really hadn't been any planning done for a generation. So we had to pick up documents that were gathering cobwebs in various state development departments around the country. We have done that work. We have also played a leadership role in bringing state governments along on this journey. I welcome the support we have received from the New South Wales government in the past month. After much kicking and screaming at times, the Queensland government has also partnered with us on some projects. So I think the leadership role the Commonwealth has played here has delivered results, but we still have a lot more to do.

Senator Roberts: I would see 'results' as having a visionary plan for the whole country and then actually having dams built.

Chair: Senator Roberts, is this a question?

Senator Roberts: Yes.

Chair: Last question, please.

Senator Roberts: The National Water Grid Authority mentioned Dr John Bradfield. That is something that Senator Hanson has been raising for decades and it is something I have been raising ever since I got into parliament. We are pleased to see that, but what I would like to know is: is there a vision for the whole country?

Senator Canavan: I think Dr Bacon has something to add on the National Water Grid Authority, so I will pass to her.

Dr Bacon: Thank you, Minister. I might just outline quickly the objectives of the National Water Grid Authority that was announced by the Deputy Prime Minister on 14 September. The first objective is to commission science agencies to identify opportunities—and this is across the nation—for increasing the security and reliability of Australia's water supply. The second objective is to develop a pipeline of priority water infrastructure projects. That will involve working closely with states and territories on an investment framework and delivery of the water infrastructure projects in that pipeline of projects. The third objective is to follow through on the Commonwealth's commitments for the infrastructure projects that we have committed to and invested in that are in that pipeline of priority projects. All in all, it's about building the right infrastructure in the right places that will support the economic and social outcomes of regional communities that rely on that water supply.
Senator ROBERTS: Senator Canavan, my point is that people in Australia—not just in the bush but also in the cities—are tired of hi-vis vests, safety glasses and hard hats. They want to see what is being done to do good, not just look good. And we need to get on with it.

Senator Canavan: I think I've gone through at length the various projects we are building around the country. Unfortunately, it does take time to build something as large as a dam. We're just fortunate I think that, on the re-election of the government, we're here to continue to drive that, and progress is being made.

CHAIR: Thank you, Senator Roberts.

Senator ROBERTS: I'll just raise one point with Senator Canavan, and that is that a good friend of mine was meeting with a senior Liberal who is no longer in politics, and he asked him, 'Why didn't you build dams 10 years ago?' And he said, 'Because there was no crisis then.' As good governments, we've got to anticipate the future. This drought will end, just like every other drought has ended. But we can't then just rest. We've got to make firm commitments now and get on with the job.

Senator WATT: I want to pick up on one thing that's in the media today regarding water policy. Minister, I don't know if you've seen this, but the environment minister, Ms Ley, has argued that only people who have a connection to farming should be allowed to own water in the Murray-Darling Basin. Is that the government's position on this matter?

Senator Canavan: Sorry, I have not seen those comments, so it's a bit hard to comment on something that I haven't seen in detail.

Senator WATT: Mr Thompson, are you aware of whether that represents the government's current policy, that only people who have a connection to farming should be allowed to own water in the Murray-Darling Basin?

Senator Canavan: The government has announced a review by the ACCC into various allegations or concerns that have been raised in trading in water markets, especially in the Murray-Darling. At the moment, water entitlements are held by a variety of individuals and corporate structures.

Senator WATT: Would such a position be consistent with the current Murray-Darling Basin Plan? That's probably—

Mr Glyde: The Murray-Darling Basin Plan is primarily about setting a new lower limit to make sure that we've got a sustainable level of take across the basin. One of the objectives, one of the accompanying policy tools, is the operation of a fully efficient, fair water market. What that means is that water can go to the highest-value use and you get the most out of that water, whether that's for a consumption purpose or not. So, in theory, the operation of the market is really a critical part of making sure that we get the best out of every drop of water. I think, as the minister has referred to, questions have been posed over the last 12 to 18 months about the operation of the market, which is why the government has asked the ACCC to conduct an inquiry into that. But certainly the water market is a very efficient mechanism for making sure that water goes to its highest-value use.

Senator WATT: So, if those highest values are in fact people without a connection to farming, the way the plan works at the moment, that's where those water rights would go?
Senator Canavan: Just to add—and I'll be corrected if I'm wrong—the operation of a water trading market predates the Basin Plan itself. It goes back across various governments. The government's position has never been that there should be somehow an unregulated market or an unmonitored market, but a market of some kind, a managed kind, has been beneficial, particularly during times of stress, like we have now. It allows for the reallocation of water, especially to those farmers who are planting non-annual crops or perennial crops that need water constantly, like orchards or dairy farmers, from those farmers who have more flexibility about their annual watering plans, especially those in cotton and rice-type crops. There have been benefits from that system. Of course we want to make sure the market works properly and in the interests of the final users of the product, like any market, which is, in this case, largely irrigators and farmers.

Senator WATT: My next set of questions relates to the government's water buyback program. Should they be directed to the department?

Mr Thompson: Yes.

Senator WATT: I'm specifically interested in one purchase of water by the department, the one from Eastern Australian Agriculture and/or its parent entity, Eastern Australian Irrigation. There's obviously been a fair bit of interest in this buyback. I think either both or one of those companies are headquartered in the Cayman Islands. Can you in short tell us what the basis was for that particular water buyback?

Senator Canavan: Could you just repeat which water buyback that is?

Senator WATT: It's the one that Angus Taylor is tied up in.

Senator Canavan: Eastern Australian Agriculture?

Senator WATT: Yes, Eastern Australian Agriculture, and I think Eastern Australian Irrigation is the parent company. It's the one that Barnaby Joyce approved for $80 million.

Ms Colreavy: The purchase of water from Eastern Australian Agriculture was a large strategic purchase undertaken in 2017 after quite a prolonged period of negotiation. The government purchased 28.7 gigalitres of water from the company. It was a mix of water from across two different properties, and it was a very significant purchase. It was undertaken primarily because we still had a significant gap to bridge in that water resource zone. But also, the water in question was really significant because it was able to deliver environmental benefits to the Lower Balonne, including the Culgoa and Narran Lakes, which is a Ramsar listed wetland.

Senator WATT: You said that the department had a 'gap to bridge'. What do you mean by that?

Ms Colreavy: We have a target to meet under the Basin Plan. The overarching target has changed over the years. The initial gap-bridging target was 2,750 gigalitres of water, but that overarching target was broken down into water resource zones, so we had both local and shared targets. It's quite complex. We produce tables of that on the web, which can show you how that's being delivered against, and we've been working towards that over the last seven years.

Senator WATT: So one of the key reasons for this purchase was that the department was short of meeting the target that it had to meet for water buybacks?
Senator Canavan: The overall target, of course, is the recovery of water for environmental purposes under the Basin Plan. There are a variety of different ways that we seek to achieve that, one of which is buybacks. In government, we've established a cap on what can be bought back, but there remains the flexibility to do that. The government looks for opportunities to meet the parliament's decision to implement a Basin Plan in the most cost-effective way possible.

Senator WATT: So one of the reasons was that you were short of meeting your target, and making this water buyback would help you reach the target?

Ms Colreavy: That's right. It helped—

Senator Canavan: Just to be clear, though—

Senator WATT: Can I just get an answer from the Public Service?

Senator Canavan: Sorry, the question is to the minister. The language here is: it's not the department's target; it's the government's and the parliament's. Parliament has decided—

Senator WATT: So the government was short of meeting its target for water buybacks, and this was a key reason why the department undertook this buyback—so that the government would reach its target. It wasn't the only reason, but it was a significant reason.

Senator Canavan: Again, just to be clear—and I'm not sure how familiar you are with the Basin Plan—these targets have been set by the parliament through the Basin Plan as a legislative instrument agreed to by this parliament. It's also, of course, a subject of intergovernmental agreements with state and territory governments. The Commonwealth government and the various schemes available are charged with implementing the sustainable diversion limits under that plan. Water purchases are a way of getting to that target.

Senator WATT: So we were short of meeting the target, and that was a key reason for undertaking this purchase?

Ms Colreavy: I think that's correct, yes.

Senator WATT: Thank you. I'll come to the environmental benefits issue a little bit later. Have you got the exact date of the purchase?

Ms Colreavy: It was August 2017. I don't have the date.

Senator WATT: Could you take that on notice. My understanding is that this was the either the second highest or the highest dollar figure paid under this buyback program at $80 million. Is that correct?

Mr Thompson: In terms of a total amount or for—

Senator Canavan: For a single purchase, are you saying?

Senator WATT: Well, let's do it as either. For a single purchase?

Ms Colreavy: Well, it wasn't actually a single purchase; it was two purchases.

Senator WATT: It was the water rights on two properties?

Ms Colreavy: Yes, that's right. It's reported as though it were a single purchase, because the two were done together. They were negotiated and reported—

Senator WATT: It was the same vendor.

Ms Colreavy: Exactly.
Senator WATT: So, if we're looking at the vendors who you bought water from, is this the highest or the second highest or another amount of money made by a single seller?

Ms Colreavy: I think I need to take it on notice. There were some large negotiated purchases several years ago that pre-date my involvement that I can't quite remember the size of. I can take that on notice.

Senator Canavan: I will just point out that this program has been in existence for probably well over a decade now. A buyback program has been in place for over a decade. I do recall some fairly large purchases in the time of the previous Labor government. That's going back a number of years now, so we'll take it on notice.

Senator WATT: Maybe you can take that on notice. I take the point from Senator Canavan, but can I get a figure back to 2013 as well, as to where that ranks?

Ms Colreavy: Certainly.

Senator WATT: What was the true value of the water that was purchased?

Senator Canavan: Just going back to the previous question, I've just found that, in 2009, the then Labor government purchased 240 billion litres from Twynam agricultural group that cost just over $300 million.

Senator WATT: Was that 240 million litres?

Senator Canavan: For just over $300 million. While a large purchase, obviously, it's not anywhere near the highest purchase of water under this program.

Senator WATT: So we've got that figure. Can I get a figure back to 2013 as well? What was the true value of the water that was purchased in this instance?

Ms Colreavy: It was $78.9 million.

Senator WATT: How was that established?

Ms Colreavy: It was established through independent valuations.

Senator WATT: Could we get you to table those independent valuations?

Ms Colreavy: Most of the information in relation to this purchase was tabled in the Senate some time ago under an order to produce documents. I can find you the number of that order.

Senator WATT: I don't know exactly what has been tabled in response to that order, but could you take that on notice? If it has been tabled already, you can refer back to that. If there are additional documents that weren't, perhaps you could table those.

Ms Colreavy: Certainly.

Senator PATRICK: I might point out that that was tabled but the actual valuations were redacted.

Ms Colreavy: That's right.

Senator PATRICK: So it's not going to help the senator, because you've redacted them, for some strange reason.

Mr Thompson: Yes, that's right.

Ms Colreavy: That's right.

Senator WATT: Are the amounts that have been redacted $78 million?
Ms Colreavy: The amounts that were redacted were the advice from the independent valuer in regard to market value for different types of water entitlement, or for that type of water entitlement in the region—a per-megalitre price. So it was a range of price that we should expect to pay. That's a normal way valuation advice is provided.

Senator WATT: Does that mean that there was a range given—that you could expect to pay anywhere between this much per megalitre and that much per megalitre?

Ms Colreavy: That's right.

Mr Thompson: There's typically a range in the valuation.

Ms Colreavy: The valuation advice, you'll see, if you refer to the documents, will say a valuation of up to a certain amount, and then they might provide us advice about some of the mitigating factors that might impact on price, such as matters relating to the properties, to the season or to the surrounding trading market.

Senator WATT: To get to the $78 million figure that it was valued at: to start with, why was $80 million paid rather than $78 million?

Ms Colreavy: I'm sorry, why was—

Senator WATT: Was the figure that was ultimately paid $80 million—that's what I've seen it reported as—or was it actually $78 million?

Ms Colreavy: No, it was $78.9 million.

Senator WATT: Okay. So people have been rounding that up when they've been reporting it. To get to that $78.9 million figure, was that on the basis of the higher end of the range that you were given by valuers?

Ms Colreavy: It was below the maximum expected price, in fact.

Senator WATT: If I go looking at those documents, will they give me a figure of $78.9 million—or is that redacted?

Ms Colreavy: No, Senator. As I said, the valuation is provided in a recommended up-to-per-megalitre price. This is the total price. What we paid was dependent on how much water was under offer and how the negotiation proceeded. In regard to the valuation advice, the valuer didn't know the particular property that was under consideration, nor did they know the exact quantum of water, because the offer from the parties was subject to negotiation and it changed throughout the period of the negotiation.

Senator WATT: So, if I were to see an unredacted version of that document, I wouldn't find the figure of $78.9 million anywhere in that?

Ms Colreavy: That's what I said. Yes, that's correct.

Senator WATT: You get figures with a range. How do you come to $78.9 million? Do you multiply a figure within the range by the number, the amount of water?

Ms Colreavy: That's right. We agree on a per-megalitre price and then we look at the amount, the volume of water on offer, and we multiply it.

Senator WATT: You're satisfied that taxpayers got value for money from that purchase?

Ms Colreavy: Absolutely satisfied, Senator. The settlement of the figure, the price, entailed a quite rigorous negotiation, and I'm very satisfied that the taxpayer got good value for money.
Senator WATT: How would you describe the nature of the water that was bought back? There obviously has been some reporting that the water—I'm not going to phrase this correctly—only really arises in flood situations. There have been other criticisms of the benefits that come from this. How would you describe the nature of the water that's been bought back?

Ms Colreavy: The water is designated as overland flow water. It's not just floodwater; it is overland flow water. We're talking here about the Northern Basin, where, largely, you don't have the same level of storage dams and regulation of flows that you've got in the southern connected system. This overland flow water is certainly seasonal. It's subject to the heavy rain periods in the north. It's intermittent; you don't get it every year. The way that we account for that water takes account of that—the fact that it doesn't occur every year. We look at the long-term average occurrence of this water in the system. It is considered to be highly valuable because this water is necessary to flush the rivers and carry on downstream to then overbank and improve areas such as the Culgoa and the Narran Lakes.

Senator WATT: What did your research or modelling prior to the purchase tell you about how often this water would be available? You've made the point that it's intermittent; it's dependent on rainfall.

Ms Colreavy: Yes. I'm afraid I don't have those details with me now, Senator. I had it a few years ago, but I can provide you with some further information about those flows.

Senator WATT: Yes, that would be great. Thanks. Do you know whether there has been any water to buy back since this purchase was made?

Ms Colreavy: Any water—

Senator WATT: I'm conscious that much of the country is in drought.

Ms Colreavy: That's right.

Senator WATT: Has any water actually been bought back? Has there been any water to use in the way that it was intended since this purchase occurred?

Mr Thompson: That's probably a question for Ms Swirepik. When we purchase the water, we then transfer it as an entitlement to the Commonwealth Environmental Water Holder.

Senator Canavan: Could I just clarify here what was said earlier today. What the government has purchased is the entitlement, the right, to the water over the long term. Its allocation in an individual year will be dependent on climatic conditions. Just to clarify your question, it's about these entitlements or what the allocations mean against these entitlements in recent years. Is that the question, effectively?

Senator WATT: Yes. I suppose I'm just trying to establish this. We've paid nearly $80 million for an entitlement. Has that entitlement, if you like, materialised in this sense: has there been rain to produce water that comes—

Mr Thompson: As an allocation.

Senator Canavan: That would be for the Commonwealth Environmental Water Holder.

Ms Swirepik: Yes, the entitlements are transferred to us. We have two lots of the entitlements from those two properties: Clyde and Kia Ora. The entitlement volume is 71,456 megalitres and the long-term average yield against that should be about 28,740 megalitres. Just that indication will tell you that you only expect to get it every couple of years. Since the
purchase, there hasn't been a flood down that system, so no water has become available. But, maybe to elaborate on something Ms Colreavy said, the Commonwealth Environmental Water Office was very supportive of this purchase. The Narran Lakes, which are directly downstream, are Ramsar listed, which means they're internationally recognised as wetlands. The greater extent of them can only be filled with flood flows. So, if you don't have any access to floodwater—if that's all extracted on the way down—then you won't get an appropriate filling of those lakes. So that access to water, or the stopping of other people having access and letting it flow down the Narran River into the Narran Lakes is incredibly important.

Senator WATT: So it sounds like, putting that together, you might be able to answer the question that I asked Ms Colreavy. You talked about the amount that you would expect to get out of it. What were the projections about how often—every how many years—would there be water that could be exercised in the way that we're intending?

Ms Swirepik: The long-term yields are based on historic patterns of flow, I guess. It wouldn't be that we could quote to you: 'It would be once every five years.' It's whenever an event of a certain size comes down that river system.

Senator WATT: What do the historic records tell us about—

Ms Swirepik: I don't have those historic records with me either, but you could look at them and get an idea of the type of frequency. It might be that that type of event comes once, then three years later, then there might be a gap of seven years or something and then it might come twice. It depends on the cyclones in Queensland.

Senator WATT: We know that, as yet, there has not been sufficient rain to be able to—I'm going to say exercise the entitlement; I think you understand what I mean.

Ms Swirepik: That's correct.

Senator WATT: What are the current projections based on weather forecasts and other information as to when it would be likely to first exercise this entitlement? Are we looking at another 10, 20 years; or is it something—I mean, we can never predict the weather?

Ms Swirepik: I imagine an event will come in the next three-or-something years. The cycles in the northern basin tend to have three- or five-year wet periods followed by a number of dry years. It's impossible I think for any us round the table to forecast into this season; it's very dry now.

Senator WATT: I'm not asking you to tell me the date it's going to happen, but the historical records suggest that at some point in the next three to five years there should be sufficient rain to be able to exercise this entitlement.

Ms Swirepik: Yes.

Senator PATRICK: I've got some questions that go to the Barmah Forest. Currently, it's being flooded, or it's my understanding that it's being flooded, and the local landholders are complaining that the water is wasted while there's no water allocation and the flooding is also causing ecological damage—I'll put that as a statement. Is the forest being flooded now, Mr Glyde?

Mr Glyde: I think the answer to this will probably be shared between Ms Swirepik and Mr Reynolds.
Senator PATRICK: I might just indicate: I flew over the forest about a month ago—and I think Senator Hanson-Young did as well—so we have some visual images in our mind.

Mr Glyde: And we get constant reminders on social media, too, Senator.

Senator PATRICK: Okay: I'm glad you follow it!

Mr Glyde: Ms Swirepik earlier in her opening statement mentioned what the expectations would be for flooding of the Barmah Forest and how often that would have happened this year. She perhaps could also elaborate on the plans, the Spring Flush and what-have-you, that has been undertaken by the Commonwealth Environment Water Holder. Mr Reynolds could talk a little about river operations in order to answer your question in full.

Ms Swirepik: I'm happy to start. We've had what we've called the southern spring flow occurring at the moment. It's our biggest water use for environmental water during this year, and we've specifically been targeting the spring period because that's when you get the best environmental benefits. There has been, I guess, a brimming river running through the choke. The choke is a natural restriction, so the capacity there is a lot lower than other places downstream, which means that just because the river is brimming at the Barmah Choke doesn't mean it's brimming through South Australia.

This year we've done some planning, as I outlined in our opening statement, to get a flush down the system. The idea is to be able to carry water all the way from Hume Dam down through South Australia and into the Coorong and to achieve as much benefit as we can in this type of drought year on the way. What that has meant is planning for a seven-week window where we were in excess of the Barmah Choke channel capacity. Andrew Reynolds can fill in, but about two-thirds of the water being delivered through the system at that point in time was operational water and the remaining one-third was our water for that seven weeks. The idea of getting the water into the creeks and wetlands that adjoin the river is that this is where the food sources are. We could put that water down over six months, instead, and trickle it down, but to have it go down in a pulse and go through the creek systems and pick up the food, for native fish, on the way was a very intentional science-driven design of the event.

We were also working because, last year, it was quite difficult for the environment to get our water in the river. The operational needs were so high. The idea of going early was one of the strategies for reducing competition for channel capacity, when irrigation demand does come on with the heat, and making sure that we were covering all of the losses in the system. Just because there's water in the forest, it doesn't mean that other users are suffering or paying any of those water costs. They all come from the Commonwealth Water Holder's accounts.

Senator PATRICK: And to river operations?

Mr Reynolds: We've planned our system operations this year to be able to get the water that is required to meet demands downstream of the Barmah Choke, throughout the year, by running the river within the channel. That would include, at this time of the year, some water going to meet irrigation demands that are already emerging as well as passing water to Lake Victoria to store for use later in the year. We then worked with environmental water holders, including Ms Swirepik's staff, to understand their needs around making improvements for the environment. We've been able to put their water on top of those other demands and allow some of that to go into the forest, as they required.
As Ms Swirepik said, all of the water that goes into the forest and is consumed in the forest is debited from Environmental Water Holder retail accounts, so it has no impact on water availability to other entitlement holders. We manage that very carefully. We have quite sophisticated models to estimate what that water use is, including this year when the forest was dry. The Environmental Water Holder plays a much larger initial use, to wet up the forest, and an ongoing component as the water stays in the forest.

Senator PATRICK: When I flew over the forest there was, clearly, ecological damage that was quite widespread. Sometimes it was right near the choke but also in other areas where trees have fallen over from overwatering. Do you accept that?

Ms Swirepik: I'd be interested in knowing the locations and unpacking that with you. Our advice from both the forest managers and the scientists who monitor the health of the forest is that those flows don't do damage. In fact, the very reason the Barmah Forest exists is because of the choke point. The restriction is so severe in the river that the water used to flood over the banks every year. So the forest is very used to getting water regularly. In fact, the long-term average is that it would have got water 19 out of the last 20 years.

Senator PATRICK: Had you looked at my social media, as it appears people have, I put up photographs—and they were not doctored—showing a lot of trees that were dead across a large area.

Senator RENNICK: That's pretty normal. I grew up on rivers and that's pretty normal—

Senator PATRICK: Let me put it to you, and this has come from farmers in Victoria and New South Wales, that the reason the river is being flooded or the reason there is so much water flowing through the Barmah Choke is to meet the demands of the plan, to deliver the 1,850 gigalitres to South Australia and almond plantations and other irrigators on the western side of the choke. And the reason that's occurring is that no longer is the Darling bearing it's load, in respect to the water that needs to get to South Australia. In actual fact, it appears the Murrumbidgee is not providing water—and no doubt, Senator Hanson-Young, I will come back to that later—and is not bearing any load. So, because of other operations, we now see the Barmah Choke flooded with environmental water with water for almond farms down the river. And all of the farmers that are watching the water go by—hundreds upon hundreds if not thousands of farming properties—simply cannot afford to buy the water.

Mr Reynolds: It's probably worth understanding that there is a limit on trade across the Barmah Choke, so water cannot trade from upstream of the choke to downstream, unless there's a corresponding trade in the opposite direction. So the net volume of water of water trading downstream of the choke is limited. That trade restriction has been available since 2007. It's been in force since 2014. It wasn't in force through the millennium drought because the volumes of water to be delivered downstream were lower and could be accommodated within the channel capacity. There's not more water travelling through the choke as a result of downstream developments.

The water that is actually going to those developments is coming predominantly from either the Torrumbarry Irrigation District, which is already downstream of the choke—trading from there but further downstream—or trading out of the Goulburn system as intervalley transfer. You mentioned the Murrumbidgee. In the last two years there has been no trade from the Murrumbidgee into the Murray. This year that's changed again. It's gone back to more
what has happened in the past, and the Murrumbidgee IVT, or intervalley trade, balance is currently at its limit of 100 gigalitres. We would expect—as we start to call that over coming months, to deliver that demand into the Murray—that that will continue to trade, although that's a little bit uncertain. It does depend on how market participants behave. So the additional water through the choke is not being driven by downstream developments.

Environmental water holders do deliver water through the choke. It is to achieve environmental benefits. A lot of study and exercise goes into planning those deliveries. Our modelling of what would have happened even in the current year, if we didn't have the major storages, with the rain we've had and the inflows we've had, is that the forest would have had water in it pretty much from June through till now. Early in the season we had a couple of events in the upper Murray that, if they hadn't been captured in the major storages, would have resulted in a flow of around 30,000 megalitres a day through the forest. The peak flow that we've had this year, with the environmental water, has been 15,000 megalitres a day. So naturally the forest would have been wet for some months this year if we didn't regulate the river the way we do.

As the season progresses we will continue to operate the river as efficiently as we can. We would anticipate that, once the spring pulse that the environmental water holders have requested is delivered—and that's coming to an end now—we will be able to run the river within the channel capacity. We'll make extensive use of the Mulwala Canal, which is part of the Murray Irrigation channel network, to pass water around the choke. We can bypass the choke through that channel network and outfall the water into the Edward River, and then it will come back to the Murray downstream. We'll make extensive use of that capability throughout summer, in order to meet demands downstream.

The lack of water from the Darling over the last couple of years has reduced the flexibility in system operations, but that has been driven primarily by the drought in the northern basin. We would expect, in due course—

**Senator PATRICK:** Aren't you in court over that matter?

**Mr Reynolds:** We are, and so I'm limited in what I can say around the litigation.

**Senator PATRICK:** I just don't think you should state it necessarily in as clean-cut a way as you have. You are in court, and indeed, Mr Thompson, I wonder how you are handling a $750 million claim, as I understand it, against you in terms of contingency. How is that handled in the budget?

**Mr Glyde:** The claim has been made against the MDBA, so it's an issue for us.

**Senator PATRICK:** Ultimately it's an issue for the Commonwealth.

**Mr Glyde:** Ultimately, but we're the ones that are defending the claim, with the assistance of the full apparatus of the Commonwealth. As Mr Reynolds said, we really can't comment too much on that. All we can point out—and I think the way you put your question is something we hear a lot—

**Senator PATRICK:** As do I, and that's the reason I've put it to you.

**Mr Glyde:** I think there are a couple of misunderstandings in—

**Senator PATRICK:** Can I just go back to the question about the handling—

**CHAIR:** Last question, Senator Patrick.
Senator PATRICK: of the $750 million claim against the Commonwealth. How is that being handled in terms of contingency as a budget item?

Mr Glyde: We're still at the very early stages of dealing with the claim and having the litigants come forward. This is going to go on for quite some time, and I would prefer not to—

Senator PATRICK: I'm trying to understand. This is a budget question. Please don't for a moment think you are immune from oversight with respect to budget measures just because there is a court case on. There will be various arguments and questions put before the court, but I want to know in terms of contingency how the Commonwealth, as part of its normal process, handles a claim, whether it be $800 million or $200 million. If you're concerned about the amount, that's fine. I'm trying to get an understanding of how this is handled in the books.

Mr Glyde: Perhaps it would be easier for us if we were to provide to you on notice the arrangements under which we operate the River Murray on behalf of the states under the Murray-Darling agreement. If you think about Hume Dam or Dartmouth Dam, if there was a failure or something went wrong with one of them, there are arrangements in place. It would be easier for us to describe in general terms what those arrangements are rather than in the context of this, and that will go to your question.

Senator PATRICK: All right. I'll put that on notice.

CHAIR: Senator Patrick, you've had a good go. Can we pass on the call. Lots of people have questions, so we'll come back to you.

Senator PATRICK: Can you, on notice, please provide the reports in respect of the ecological state of the forest that you talked about before?

Ms Swirepik: Yes, I'm happy to do that.

Senator PATRICK: Thank you. I was just trying to close off that section.

Senator DAVEY: Just on the back of Senator Patrick's section, I've got two quick questions. Senator Patrick mentioned 1,850 for South Australia under the Basin Plan. My understanding was the Basin Plan was water recovery and the 1,850 gigalitres for South Australia is something else. Can you clarify where legally—

Mr Glyde: I'm happy to do that, although Mr Reynolds is probably in a better position than I am to do it. It relates to the Murray-Darling agreement and not the Basin Plan.

Mr Reynolds: Correct. The 1,850 gigalitres, which is South Australia's full entitlement, is established under the water sharing agreements of the Murray-Darling Basin agreement. That pre-dates the Basin Plan. It goes to the sharing of the available water within the River Murray system. It's worth noting that in the current year South Australia are not getting their full entitlement at this stage; they've got about 1,400 gigalitres of the full amount available to them in the current season.

Senator DAVEY: That's also an arrangement in the agreement as opposed to the plan.

Ms Swirepik: That's right. The water sharing arrangements of the Murray-Darling Basin agreement determine how the available water in a given season is shared. In a year when there is a lot of water available the maximum that South Australia is entitled to is 1,850 gigalitres, and the New South Wales and Victorian upstream states share the balance after water to run
the system and other things are set aside. That's very much a part of the Murray-Darling Basin agreement water sharing arrangements.

**Senator DAVEY:** Just quickly, I have a question on the ecological concerns around the Barmah Forest. I'm really glad that lots of senators have been down that way and have had a look for themselves. My office is in Deniliquin, and you're all welcome to come and have a coffee next time you're in town. I only ever read about it after the fact, and I'd really like to share information with you because I live there. Ms Swirepik, about the ecological concerns, which I totally understand, is it the overbank or the connection to wetlands and flood runners that causes bank slumping and bank instability or is there another reason? I have read, from the Goulburn Broken Catchment Management Authority, that this year they were doing overbank flows through the Goulburn choke to restabilise the bank.

**Ms Swirepik:** Yes.

**Senator DAVEY:** Can you explain exactly what the cause of that bank damage is?

**Ms Swirepik:** Yes. Naturally rivers would have varied in their height as rainfall events came into the catchment. That's happening now in a lot of times throughout the year in both the Murray and the Goulburn is that we're running the channel at an operational maximum supply level. It's that constant flow, rather than the variable flow that wets up the banks and eases the pressure by not delivering at that same rate all the time that puts pressure on the choke. What we've done this year—taking the flows out of bank—has actually eased the pressure on the choke by not making all of the water go through that confined channel.

In the Goulburn, over a number of years where we've done watering and we have had more variable flows, it has actually shown you're literally wetting the bank. You're watering the vegetation as you go up. Sediment then drops on the bank as the flow diminishes, seeds get trapped and stuff like that and you actually get really good regeneration of the banks by having variable flows. I think part of the key to the future management of the Barmah Choke is to accept that a lot of the water there used to go over the flood plain and so we do need to get the water out into those channels and wetlands, especially when we deliver environmental water, to get the best benefits.

**Senator HANSON-YOUNG:** I have questions on a few different areas, so I'll just see how I go. Hopefully I won't be caught midstream. I want to go to incidents of gifting water under the efficiency program. I've been made aware of at least one irrigator in South Australia who, after implementing some water efficiency measures, sold the efficiencies back to the department at $5,000 per megalitre only then to be asked whether he would like to lease the water back for a mere $70 admin fee. I want to know what this practice is, who's actually administrating it and under what principles. He's very concerned; he thinks it's wrong, obviously. He was entitled to participate in it, he was offered the opportunity to, and in the midst of everything that's going on right now it seems very odd.

**Ms Colreavy:** I think the situation that you're referring to would be a farmer who participated in the South Australian pilot program for efficiency measures. I've been made aware of at least one irrigator in South Australia who, after implementing some water efficiency measures, sold the efficiencies back to the department at $5,000 per megalitre only then to be asked whether he would like to lease the water back for a mere $70 admin fee. I want to know what this practice is, who's actually administrating it and under what principles. He's very concerned; he thinks it's wrong, obviously. He was entitled to participate in it, he was offered the opportunity to, and in the midst of everything that's going on right now it seems very odd.

**Ms Colreavy:** I think the situation that you're referring to would be a farmer who participated in the South Australian pilot program for efficiency measures. Under the arrangements for that pilot, one of the agreements made with the delivery partner was that they would bulk up the water held on licence—because many of the participants in the program had quite small volumes of water, it involved quite small volumes of water to which
there is a reasonably high transaction cost for transfer and conveyance—and then transfer that water held once a year for more efficient handling of the water.

Under that agreement, because of the timing for the transfers, it was agreed that they could lease back water for the cost of the administration, as you have rightly said, through the season that the works were being undertaken. The idea here being that water is required, that the actual entitlement transfer is required to occur at the start, at the beginning, as the first payment is made and then works are undertaken. Usually, the participant won’t realise the benefits of that work until after the works are completed and possibly into the next year or two, so the suggestion was that, as an incentive for participation in the program, if people could lease back that water during the years of construction, before it was completed, then it would be an incentive and it would provide the water the growers had not yet—they had handed over the entitlement, but they had not yet realised the benefits of the efficiency improvements. It was considered to be a fair opportunity.

This was something that was undertaken in the pilot program following extensive consultation with program participants, looking for what are the sorts of things that farmers are looking for to encourage participation in efficiency measures. This was one of the things that was raised on a number of occasions with consultants when they went out to survey people and find out some of the learnings from earlier programs.

Senator HANSON-YOUNG: Just to be clear, I’m hearing what you’re saying, that this is a pilot program, but I just think from a taxpayers’ perspective it doesn’t seem fair. There are those of us who are hearing that there is all of this public money being spent on efficiency programs and then on buybacks, and we know there are strains on water availability even further upstream. I want to know how much water was given back, at a measly fee of $70 for admin per previous entitlement owner. Did this occur in any other valleys, or was this just—

Ms Colreavy: No, it was only in this pilot.

Senator HANSON-YOUNG: Do we know how much water was given back?

Ms Colreavy: No, offhand I don’t. It would have been quite small volumes because of the 1.9 gigalitres we’ve only recovered—

Senator HANSON-YOUNG: This one farm was eight megalitres at a cost of $40,000 to the taxpayer.

Ms Colreavy: I’ll just clarify, Senator, that $40,000 worth of water was not leased back to the farmer. That would have been the value of the project to him. It might have been the value of the water, but it would have been the entitlement value.

Senator HANSON-YOUNG: That’s what he got. It’s what he received from the taxpayer.

Ms Colreavy: Okay, so he received that as funding for his program, which would have been at a market multiple of around 1.75 times the market value of the water. The lease provision was for the use of allocation for one season.

Senator HANSON-YOUNG: If you don’t have the figures now, can you take on notice how much water was given back? How much taxpayer money overall was spent to foot the bill for this? How much water was given back? Whose idea was this? Did this come from the South Australian government; did this come from a federal department? Where did this idea originate?
Ms Colreavy: As I said, Senator, it came from feedback through surveys of past program participants in the planning and design of the pilot program.

Senator HANSON-YOUNG: Okay. You've got some questions on notice for that area. I now want to go to the issue of the new dams being proposed in New South Wales. If you remember, I asked about this briefly the other day and said I would come back to it today. Mr Glyde, you've made very clear comments that any of the water that is collected in these new dams would be subject to the cap.

Mr Glyde: Yes.

Senator HANSON-YOUNG: What impact is that going to have on the rest of the available water in the system, because obviously it has got to balance out?

Mr Glyde: That's correct, Senator. Just one thing: the use of the word 'cap' pre-dates the Basin Plan. It's essentially the same thing, but just a different word. Our interest is making sure that we stay below the sustainable diversion limit. In essence, that is a cap but it's just a more complicated way of saying it. Our interest is making sure that they do that. In order for any dam, any change in the arrangements in a state, to come forward under the Water Act, under the Basin Plan and under the various detailed water-sharing plans that the states bring forward, they have to make sure that in constructing the dam, in this case, they don't go over that limit. That's the generality of it.

The specifics of how much water a dam might consume through evaporation or other things really would come down to the design and the operation of the dam. So in that phase, as proposals come forward, that's when you get to the point of answering the second part of your question, which I think is 'what would be the impact'. I guess our interest is to see that the state manages that within the sustainable diversion limits.

Senator HANSON-YOUNG: Let's use some specifics as that might help us hone down on the questions, and the answers. The Mole River, 200 gigalitres, and an upgrade to Dungowan Dam of 16 gigalitres: if these dams have to remain within the sustainable diversion limit, where is the water going to come from elsewhere? Who's going to lose water?

Senator Canavan: Mr Glyde's probably not going to be able to answer on specific water infrastructure proposals here because, as he has outlined, the MDBA's role is to oversee the overall implementation of the Basin Plan, not individual water infrastructure projects. But the basic concept of dams is to increase water security, so to hold water when it does rain and when there is water availability to use in future years when there may not be such an entitlement. So, yes, the construction of dams has the potential to increase water security for water licence holders. That does include irrigators and communities that rely on the system and have access to such licences.

I would also make the point that it does provide benefits to the Commonwealth Environmental Water Holder, because they also hold entitlements in the system that act just the same as those that are held by irrigators. I'm not the minister responsible to comment on these particular areas, but your question is generic. So, the construction of dams has the potential to increase the water security of those entitlements that will provide benefits to not only farmers but also the environment. It will allow for more water to be available, particularly during dry times, to manage the system and avoid environmental harms.
Mr Glyde: In very broad terms, the dams don't change the amount of water that falls into the catchment. They change the period of when and how you use it. To the extent that the dams, by being in existence, might evaporate water, that would be a loss. That water would have to be obtained by the proponent of the plan from the water market. There is no spare water in the system so that would be how you would account for that loss in the future.

Senator HANSON-YOUNG: Let's be clear, Mr Glyde: building these dams doesn't create any more water, does it?

Mr Glyde: That's right.

Senator HANSON-YOUNG: It's not that there's going to be more water available for people—

Senator Canavan: But that's the case for any dam, Senator. The dams don't create water; they store water. As Mr Glyde said, they store water so that you can use it in times of drier periods.

Senator HANSON-YOUNG: Sorry, Minister, my question is actually to—

Senator Canavan: Sorry; your question is actually to the minister in estimates. If we see fit, we'll ask officials to add to the answer.

Senator HANSON-YOUNG: The Murray-Darling Basin is meant to be independent of you.

Senator Canavan: Sorry, at estimates, as you know, under the standing orders the questions are to the minister.

Senator HANSON-YOUNG: Mr Glyde, if there is a commitment to stay within the sustainable diversion limits—and that is a legal requirement, is it not?

Mr Glyde: That's correct.

Senator HANSON-YOUNG: Who is going to be offsetting what is in there, or are there going to have to be changes to make sure that people downstream still have access to the water that is captured and stored?

Mr Glyde: The proponent of the dam that you're talking about would be the entity that would have to acquire that water from within the market. Where that would come from, given water trade and things like that, is almost impossible to tell.

CHAIR: Thank you. We're going to go to a break now.

Proceedings suspended from 11:03 to 11:18

CHAIR: Let's resume.

Mr Glyde: Chair, I was just wondering if I could provide a further answer to a question that Senator Patrick asked in relation to the liabilities. I've been reminded during the break that in our financial statements that were in our annual report of 2018-19, we've got a statement that goes to the question that Senator Patrick asked. In our financial statements we've got some unquantifiable contingencies. I'll just read it. It's on page 184 of our annual report:

There is one unquantifiable contingency that relates to a claim asserting negligence in relation to the Authority's performance of function under the Murray-Darling Basin Agreement. Damages are unquantifiable. The Authority's insurer Comcover has been formally notified of this claim. The
Authority’s policy covers this claim. In essence, the senator referred to a sum, and at this stage the damages from the complainants have not been particularised. So I don’t know the origin of the senator’s estimate of the damages.

**Senator ROBERTS:** Is that what you were trying to say before you were cut off?

**Mr Glyde:** No.

**Senator ROBERTS:** Did you want to say that? I was interested to find out where you were going.

**Mr Glyde:** Senator Patrick asked the extent of the contingencies we had put in place, and I was just really responding to that because I had forgotten that we had that statement in our financial statement.

**Senator ROBERTS:** Yes. During the hearing—what, half an hour ago—you were cut off from saying something. I was interested; can you remember what that was?

**Mr Glyde:** I don’t think it was in relation to this matter.

**Senator ROBERTS:** No, I was interested in finding out if there was something you were wanting to say?

**Mr Glyde:** No, not at all.

**Senator Canavan:** Chair, there is some more additional information.

**Mr Thompson:** Just a couple of numbers we want to correct.

**Mr Robertson:** Not to correct but to clarify—just an update. Senator Watt asked what was the total funding provided in 2018-19. The 2019 budget papers show that the total appropriation for last financial year was $1,147,904,000 for all of the water programs funding administered by water division. Also Senator Hanson-Young asked about how much was left, and I gave her an old figure with an earlier date. I’ve now got the figures as at 30 September this year and it’s $4.1 billion. It’s still got all those components that I talked about.

**Senator HANSON-YOUNG:** Thank you.

**Senator WATT:** Can I just clarify, that $1.147 billion figure that you’ve just given me, you described that as the total appropriation for 2018-19.

**Mr Robertson:** Administered funding appropriation, administered by the water division, so it’s effectively the total of what we discussed with Senator Gallacher before.

**Mr Thompson:** We went through that with Senator Gallacher.

**Senator WATT:** Yes. And just so we’re all speaking the same language, of the total appropriation, what was the amount spent?

**Mr Robertson:** That’s the total funding provided by the budget.

**Mr Thompson:** That’s not expenditure.

**Senator WATT:** That’s what I thought. Another way of putting that would be that was the budget?

**Mr Thompson:** That’s right.

**Senator WATT:** So across those programs administered by the water division, Sustainable Rural Water Use and Infrastructure Program, Water for the Environment Special Account, South Australian River Murray Sustainability Program, Implementing Water
Reform in the Murray-Darling Basin, Commonwealth Contribution to the Murray-Darling Basin Agreement, On-Farm Water Infrastructure Rebate Scheme, all of those ones?

Mr Robertson: That's right.

Senator WATT: Potentially there may be some others that we haven't listed there?

Mr Robertson: Yes.

Senator WATT: So putting all of that together, the 2018-19 budget was $1.147 billion—

Mr Robertson: Yes.

Senator WATT: appropriation. That was the amount that was budgeted?

Mr Robertson: That's right.

Senator WATT: And do we have a figure for how much was actually expended?

Mr Thompson: We would have to take that on notice, I think.

Senator WATT: Do you have something there? I don't need it broken down by program, but an overall total would be okay for the moment.

Mr Thompson: Can we total it up and then come back a bit later?

Senator WATT: Sure. That's fine. Just back to the watergate issue involving Mr Taylor and Mr Joyce. We've got a buyback of nearly $80 million. Has the department ever looked into who sits behind this Cayman Islands-registered company that got the money?

Ms Colreavy: The transaction was conducted with Eastern Australian Agriculture, who were a registered Australian company and they were the entitlement holders. They owned the entitlements throughout the whole period of the negotiation and then the final purchase.

Senator WATT: Okay. Because my understanding is that, given it is a Cayman Islands-registered company, it's quite difficult to work out who the shareholders, directors, beneficiaries of that company are. Has the department ever looked into this?

Ms Colreavy: Not in any detail, no.

Senator WATT: So we've got a company registered in the Cayman Islands, presumably paying no tax, that has obtained nearly $80 million from the Australian people?

Ms Colreavy: Actually, the company that was paid the funds was an Australian-registered company, Eastern Australian Agriculture.

Senator WATT: Which is owned by this Cayman Islands—

Ms Colreavy: Well, it may be, but I'm clarifying that the transaction that we had was with Eastern Australian Agriculture, which is an Australian-registered company.

Senator WATT: Okay. Previously a number of briefs that were provided to the minister about this were tabled. I understand there were seven briefs that the department sent to ministers and/or their offices regarding these water allocations that were purchased. There is one brief which has not been tabled and that's number PEMS 15-900034, titled Water Purchase Opportunity in the Condamine-Balonne.

Ms Colreavy: Could I have the number again?

Senator WATT: Sure. PE and then MS 15-900034.

Ms Colreavy: Thank you.
Senator WATT: Is there any reason that hasn't been tabled previously?

Ms Colreavy: It looks like it was a brief from 2015. It perhaps was outside of the scope of the earlier requests.

Senator WATT: Okay. Could we get you to table that one, please?

Mr Thompson: We'll take that on notice.

Senator WATT: I'm not expecting you to have it here. My understanding is that the purchase of this water entitlement from EAA—I'll call them—occurred via a limited tender. Whose idea was it to procure these water entitlements via a limited tender?

Mr Thompson: The use of limited tenders was a not uncommon practice. It goes to the mention I made earlier of strategic water purchases that we made in particular of larger or strategic water holdings across the Basin after the government put in place the cap on water purchases and when we were shifting more of our water recovery into infrastructure programs. So we were still using water purchases but we typically use that through the strategic purchases, and limited tenders or select tenders were used as a common policy to do that.

Senator GALLACHER: Could I just ask there, where does the limited tender application of the Commonwealth procurement rules fit into this space?

Mr Thompson: Well, it is consistent with the Commonwealth procurement rules.

Senator GALLACHER: So it's consistent entirely with—

Mr Thompson: Absolutely.

Senator GALLACHER: the Commonwealth Procurement Rules?

Ms Colreavy: Yes, it is.

Senator GALLACHER: Which, I think, set the value of $80,000?

Ms Colreavy: It's more complex than that.

Senator GALLACHER: I've got the Commonwealth procurement rules.

Mr Thompson: Yes. I think what you're referring to is, when you enter into contracts through procurement, once it exceeds a value of $80,000 then you need to look at what method you're using to select.

Senator GALLACHER: Yes, so clearly this is more than $80,000.

Mr Thompson: Yes, that's right. That's one of the Commonwealth procurement rules but there are many others.

Senator WATT: And certainly my experience in other estimates committees is that limited tenders have tended to only be used for contracts to the value of $4 million to $5 million, certainly nothing like $80 million.

Mr Thompson: Well, it's certainly not the experience in the water purchasing program, and the water purchase program is—I would grant you—a fairly unique one in the Commonwealth landscape but it's been running for many, many years now, and that's not unusual.

Senator WATT: So, again, when we're talking about a limited tender, there was no advertisement, no sort of expression-of-interest process where people could make an offer to
the department? Did you essentially go and identify one or a small number of potential vendors?

Ms Colreavy: We regularly receive proposals from a range of water entitlement holders across the Basin about making offers to sell water and have been keeping a record of those offers of sale. The standard practice is to just take some essential details from people in regards to those offers. Our first and biggest priority is to determine if there is still a gap to bridge because, as I explained to you earlier, the primary reason is to meet our requirements under the Basin Plan. If the offer of water entitlements is in an area where there is no further water required then we advise them immediately that there's no interest in pursuing this. If there is still a target to be met then we may say, 'We would like to keep your details on a register.'

In regard to how we went back in relation to this purchase and others under limited tender, where we saw that it was proving to be very challenging to meet the target through the other mechanisms, such as infrastructure—where there had been a drop-off in interest in taking up infrastructure programs, so recoveries through infrastructure were not proceeding at the pace needed—and we were aware of the existence of large parcels of water in various catchments where water was still required, then we would consider those offers. First of all, we would seek permission from the minister to proceed and then we would investigate whether a limited tender purchase might be an option that we could pursue.

Senator WATT: In undertaking this limited tender, how many people were approached?

Ms Colreavy: A limited tender, by its nature, is actually a negotiation with a single seller.

Senator WATT: So you collected a range of information and then you choose this one, out of all the options, without going to any tender process?

Ms Colreavy: The reason is that it was the only very large parcel of water on offer in the Condamine-Balonne, the Lower Balonne, where we still had a significant gap to bridge. There were some very distinct advantages to pursuing that water, as I outlined earlier. The other compelling reason or interest was brought to our attention through the Queensland state government, who were also very concerned about bridging the gap and were aware that this water was available. As you would know from documents that have been disclosed to the Senate previously, the Queensland minister wrote to the Australian government minister urging us to pursue this opportunity.

Senator WATT: We've got a process where one potential vendor was approached without any open process, and we still don't know the basis for how the price was arrived at. We know that nearly $80 million was paid, but the documents that have been produced to the Senate have all sorts of blacking out in them, so we can't actually establish whether fair market value was paid—

Senator Canavan: I don't accept that characterisation.

Senator WATT: Have you seen the documents? They've got black marks all over them. Look at that.

Senator Canavan: Earlier this morning officials did go through the analysis that was done to determine the value. I am happy for them to waste the time of the committee and do so again, but that was gone through, in detail, this morning.
Senator WATT: They've told us the process and the steps followed in determining the price, but all we've got to assure taxpayers that a fair price was paid is a letter, about half of which is blacked out.

Mr Thompson: I want to reinforce the comments that Ms Colreavy made before. You asked a direct question to us about whether the price paid was within the valuation range that we received, and we answered the question in the terms that it was within the range; in fact, it was below the maximum level of that range. So we've given evidence to that effect.

Senator PATRICK: Noting the amount was so large that you thought it was proper to do a strategic purchase on this and, indeed, there wouldn't be any other properties or water buybacks similar to that, and the passage of time, why won't you simply release those numbers? They can't possibly be market sensitive anymore. They might be government sensitive—it might be embarrassing—but I can't see them being market sensitive.

Ms Colreavy: The answer that we've given to you previously still holds, and that is: we still have a water recovery target in this particular catchment.

Senator PATRICK: But not of the same character—you just said that. What big purchases can you possibly make in that catchment?

Mr Thompson: The valuation that we obtained is still relevant to a price that we would be willing to offer to—

Senator PATRICK: But someone can similarly go and pay for a valuation, and they'll get it.

Mr Thompson: It would still be relevant to a price that we might seek to purchase water for in this catchment.

Senator PATRICK: So if I went and paid for a—

Senator Canavan: Obviously, if we're still in negotiations for similar or like property or entitlements here, it would not be appropriate for the Commonwealth to advertise some kind of range we're looking for, because obviously then any seller—

Senator PATRICK: This is a past purchase.

Senator Canavan: would seek to only stay at the upper end of that range. That would be inimical to the interests of the Commonwealth taxpayer—

Senator PATRICK: This is a past purchase.

Senator Canavan: to get the best possible price for the Commonwealth.

Senator PATRICK: This is a past purchase.

Senator Canavan: Sorry, I'm not administering this program, but the official has just explained—

Senator PATRICK: I'm allowed to challenge that.

Senator Canavan: that, regardless of it being a past purchase, there remains the potential for future transactions of a like and relevant matter in this region. The information around our valuation would be relevant to those transactions. It would not be good negotiation practice on behalf of Commonwealth taxpayers to release that information while negotiations were potentially still occurring.
Senator HANSON-YOUNG: I reckon taxpayers would like to know whether they're being ripped off because the minister was looking after himself and his mates. It's a very convenient excuse.

Senator Canavan: We've provided information to you that provided no evidence whatsoever of that. Despite the scrutiny of this, this transaction is no different from many others that have been done in this space, including by former governments.

Senator WATT: Did we establish whether it was the highest amount of money that's been paid for a water buyback since this government was elected in 2013?

Mr Thompson: No, we haven't been able to establish that.

Senator WATT: It's at the higher end, isn't it?

Senator Canavan: You're explicitly trying to carve out a period before the government was elected where there were higher purchases made.

Senator WATT: You're in government. We're holding you to account.

Senator Canavan: A relevant point here is: is this purchase similar to those that have been made across the length of this program, including during times of different governments? The answer to that is clearly yes.

Senator WATT: How many other water buybacks has this government undertaken for $80 million or more where they purchased water through a limited tender—with no open tender process—purchasing from a company that is ultimately based in the Cayman Islands and that has connections to a senior government minister, with very little information provided to the public and very little information about what the true cost of this water allocation was? Give me another example of that.

Senator Canavan: Once again, I don't accept that characterisation of the limited information available. The department—not just through this process but through other questions—have provided significant information about this transaction.

Senator WATT: Yes, but you're trying to pass this off as just another run-of-the-mill water purchase.

Senator Canavan: Sorry, the question has been asked. I was going to the fact that I'm happy for officials to provide what information they can on other transactions or like transactions.

Senator WATT: Mr Thompson, can you give me one other example of a water buyback by your department, since this government's been elected, of $80 million or more, purchasing from a company that's ultimately based in the Cayman Islands that is paying no tax and that is connected to senior ministers in this government, through a limited tender process of identifying one possible vendor? Can you give me one other example?

Senator Canavan: Chair, can I just say that that is obviously incredibly—

Senator WATT: You just said that the officers could do that.

CHAIR: Senator Watt, please let him finish.

Senator Canavan: The question is one that's obviously leading the witness, but I'm happy for the officials to provide information about other like transactions. So why don't we let them do that?
Senator WATT: Give me one other like—
CHAIR: Senator Watt, please let him finish.
Senator Canavan: Why don't we let them provide that information?
Senator WATT: You're the one who keeps cutting them off when they go to answer.
Mr Thompson: The only data that I've got in front of me in relation to strategic purchases comes from the period May 2016. There was one other purchase—Tandou, the New South Wales Lower Darling—
Senator HANSON-YOUNG: That was dodgy too.
Mr Thompson: which also covered works on the property as well as water purchases.
Senator WATT: That's the one connected to Chris Corrigan, is it? I think he is the chair of that company.
CHAIR: Senator Watt, I'm not sure where you're going. Can the department official complete the answer.
Senator Canavan: Let's let them provide the details of those purchases.
Mr Thompson: If you're asking about the scale, the only strategic purchases I've got in front of me are around the Queensland border rivers, the SA Murray, the New South Wales Murrumbidgee, the Queensland Warrego—these are the water catchment areas that these occurred in—the New South Wales Lower Darling and the Queensland Condamine.
Senator WATT: Since this government's been elected, there's been one other water purchase of the dollar value, roughly, of this one that we're talking about here involving EAA. Is that correct?
Mr Thompson: I would have to take that on notice. The only projects I've got in front of me date from May 2016.
Senator WATT: Yes, from May 2016. Why have you focused on that one? Is it something to do with the dollar value?
Mr Thompson: The Tandou one?
Senator WATT: Yes.
Mr Thompson: You asked the question about—
Senator WATT: And how much was that one worth?
Mr Thompson: $78 million.
Senator WATT: So, around about the same. So we've got one other water purchase undertaken since 2016 of the same value as the EAA one. I know that that company involves Mr Corrigan, but let's leave that alone for a moment. Does that purchase involve a company based in the Cayman Islands?
Mr Thompson: The Tandou purchase?
Senator WATT: Yes.
Mr Thompson: I don't know.
Senator WATT: Is it connected to any government ministers in the way that EAA is?
Mr Thompson: Well, without accepting the pretext of your question, I don't know.
Senator WATT: Did it go through a limited tender?

Mr Thompson: Yes, it did.

Senator WATT: So, you can't point me to one other example since this government's been elected where we've got a purchase of a water allocation from a company based in the Cayman Islands connected to a senior government minister—eight years earlier?

CHAIR: Senator Watt, I think you are repeating the same question over and over. Would you like to move on?

Senator WATT: Is the answer no?

Senator Canavan: The official has already said that he doesn't know, because obviously there's a level of political commentary in your question. You're welcome to make those types of comments, but I don't think it's fair to drag officials into your muckraking.

Senator WATT: I'm just asking for some factual answers.

Senator Canavan: No—

Senator WATT: No, I am.

CHAIR: Senator Watt, thank you for your questions.

Senator GALLACHER: The limited tender process under the Commonwealth Procurement Rules, in clause 10, I think: who is the appropriate person to have signed off on 10.5 in terms of a limited tender? Is that a departmental official, or a minister? It clearly states:

a. the value and type of goods and services procured;

b. a statement indicating the circumstances and conditions that justified the use of limited tender; and

c. a record demonstrating how the procurement represented value for money in the circumstances.

Those are your rules. Who would sign off on that?

Ms Stacpoole: Under the procurement rules, limited tenders are under division 2. Mostly when we have an agreement from the minister to enter into negotiations with this limited tender for a range, the actual decision has been delegated to the department.

Senator GALLACHER: So, there's a departmental official who's signed off in accordance with this. On notice, can we have that document?

Ms Stacpoole: I don't think it has been released. It's just an internal document, because there's a lot of due process that happens.

Ms Colreavy: We can provide it.

Mr Thompson: We'll take it on notice.

Senator GALLACHER: So, on notice we'd like those transactions done by limited tender, in accordance with the Commonwealth Procurement Rules, supplied to the committee.

Ms Stacpoole: They're like any kind of other procurement as well. We handle them within the department.

Senator GALLACHER: Well, we just want that document.

Mr Thompson: Sure. We'll take that on notice.

CHAIR: Minister, just for the purposes of completeness around this discussion of contracts of water entitlement buybacks, could you talk about the previous one with Twynam?
I'd just like to understand: was that decision made within the same parameters as these later water buybacks?

**Senator Canavan:** As officials have said, there's a long-running program where large transactions have been made. It was a fair while ago, but in the 2008-09 financial year a purchase was made from the Commonwealth—I think Minister Wong was the responsible minister at the time—from Twynam Agricultural Group. It was a collection of 36 different individual transactions, I'm informed. The total amount paid by the Commonwealth was $304.77 million for those 36 transactions. Water was purchased from across a variety of different catchments from that company, including the Barwon, Darling, Macquarie, Lachlan, Gwydir and Murrumbidgee. In the end the total volume in long-term average annual yield was 120.28 gigalitres.

**Senator WATT:** Which senior minister of the Labor government at the time was connected to that company?

**Senator Canavan:** I don't have that level of information—

**Senator WATT:** In the same way that Mr Taylor was connected to the EAA.

**Senator Canavan:** Once again, I reject the characterisations of this question. You haven't provided any evidence whatsoever that any minister provided in any way untoward influence—

**Senator WATT:** You do know that Mr Taylor was involved with this company—

**Senator Canavan:** Repetition of an assertion does not amount to evidence. You've had no evidence on this after months and months of trying.

**Senator WATT:** You're trying to equate assertions under the Labor government with this one.

**Senator Canavan:** It's completely without basis.

**Senator WATT:** Show me the Labor minister who was connected to that company in the same way as Mr Taylor is connected to this one.

**Senator Canavan:** Your allegations have been proven to be completely without basis time and time again. You can keep making them and repeating them, but they are going nowhere. This type of purchases are regularly made under this program. Yes, they are very large, but that is because the task of requiring water—for the environment, may I say; all these purchases are to go to environmental benefits—and as you heard earlier from the Commonwealth Environmental Water Holder earlier, she was fully supportive of this transaction with Eastern Australian Agriculture. It is going to deliver significant environmental benefits.

**Senator WATT:** Senator Patrick has reminded me that Mr Taylor has disclosed an interest that he has held in these companies that we are talking about, EAA or EAI. Can you show me which Labor minister disclosed an interest in Twynam, if you are trying to equate the two?

**Senator Canavan:** Once again, you are just simply repeating allegations that you have been out there doing for months, that have not provided any additional evidence.

**Senator WATT:** This is the first conversation we've had.
Senator Canavan: You have just heard from officials how been beneficial this purchase is for the environment.

Senator WATT: It was pretty beneficial for that company too, wasn't it?

Senator Canavan: The objectives of this scheme will benefit the environment. The transaction has been done in a way that is similar to other transactions that you have just heard evidence about. The allegations that you have been trying to provide some degree of traction to in the past few months are simply not going anywhere.

Senator WATT: You know that EAA made a $52 million profit on this sale?

Senator Canavan: I don't have that information.

Senator WATT: Not a bad day's earnings, is it?

CHAIR: I don't think the Minister would have information on that.

Senator Canavan: As has also been gone through here, this purchase also involved the purchase or decommissioning of infrastructure associated with the use of water. That is calculated in the value of this. So I am not sure how you're calculating the profit there.

Senator WATT: It's EAA's annual report, actually.

Senator Canavan: That would be very important as a basis for that.

Senator WATT: EAA disclosed in their annual report, which I'm happy to table, gain on water licence—

CHAIR: I don't think this is going to be a question on expenditure, so we are going to go to another senator.

Senator WATT: It's public expenditure that gave them a gain on water licences, sold in August 2017, of $52 million. So $52 million of profit—taxpayer funds—has been transferred to a company registered in the Cayman Islands, connected to a senior minister of the government.

Senator Canavan: I am not accepting that. I am not familiar with that. If you would like to table that, that would be useful.

Senator WATT: I am happy to table that.

Senator Canavan: I am not accepting that as given. I am sure the details—

Senator WATT: How are they advantageous conditions?

CHAIR: Thank you for your questions, Senator Watt. We are going to move on from you.

Senator Canavan: As you just heard, the advantage to the Commonwealth is the environmental benefits that these purchases are dedicated to.

Senator WATT: It is pretty advantageous to the EAA.

Senator Canavan: That is support by the Queensland Government—

Senator WATT: No. The Queensland Government supported the purchase of the properties, not just the water entitlement.

Senator Canavan: If you are going to ask questions, you may as well be willing to listen to answers.

Senator WATT: Well, can you answer factually? The Queensland government supported the purchase of properties, not just the water entitlements.
CHAIR: Senator Watt, please listen to the answer.

Senator Canavan: As you've heard in evidence this morning, this potential transaction was alerted to the Commonwealth by the Queensland Labor government. It has been supported by the officials managing the environmental water, who have the task of delivering environmental benefits to the Murray-Darling Basin. That is our objective. That is the Commonwealth's interest. From all the evidence given here today, this has been a value-for-money transaction.

Senator WATT: A value for money transaction? A $52 million profit!

Senator Canavan: You may have a different conclusion, but the evidence is very clear.

CHAIR: Thank you, Senator Watt. I think you have had a fair crack at it. We are moving on to someone else now.

Senator DAVEY: Just a clarifying question specifically on this topic. Ms Colreavy, has the Commonwealth ever purchased water from EAA prior to August 2017?

Ms Colreavy: Not that I am aware of.

Senator WATT: That wasn't the answer, was it?

Senator DAVEY: So there has been no purchase from EAA in 2008 or 2013?

Ms Colreavy: I would have to take it on notice.

Senator DAVEY: If you could.

Ms Colreavy: There were a lot of tender transactions undertaken in that period. I wouldn't have them readily to hand.

Senator WATT: The only purchase that the department is aware of from EAA, the company based in the Cayman Island connected to Mr Taylor, occurred under this government, under Minister Joyce? Is that right? For a $52 million profit? Is that the only one?

Mr Thompson: It's the only one we are aware of.

Senator Canavan: Senator, we've taken it on notice.

Mr Thompson: We are taking it on notice.

Senator Canavan: There may be transactions going back. This program has been going for—it is getting on to 12 years I presume—

Senator DAVEY: When you take it on notice, can you also check that there have been no purchases through any previous programs such as the Living Murray or Water for Rivers?

Mr Thompson: Yes.

Senator ROBERTS: Before we move on from that, Senator Canavan, is it possible for me to talk with someone in the department about the connection with the Twynam sale and the environmental needs established at the time? I would like to know more detail.

Senator Canavan: I think we were talking a little bit about that earlier this morning. I think—

Senator ROBERTS: Not now. I mean—

Senator Canavan: You would like a briefing or some such?

Senator ROBERTS: Yes.
Senator Canavan: The Twynam purchase, that's the $300 million. I am sure we can arrange a briefing. I am not the responsible minister but we will see to that.

Senator ROBERTS: I am concerned that the purchase didn't line up with environmental needs. That is all.

Senator Canavan: We will seek to provide information to you as we can.

Senator ROBERTS: Thank you. Under the Murray-Darling Basin Plan, the Murray-Darling Basin administration administers the water under government control. Your agency is tasked with the duty of obtaining environmental water up to the limit determined by the Basin water minister. Is that correct?

Mr Thompson: In terms of addressing the historic over allocation of water resources, providing water for the environment and rebalancing consumptive and environmental uses in the Basin, yes, the Basin Plan establishes the sustainable diversion limit, which is—as Mr Glyde has said before—also given effect through a legal instrument in the Commonwealth parliament and that sets the sustainable diversion limit consistent with the cap. The cap on the Basin's water resources predates the Basin Plan, but the Basin Plan gives effect to a new sustainable diversion limit and all of the associated conditions around that.

Senator ROBERTS: So 2,080 gigalitres of water is currently reserved for the environment with a further 450 gigalitres of sustainable diversion limit acquisitions currently underway with a completion date of 2024. Is it correct that the budget for those acquisitions is $1.4 billion?

Mr Thompson: It is $1.5 billion for the 450 gigalitres of water that we need to purchase consistent with the efficiency measures program.

Senator ROBERTS: Who owns the water in our dams? Particularly in the Murray-Darling Basin, who owns it?

Mr Thompson: It is held by a number of different entities. Some of it is held—because the entitlement is held and the allocation is held—by the Commonwealth Environmental Water Holder. Then the water that is in dams would be held by other entitlement holders across the Basin. Andrew Reynolds may want to add to that.

Mr Reynolds: All of the water that is stored in the dams is held as entitlement by someone. It is not possible to say that anyone's specific entitlement is in a specific storage. New South Wales operates in the northern basin and Queensland and they will deliver water to supply the orders that come in from the most efficient place, depending on how the system is at that time and where the demand is. On the Murray system, if someone orders water in the mid-Murray or water has to go into South Australia it may come from Lake Victoria. It may come out of Menindee Lakes. It may come from Hume Dam. It may be delivered from Goulburn or the Murrumbidgee IVT transfers. It just depends on the most efficient way to deliver that water at the time. When you say, 'who owns the water in a dam?' it's not allocated in that particular way but entitlement to receive a share of the resource is what people hold.

Senator ROBERTS: Who decides how the water if our dams is used?

Mr Reynolds: You are talking about the Murray system in particular?

Senator ROBERTS: All across the Murray-Darling Basin.

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE
Mr Reynolds: The MDMA operates the river Murray system on behalf of Victoria, New South Wales and South Australia under the Murray-Darling Basin Agreement. There are rules about how water is reserved to meet future needs and how water is to be delivered. MDBA, as the agent of the state governments in that instance, makes the decisions about how to operate the system. In the northern basin it's New South Wales government, mostly through WaterNSW as their agency, that operates those Northern Rivers, and Queensland, similarly, has responsibilities in the Queensland rivers.

Senator ROBERTS: Who makes the decision to hold water back from farmers in reserve for future use?

Mr Reynolds: Once again, in the Murray system, the Murray-Darling Basin Agreement prescribes a number of reserves to be set aside. As we've mentioned earlier, the highest priority under the planning arrangements is to reserve water for critical human water needs to make sure they can be supplied—so that is sufficient water for people to actually take as consumption, but also water to operate the system to get that water to them. Those reserves, plus provisions to keep the system running in subsequent years, are defined under the Murray-Darling Basin Agreement. The MDBA on a monthly basis—or, in fact, in dry times like this, on a fortnightly basis—makes a forecast of what the likely water availability in the system will be for the remainder of the year and provides that advice to state governments. State governments then make decisions about how much water to allocate to individual entitlement holders.

Mr Glyde: If I could just add a little bit more: because of the practice of carrying over from one year to the next, in terms of the consumptive pool of water—water that farmers use or, indeed, the water that the Environmental Water Holder has—it's the decisions of those farmers and of the Environmental Water Holder that determine how much of their water they choose to use in one year or hold over to the next. Mr Reynolds has been talking about the bulk allocation of water, but the decision about what stays in the dam is also taken by the people who own the water.

Senator ROBERTS: What's the total quantity of water entering the Murray-Darling Basin? Do you have an estimate?

Mr Reynolds: Over the whole basin?

Senator ROBERTS: Per year. I know it would vary.

Senator Canavan: Yes, it would vary. There is a long-term average figure.

Mr Glyde: We could probably dig up the long-run average, in terms of the amount of rainfall, evaporation and flow.

Mr Reynolds: If you want specific numbers about the long-term averages. Water that actually falls on the Murray-Darling Basin as rainfall is a huge number, like 500,000 gigalitres, but it's in the order of 30,000 gigalitres that makes it into surface-water flows. That water evaporates and transpires to support vegetation.

Senator ROBERTS: Unless the figure is known, how can we allocate any water at all?

Senator Canavan: Senator, the figure is known; I think we're just going to check the precise numbers. Certainly, when the Basin Plan was put together there was a lot of data on
the long-term history of both the rainfall, that was mentioned, but also what ends up in rivers and streams. We'll take on notice the precise figures.

Mr Glyde: We can probably get you some numbers. In broad terms, as Mr Reynolds said, there's about 30-something thousand gigalitres that flows in on average—not in a year like this. There have been a lot of studies to figure out how much is actually being used, the amount that was being used, and then how much water actually should be allocated out to make sure that the system will be healthy into the future. Roughly speaking, I think it's about 13,000 gigalitres, or 13½ thousand gigalitres, was the amount that had been previously used, and that's now been brought down by almost 3,000 gigalitres roughly—by 2,750—to about 10,300. We're confident, as a result of all of the research that went into the Murray-Darling Basin Plan, that that volume is a sustainable level of take. So what happens then is, using the rules of allocation that the states have and that the states have asked us to use in sharing the water around the Murray-Darling Basin in the south, that's how you allocate water out. We're pretty confident about those numbers.

Senator ROBERTS: It is complex and, as we discussed at the inquiry, variation rules. The variation is more significant than the average—much more significant.

Mr Glyde: Yes, I was just trying to give you average figures to help give you a rough feel of the magnitude of the numbers.

Senator ROBERTS: I appreciate that, I'm just making that qualifier. How do we know how much to allocate to South Australia, for example?

Mr Glyde: Mr Reynolds can go into this more detail, but the amount of water that is available to South Australia is set by the Murray-Darling agreement, which was struck, I think, first of all in 1914 and has been added to subsequently. Essentially, New South Wales and Victoria own the water. They have the water that comes in to them. They agreed back then that they would supply a smaller amount of water on a more regular basis to South Australia, and that pre-dates all of the plan and what have you. Remember that the whole idea about this is the difference between entitlement and allocation; you might have an entitlement to water, but if it's a dry year or a wet year, those averages that you are talking about, you only get a share of the available resource.

Senator ROBERTS: So we've got a highly variable system with highly variable inputs, and we've got a political deal struck in 1914.

Mr Glyde: That governs the arrangements about how New South Wales, Victoria and South Australia share water—share the waters of the River Murray, as it was at the time.

Senator ROBERTS: Minister, why did John Howard's Liberal-National government separate water access or water rights from land property ownership in 2004?

Senator Canavan: I don't think that's a completely accurate description of what happened. As I was saying earlier, the establishment of a water trading market has provided significant benefits to manage the extremes of water availability, as we have right now. The actual property rights treatment of water licences is a matter, I think, almost entirely for the state governments. But Mr Glyde might provide—you're referring to the National Water Initiative, I think, in 2004?

Senator ROBERTS: Yes.
Senator Canavan: Maybe some other official might just describe in more detail—

Mr Thompson: Thanks, Minister. The separation of land and water title pre-dates the Basin Plan. That's the first point. A number of jurisdictions had been moving in that direction for some time, in order to provide—

Senator ROBERTS: When you say jurisdictions, are you talking about other countries?

Mr Thompson: Sorry, I'm talking about states. States and territories have been moving in that direction for some time, but the National Water Initiative, which was signed in 2004, had an agreement and part of the agreement was to have states move to separate land and water and, in particular, to give more certainty around the property rights attaching to water entitlement.

CHAIR: Senator Roberts, could—sorry, if you want to finish your question. That's your last question.

Senator ROBERTS: I'd just like to—

CHAIR: Do you want Mr Glyde to finish?

Mr Glyde: I was just going to add that the fundamental reasons for separating land and water, one of the main reasons, is to get the most efficient use out of that limited resource. So a farmer who can afford to buy water off their neighbour, and that neighbour is willing to sell it, would be getting better use out of that water rather than having it being used inefficiently—

Senator ROBERTS: I don't accept that, because if someone holds the water in perpetuity, tied to the property ownership, they can still sell their water each year.

Mr Glyde: Sure. They choose to sell it. They do choose to sell—

Senator ROBERTS: Can you confirm, please—

Senator Canavan: I'll just check with officials. I think, before many of these reforms, such a trading market was not available in terms of the sale of annual allocations.

Mr Glyde: You'd have to sell the whole land.

Senator Canavan: Yes. The reforms unlock the ability for farmers more widely, and particularly between basins, to buy and sell their annual allocations. Therefore they get a property right which is flexible, which has value, which has greater security in terms of seeking finance for their farm. I'll just check—is that a correct characterisation?

Mr Thompson: Broadly, I think that's right. Before the separation of land and water title, there was less capacity in the permanent entitlement market to sell water, and there were some limitations on the annual allocation market as well.

Senator ROBERTS: I still come back to what I said about temporary versus permanent—but the chair wants us to move on, so let's finish this off. Can you please confirm that 20 per cent of water is foreign owned and 15 per cent of water licences are foreign owned?

Senator Canavan: Are we just talking about in the basin here, just in the Murray-Darling Basin?

Senator ROBERTS: Sorry, yes.

Mr Thompson: The information we have comes from the Register of Foreign Ownership of Water Entitlements, which the Australian Taxation Office collects.
Senator ROBERTS: The ATO collects it?

Mr Thompson: The ATO collects it, that's right. They put out, I think, their first report on that register earlier this year, and the foreign-held interests that they've identified comprise 9.4 per cent of all water entitlements on issue in the basin. That compares with 10.4 per cent nationally. It's useful to know that those entitlements are not only for agricultural use but also for other uses, including mining and extractive industries.

Senator ROBERTS: Is there a register of who owns water—not just foreigners who own water?

Mr Thompson: The register of entitlements is managed by states and territories. There would be a register in each state and territory.

CHAIR: Thank you, Senator Roberts. Is that your last question?

Senator ROBERTS: I'll come back to it.

CHAIR: Terrific, thank you. Senator Patrick.

Senator PATRICK: I'll continue with the southern Riverina. I'll move to the Murrumbidgee in my next set of questions. A report produced by Aither called Water supply and demand in the southern Murray-Darling Basin: an assessment of future water availability and permanent horticulture irrigation water demand was produced for the Victorian government. Is anyone familiar with that particular document?

Mr Glyde: We're aware of the document.

Mr Reynolds: We're aware of it. I don't have all the detail of it, but I'm aware of it.

Senator PATRICK: I'll just talk you through it. Hopefully, you will take on face value what I say. It basically says that, in an extremely dry year when all the almond plantations in the Murray-Darling are mature, even if all available water goes to almonds there will be a 39 per cent shortfall of water at current water recovery and a 58 per cent shortfall of water if the 450 gigalitres is recovered for the environment. Have you looked at this report, analysed it and established that that statement is correct?

Mr Reynolds: No, we haven't looked at it in all of that detail, but we are doing some work on behalf of the Victorian, New South Wales and South Australian governments around the development of nut plantations and other horticulture in the Sunraysia and Lower Murray regions to better understand those sorts of issues.

Senator PATRICK: Noting the obligations to South Australia, in some sense this is quite a disturbing report in that, if you have got no inflows from the Murrumbidgee or from the Darling, it will create a fairly significant problem, if we take on face value what this report says.

Mr Reynolds: Yes, having water available to meet those demands clearly is important. Those who have invested in those plantations and other developments will have made their own assessment of the risks about how they would secure water to meet their needs. I know in some instances that there have been large purchases of water and in other instances they are relying on temporary markets. Certainly there is a risk in any enterprise around the availability of water and allocations in dry times.

Senator PATRICK: I know that some people believe in a totally unregulated market. I've heard many times before that, in the Murray-Darling, we like to get the water going to the
highest-value crop. If this situation plays out, when the crops that are being grown get to their full development stage there simply won’t be enough water for them and for other irrigators, so it skews the entire basin, which should be providing us with a mix of foods and products.

Senator DAVEY: You're arguing for more water—

Senator PATRICK: No, not at all. What I'm saying is that, when you have a SDL or some sort of limit, if you send that limited water only to cotton and only to almonds—only to the high-value crops—then no-one else gets an opportunity. The other farmers simply don't get an opportunity. In some sense it's a policy related question. These are things happening on the river now. We're seeing cotton now going to the Murrumbidgee. We're seeing large almond plantations in the southern Riverina towards South Australia. We're also seeing cotton in the northern basin. We might end up being a two-crop nation. That's the extreme, but I'm demonstrating the extreme for the purposes of painting a picture.

Senator HANSON-YOUNG: It will go to those who can afford it.

Senator PATRICK: That's right, but that's not in the national interest. That's my point. Are we looking at the policy aspects of this idea that water goes to the highest-value crop and whether that is in the national interest?

Mr Thompson: That question is one of the issues that Minister Littleproud has asked the ACCC to cover in its review. Its first term of reference is around market trends since 2012, including demand for water, changes in the location where water is used, the quantity of water traded, water availability, changes in water users and their communities, development of new trading products, et cetera. We look forward to the information that the ACCC is able to provide us in relation to those changes in land use.

Senator PATRICK: I remember being on a television interview with the head of Cotton Australia, who sort of said, 'Well, you can't tell farmers what crops to grow'. But you're saying that in some sense it could be an outcome from the ACCC's report?

Mr Thompson: I think that would be a leap from what I've just said. But I think what—

Senator PATRICK: I'm a crossbencher; I like to press the boundaries.

Mr Thompson: I know that. I think what the minister is looking for from the ACCC is a baseline set of information about what is actually happening out there. That's the only point I make.

Senator PATRICK: To inform policy?

Mr Thompson: To inform a whole range of people. The ACCC’s inquiry is a public one and will be provided to government, but also to other stakeholders.

Mr Glyde: Just to add to Mr Thompson's statement, from the Murray-Darling Basin Authority's perspective, we're charged with making sure that the people who own the water can get their allocation—their entitlement—delivered to them during the season. At the moment, with the operation of the Basin Plan, with the operation of the water market, we're seeing patterns of demand and change. We're also seeing possibly drying trends in the basin. We can also see that the nature of agriculture is changing. As you mentioned, cotton is able to get further down into the southern part of New South Wales.

All of those things contribute to the complexity of running the river. That's why the ministerial council, over the last couple of meetings, has been concerned about that. What is
the ongoing ability to continue to deliver to where these products are going? There's a very active debate in the ministerial council about that. We at the MDBA have been asked to try and get some figures around the rate of change in some of these areas. We've also got the problems we talked about earlier this morning about getting water through the Barmah Choke. There's a lot of complexity in that issue. But the MDBA's interest is in trying to bring forward that to make sure that all of the players in the market are aware of these risks that are emerging in relation to shortfalls over time. We haven't had a shortfall of delivery since about 2002. But, in some years it gets pretty close. That would be No. 1. That's our interest. The second thing is the notion of trying to determine what should be grown from government is a bit of a worry from our perspective as well.

Senator PATRICK: Sorry, just say that last bit again.

Mr Glyde: The notion of government officials or government agencies decreeing that certain things should or shouldn't be grown in the basin, I think, undermines that drive to make sure that you get value out of every drop of water. We've got a limited amount of water, it's possibly under threat through changing climate. It might reduce that. We've got to make sure, with our policy settings, that we're getting the most out of the environmental water and the most out of the consumptive water. The market, if it's fair and efficient, provides a good mechanism.

Senator PATRICK: You say the object is to get the best value out of the water. But, in certain circumstances, that's against the national interest. We see dairy farmers really struggling now, getting to the point where it's either borderline or we are now importing more milk; we're a net importer of milk. Surely, you have to then take that principle of best value use of the water, and reconsider. I think that's what you said is being talked about—

Senator Canavan: Senator, I will be very clear and say that the government's firm view that the best people to judge the use of a scarce resource or scarce agricultural resource, in this case, is the farmers. The farmers have the best ability to make—

Senator PATRICK: The farmer doesn't have—

Senator Canavan: Can I just—

Senator PATRICK: Sorry. Apologies.

Senator Canavan: The farmers have the best ability to make these decisions and we're not going to have a situation where governments seek to micromanage decisions on someone's farm.

Senator PATRICK: I put it to you, Minister, that a farmer will know what's in the best interests of a farmer. I respect that. Do you seriously think that a farmer, when they're planting a crop, has done the analysis as to what's best in the national interest? Which is what you are supposed to do.

Senator Canavan: That's where the value of water indicates, through price signals, what the highest value of that water use is. We see that all the time in these periods of dry, where the use of water for annual crops falls significantly because farmers don't have the plants. They have flexibility and they can transfer that water to higher value uses, be it for dairy farms or other annual crops—

Senator PATRICK: I think I'm listening to why the National Party is losing its vote.
Senator Canavan: You might have a different view. But what I'm saying here, Senator Patrick, is I don't think our nation's farms can be managed from a room in Canberra. That would be a recipe for disaster—


Senator Canavan: I don't think they want Senator Hanson-Young running the farm either. I think we're doing pretty well with the system we've got.

Senator PATRICK: Don't you understand that's why the Nationals are struggling, because you have this particular principle?

Senator Canavan: Well, we're here on this side, Senator Patrick, and the others are over there, so it's not so bad.

Senator WATT: That's a bit arrogant. I wouldn't be so arrogant if I was you.

Senator PATRICK: There are lots and lots of farmers that are hurting, Minister.

Senator Canavan: There's no doubt about that.

Senator PATRICK: And it's not just because of the drought.

Senator Canavan: The basic point I'm making is that their situation would be worse if they had a whole lot of bureaucrats trying to tell them what to do—as you seem to be suggesting.

Senator PATRICK: I stood on the Murray in Victoria, on a farm, with an average Joe Blow farmer, who was watching water flow past but couldn't afford it. And he's going to go under, because of the market philosophy.

Senator Canavan: Okay. There's no doubt people are in a very difficult circumstance right now. The government is doing a lot to try to assist. We cannot make it rain, of course. You have made the suggestion that somehow the government should consider directing farmers what to do. That is not the government's policy and we don't think the role of bureaucrats, as hardworking and diligent as the bureaucrats here at this table, is to tell farmers how to run their properties.

Senator PATRICK: This goes to the evidence of Mr Thompson that the ACCC is collecting data in this regard. His response was spurred by my conversation about diversity of crops. Was the evidence incorrect? Or did I misconstrue it?

Senator Canavan: As the minister said, the inquiry is into the operations of the water market, including operations, transparency, regulation, competitiveness and efficiency. The first term of reference is about:
... market trends since 2012, including demand for water, changes in the location where water is used, the quantity of water traded, water availability, changes in water users and their communities, development of new trading products, and the number of participants and sectors participating in the water markets;

Senator PATRICK: That sounds like an inquiry that is not just looking at the trading system; it's looking at broader elements of the operation of the entire water market.

CHAIR: Is that a question?

Senator PATRICK: Yes, that's a question.

Senator HANSON-YOUNG: And the changes of usage.

Senator PATRICK: Yes.

Mr Thompson: As I said, Senator, it's about the ACCC collecting baseline information in order to carry out its other terms of reference, which are around the role of carry-over allocation; the role and practices of market participants; the availability of public information; timeliness, accuracy and completeness of public information; barriers to entry; and management of constraints on the storage ability.

Senator PATRICK: I might come back to that later. Thank you.

CHAIR: Thank you. Senator Watt.

Senator WATT: What does price paid by the department for this water to EAA work out to on a per-megalitre basis?

Ms Colreavy: We paid $2,745 per megalitre.

Senator WATT: Why was the ultimate price paid—which was $2,745—$500 higher per megalitre than what EAA originally offered to sell it for—that is $2,200 per megalitre?

Ms Colreavy: The price of $2,200 per megalitre was part of an offer. It was only one component of an offer made by EAA early in the negotiating period. Associated with that offer was also a condition that the Commonwealth purchased storages associated with the water and some related matters. So the actual price—sorry, I'll finish that. We were not interested in purchasing the storages. That was not something that we were looking to do. We were only looking to acquire entitlement. So, if we had accepted that early offer, the price per megalitre in actual fact would have been—I would have to check my numbers; I don't have them on me now—up around the $6,000 mark.

Senator WATT: Per megalitre?

Ms Colreavy: The fact is that, in the documents that have been tabled in the Senate already, you can see that the negotiation over a period of around 18 months involved several different offers from the company of several different price points that they were seeking, and we responded to each of those, not accepting the offers until we arrived at a price point that we felt was good value for money for the taxpayer. That was the final price point of $2,745. That was for a completely different volume of water as well, and it was for water from two properties, which was a completely different thing from the earlier one.

Senator WATT: Okay. I'm interested in the process in reaching the decision to buy this water allocation. I presume there were a number of discussions about this within the department?

Ms Colreavy: Yes.
Senator WATT: Did the then minister or his office indicate a preference to the department to purchase this water allocation prior to the decision being made? You've got a process going on, you've undertaken a limited tender, you're looking at options and you've decided to go for this one. At some point along the line you make a decision to go with this one. Did the minister or his office indicate to the department prior to that decision being made that the minister or his office had a preference for you making this purchase?

Ms Colreavy: No. The negotiations were handled by the department throughout the negotiations.

Mr Thompson: I think we briefed the minister at the appropriate times.

Ms Colreavy: Yes, we briefed the minister when we needed approval for decisions, but the actual handling of the negotiation was entirely within the department.

Senator WATT: Okay. How many times did you brief the minister or his office about this opportunity?

Ms Colreavy: I would have to take that on notice.

Mr Thompson: We'll take that on notice.

Senator WATT: But there was no encouragement from the minister's office whatsoever to make this purchase prior to the decision being made?

Ms Colreavy: No.

Senator WATT: Okay. You said earlier on that essentially the purpose was for an environmental flow.

Ms Colreavy: That's right.

Mr Thompson: Sorry, but this is very important and I think it's getting lost in the Basin Plan. It was also to address historic overallocation of water resources. That's important.

Senator WATT: It has been said in some of the reporting about this that this particular purchase won't achieve those environmental objectives, because, even when it does rain, the water won't flow to where you're hoping it will flow to deliver the environmental benefit that you're seeking. What's the department's view on that?

Ms Colreavy: Our view is that that statement is completely incorrect.

Senator WATT: And what makes you so sure of that?

Ms Colreavy: It is the body of evidence from government scientists and other people. The claims made in some media and reports were that the water could not be obtained from the land, which was not correct, because, under the arrangements with Queensland, when the transfer of water occurred, Queensland created the entitlement so it was separated from the land in the case of that particular property and transferred to the licence of the Commonwealth Environmental Water Holder to be available for environmental use.

Senator PATRICK: You talked about body of evidence that supports—

Ms Colreavy: Knowledge. A lot of information to us is that it was going to be greatly beneficial. We've provided all of the commentary on that. The advice that we got from the CEWH and from the Murray-Darling Basin Authority is in the order to produce documents that were provided to you. It's all in those documents.
**Senator WATT:** I go back to the price that was paid. In answer to one of our questions on notice about this, the minister said that EAA offered the department an option to acquire storage 10 on the property Clyde for nil cost on 7 April 2017. I'm not sure if there were multiple storages. You made the point that the original offer was made on the basis that you would acquire some storage capacity, which I think was valued at $16 million. Does that statement in the question on notice mean that in fact EAA was willing to sell its storage capacity for nil cost, or is that just a component of it?

**Ms Colreavy:** It was nil cost. The offer from EAA at that point was that that particular storage was associated with the licences that the Commonwealth had obtained and therefore had no material value to the company anymore, but they felt that it would have or could potentially have value to the Commonwealth in future management of water flows through that region and that, if the Commonwealth or the Queensland government saw benefit in utilising those storages, they would make it available.

**Senator WATT:** So the original offer was made at $2,200 a megalitre provided you also purchased the storage capacity at $16 million. That was rejected partly because it would have made the price per megalitre far too high?

**Ms Colreavy:** No, actually it wasn't the reason. We didn't wish to purchase storages. Even with the later offer of the storage being provided at nil value, the Commonwealth still did not wish to be the owner of storages in the system.

**Senator WATT:** Does that mean that EAA was willing to sell the water at $2,200 per megalitre without buying and give you the storage at nil cost? That didn't go into the cost per megalitre?

**Ms Colreavy:** No. As I explained earlier, the offer and the price points from EAA varied a number of times, and the offer that was made and accepted was for $2,745 a megalitre.

**Senator WATT:** Okay. I suppose I was focusing on this value-for-money issue. The initial offer of $2,200 per megalitre plus buying $16 million worth of storage would have delivered a pretty high cost per megalitre—far higher than what you ultimately paid. But it is the case, isn't it, that, on the basis that they were prepared to sell that storage for nil cost, there wasn't any cost associated with it, so you've ended up paying more than what you could have paid?

**Ms Colreavy:** I don't believe that's a correct characterisation, because the final purchase deal was for 28 gigaliters of water and it was from two properties. As I've explained, it was a much larger and more comprehensive purchase than the earlier offer. The offer of a storage or the use of or access to a storage from EAA was something not solicited by us and was included in their correspondence to us, to be pursued at some time in the future if the Commonwealth Environmental Water Holder saw any purpose in it. So it had no bearing on the commercial transaction that we had.

**Senator WATT:** Okay. I go back to the figures. Have you managed to find out the expenditure out of these water programs, which you took on notice?

**Mr Thompson:** Sorry; we took a couple on notice.

**Senator Canavan:** Are you saying total expenditure on the water programs? All water programs?
Senator WATT: The ones we've been talking about this morning.

Senator Canavan: Just the buyback program?

Senator WATT: No. Earlier this morning, we went through a range of Water Division programs.

Senator Canavan: I think you might not have been in the room. We did provide an update just after lunch.

Senator WATT: Sorry. So I understand it correctly: what you told us earlier was that, for 2018-19, what had been effectively budgeted for was $1.147 billion in expenditure across a range of about six or seven programs. That's correct?

Mr Robertson: Yes, that's correct.

Senator WATT: And what was actually spent out of those programs by the time we got to 30 June?

Mr Robertson: $459,208,000. In the hearings of this committee on 22 February, we touched on a range of reasons why there had been some delays in some expenditure at that point in time.

Senator WATT: So, in the middle of a drought, Minister, you've managed to spend less than half of the money that your own government budgeted for, for a range of water programs?

Senator Canavan: Well, keep in mind that many of these programs are targeted at returning water to the environment, of course, so they're not necessarily targeted at providing relief to drought. They're part of long-term initiatives. But it might be useful perhaps to recap on the reasons for those delays.

Senator WATT: I think that's been done by the sound of it—I think I've only got a few more minutes.

Senator Canavan: I understand why you don't want the answer.

Senator WATT: That's the Water Division programs, then there are obviously programs in other departments and other agencies as well. A couple of the major ones there are the National Water Infrastructure Loan Facility, which was announced in the 2016-17 budget, and that was provided with $2 billion in funds. Is that correct? Who's the relevant officer to—

Dr Bacon: That's correct. That's our department.

Senator WATT: That's correct—$2 billion?

Dr Bacon: That's correct.

Senator WATT: As of today's date, how much has been spent in that one?

Dr Bacon: There's no actual expenditure from that loan facility. There is one commitment that's currently being processed.

Senator WATT: But no funds have actually been spent yet?

Dr Bacon: No, the funds have come from the National Water Infrastructure Development Fund, which is a $1.5 billion fund. Currently, the committed amount against that fund is $1.48 billion.

Senator WATT: How much of that has actually left the Commonwealth?
Dr Bacon: I might ask Mr Edwards to answer that question.

Mr Edwards: Expenditure from the National Water Infrastructure Development Fund, as at 21 October, was $147.13 million.

Senator WATT: Out of the $1.5 billion that it's been provided with?

Mr Edwards: That is committed, yes. That's been provided.

Dr Bacon: But $1.48 billion is committed.

Senator WATT: Let me get this straight. We've got a whole bundle of programs funded out of the Water Division of this department, which in 2018-19, in the middle of a drought, were allocated $1.147 billion and less than $500 million has been spent—so, less than half of that. We've got a National Water Infrastructure Loan Facility, set up two years ago with $2 billion, that is yet to spend a cent. And we've got a National Water Infrastructure Development Fund, valued at $1.5 billion, that has actually spent only $147 million? Are any of those figures wrong?

Senator Canavan: Those have all been provided.

Senator WATT: Minister, what on earth are you guys doing? You have all of this money sitting there and you've got people out there screaming about drought and you're not actually—

CHAIR: If you just want to listen to the answer, Senator Watt.

Senator Canavan: I am happy to answer that question. As has been alluded to—mixing a range of different priorities and policies there. The expenditure you have mentioned, with the Department of Agriculture in particular, is expenditure related to the implementation of the Basin Plan. There has been a significant amount of money allocated for water purchases, water infrastructure updates in the Murray-Darling, and it has been a common experience that the expenditure has not met the plans announced for a variety of reasons, but that is not primarily focused on relieving drought. It is about the long-term policy goal of governments going back to 2007 to deal with the issues of overallocation of water in the Murray-Darling. On the other side here, with our agenda to build dams, as I was mentioning to Senator Roberts earlier we have allocated a significant amount of money. A difficulty has been achieving an agreement with states and territories on our agenda. We have been elected to try to do this but as I am sure you would be aware the Commonwealth government itself cannot build or construct a dam or piece of water infrastructure without the support of state and territory governments. It has been a long time coming to get that support, but we are starting to see progress with the announcements with the New South Wales government in the last month and some commitments from the Queensland government. But, given those delays, we haven't been able to spend money on construction until we've had the support of the various state and territory governments.

Senator WATT: I know you weren't there, Minister, but the other day in agriculture estimates we were able to establish that, for all of the claims of this government to have a $7 billion drought package, in fact there is only a couple of hundred million a year that is actually available right now. The rest of it is tied up in big funds that won't materialise for 10 years. And now, separate from the drought package, we've got across these programs a total of $4.6 billion in funding for water measures that was provided in the middle of a drought and
the government has only spent $607 million of that $4.6 billion. What is it going to take for this government to actually do something about the drought?

Senator Canavan: I’ve gone through the reasons for that. If you are seeking to express your support to build the Big Rocks Weir, the Rookwood Weir, Emu Swamp Dam, Wyangala and Dungowan, I would really appreciate that because we need your support. We need you to go and talk to your government in Queensland to get on with the job. Why are they delaying Rookwood Weir—

Senator WATT: You know very well that the Rookwood Weir project is underway and the Queensland government is progressing that.

Senator Canavan: Why is the Queensland government downsizing Rookwood Weir and delaying its construction?

Senator WATT: You know very well that they are advertising for tenders right now.

Senator Canavan: We'd love to get on with the job of building these dams but, as I mentioned, we can only do so with the support of state governments.

CHAIR: Senator Watt, how about you listen to the answer first.

Senator WATT: When we are talking about the mythical, fake $7 billion drought package, whose fault is it that that is not being spent and whose fault is it that that is not materialising?

Senator Canavan: As you alluded to, that is actually a question for a different committee.

Senator WATT: Do you get it that people who are struggling with drought and can see that your government says that it is going to spend $4.6 billion on water measures in a financial year and only spends $600 million, which is about one-eighth of that—

Senator Canavan: That's an incorrect characterisation of the figures.

Senator WATT: Budgeted?

Senator Canavan: Sorry, but $4.6 billion was not budgeted this year.

Senator WATT: For 2018-19?

Senator Canavan: I think you're mixing—I will just clarify it with the officials, but the $1.5 billion for the Water Infrastructure Development Fund was not budgeted for this year.

CHAIR: Senator Watt, how about we get this clarified for you.

Senator WATT: Sure.

Senator Canavan: You've asked a question where you've said $4.6 billion has been budgeted this year. I think you're correct—unless I'm wrong—that there was $1 billion in the Department of Agriculture budgeted this year. But I might ask officials to answer how much was budgeted for the National Water Infrastructure Development Fund and the concessional loans program this financial year.
Dr Bacon: The budget papers say that in 2019-20 there was $1.5 million budgeted for the National Water Infrastructure Development Fund. In 2020-21 it is $1.5 million and in 2021-22 it is $500,000.

Senator Watt: Minister, the point remains that your government doesn't go around talking about $4.6 billion or any other figure being available over a certain period of time. The headline you are always seeking is that you are spending billions of dollars on water infrastructure. But when you actually dig into it, which is the purpose of these estimates, we find out that you have only spent about $607 million. Do you get it that all of the people who are struggling with the drought are not really interested in hearing from you that it's the states' fault or that you haven't done your homework or all sorts of excuses? They actually just want you to spend the money you have budgeted. Why can't you do this, in the middle of a drought?

Senator Canavan: I think this is a strong difference between our two political parties. You are focused on a particular amount of money, and dollars, as you often are. I'm interested in the actual outcomes we're getting underground.

Senator Watt: So what's the point in budgeting if you don't spend it?

CHAIR: Senator Watt, how about you listen to the answer.

Senator Canavan: You can't ask a question like that and not expect a significant response to it. As I said, I'm not focused on the headline figure of $7 billion of this or $1 billion of that, particularly in regard to the drought. What the government and I are focused on is providing direct assistance to those who are doing it tough in our country. We have provided that assistance with things like the Farm Household Allowance. In the past four years, those who are eligible have received over $100,000 individually from the government—indeed, they have received more than that with supplementary amounts of payment—and, at the same time, they have potentially been able to access concessional loans to see them through what is one of the worst droughts in our nation's history. That is what we are focused on doing. It is not about a certain amount of money or a certain dollar figure; it's about providing the best help and assistance we can to individual people who are doing it tough.

Dr Bacon: Could I just clarify that the figures I was reading out before were the departmental figures. Apologies for that.

CHAIR: Thank you. Senator Hanson-Young.

Senator Hanson-Young: Firstly, I want to touch briefly on the issue of water licences attached to land that are held by people who don't own land. I know that the ACCC is looking into some of this in terms of baselines, and I heard that from you, Mr Thompson. What is the percentage of high-security water licences owned by people not attached to land?

Mr Thompson: I don't think we have that number. I'm looking at colleagues from the Murray-Darling Basin Authority. They draw on information from the states and from the Bureau of Meteorology, who collect some of that data, but I'm pretty sure we don't have that number to hand.

Senator Hanson-Young: I'll just wait to hear what Mr Glyde says.

Mr Thompson: We don't have that number.
Mr Glyde: As we best understand it, each of the states holds the individual registers for entitlement holders. We're checking to find out to what extent they collectively or individually list the ownership.

Senator HANSON-YOUNG: So who advised Minister Littleproud that it was 12 per cent? He's quoted in various articles as saying, 'At the moment, 12 per cent of high-security water licences are owned by people who don’t own land.' If that advice didn't come from the department, where did it come from?

Senator Canavan: We might have to take that on notice.

Mr Thompson: There were some estimates done in the Victorian context, so he may have been drawing on those.

Senator HANSON-YOUNG: He may be just using some figures from Victoria, not—

Mr Thompson: I don't know. I'm saying that there were estimates taken.

Senator HANSON-YOUNG: The statement doesn't make sense to me, because I didn't think we knew nationally what it was, but is the percentage he refers to, 12 per cent of water licences, 12 per cent of total licences or 12 per cent of the water within all of the licences? It's not clear what he's actually saying.

Mr Glyde: Percentage of total water versus percentage of total number of water licences?

Senator HANSON-YOUNG: Exactly. Thank you. I'll continue on some other topics. I'm interested in the regulations that are being rolled out in New South Wales in relation to flood-plain harvesting. I know there's work being done in New South Wales and, of course, in Queensland as well. I'm wondering what information we have about the impact of the process of regulating flood-plain harvesting, which includes issuing flood-plain harvesting licences. When flood-plain harvesting happens on Ramsar sites, such as in the Macquarie and Gwydir valleys, is there a requirement to consider the environmental impact, and therefore does it trigger anything under the EPBC Act?

Mr Glyde: I might start with a general explanation and then ask my colleague Dr Derham to add in a bit more of the detail for your specific questions. Broadly speaking, what the New South Wales and Queensland governments are trying to do is bring to account and regulate the flood-plain harvesting of overland flow. In simple terms, it previously had been accounted for in the water balance, in essence, not as losses but as other water, and it has been measured and estimated as best we can. The intent now is to regulate that for the first time. In order to regulate it, we need to issue entitlements to that water and then bring them into the formal sustainable diversion limit accounting. That's the intent of doing it. I guess the way I understand it, not really being across the detail, is we're taking it from, if you like, the denominator and putting it into the numerator; we're making it more visible as to how much water is being used. I'll turn to Dr Derham to see if we can get some estimates.

Senator HANSON-YOUNG: Mr Glyde, I don't mean to cut you off. I've got a short amount of time and I understand the process. What I want to know is whether, in doing this in relation to where flood-plain harvesting overlaps with Ramsar sites, there is any requirement under the EPBC Act. This is to whoever is best placed to answer.

Ms Swirepik: I would like to invite Mark Taylor, the Ramsar administrative authority for Australia, to answer that question.
Mr M Taylor: The Commonwealth Environmental Water Holder has made a number of submissions into state planning processes recently, including proposals around flood-plain harvesting. In that process we did highlight our concerns in relation to potential impacts of flood-plain harvesting policy and actions on Ramsar sites, including the ones that you mentioned—the Gwydir and the Macquarie. It's a matter for our colleagues in the environment department around the management of EPBC to consider the interaction between what is a state policy and the EPBC Act, but nevertheless our recommendations have been that the states should certainly consider undertaking some form of environmental impact assessment as part of its process of developing this fairly significant policy. That's our broad position.

Senator HANSON-YOUNG: You don't feel like you've got enough information at this point to satisfy knowledge as to what those impacts would be?

Mr M Taylor: That's correct.

Senator HANSON-YOUNG: Do you think the federal environment department has a satisfactory level of information?

Mr M Taylor: I couldn't answer on behalf of my colleagues in the EPBC area, but the area is complex in its nature. It goes to the extent of storages which are on farms; that's not fully known. The extent of the impact of flood-plain harvesting on an average basis isn't fully known either, so it's difficult for us to say at this stage. I'd say we would encourage as much possible assessment of the impacts to be provided, and that should support the state's action here and support any further consideration of EPBC.

Senator HANSON-YOUNG: Does anyone from government have information as to whether that's going to be a requirement? Has there been a consideration of the impacts and whether these actions—harvesting of floodwater—would trigger consideration under the EPBC Act?

Mr Thompson: No, not any further consideration that I'm aware of, apart from the fact that the minister has committed funding and there has been previous funding committed to support New South Wales as it develops its flood-plain harvesting policy, and that would have to be on the condition that it's consistent with meeting the requirements of the Basin Plan.

Mr M Taylor: If I could add, it's important to know, as I'm sure you do know, the EPBC Act requires proponents to self-assess. I know there have been discussions between the department and state officials, but it's ultimately a matter for the state.

Senator HANSON-YOUNG: Yes. Have you raised the concerns that you have in any formal way with the department?

Mr M Taylor: Which department, Senator, sorry?

Senator HANSON-YOUNG: The environment department.

Mr Thompson: We're Agriculture—

Senator HANSON-YOUNG: I guess I'm pointing at the minister, as a representative of the government.

Mr M Taylor: We've had internal discussions and we've let our colleagues know. It's a matter for those officials managing the EPBC Act, and they're aware of it.
Senator HANSON-YOUNG: You haven't got any letters or communication that you could table for me?

Mr M Taylor: The best place is probably to look at our submission to the state. We're happy to direct you to that. That outlines the concerns, and it's a public matter.

Senator HANSON-YOUNG: Are you aware that the independent review into flood-plain harvesting in New South Wales said:

… the models for the floodplain flows and the determination of floodplain harvesting volumes do not adequately represent return flows to the rivers and cannot be used to specifically assess the impact of floodplain harvesting per se on specific downstream flows.

That says to me that there is just not enough information at all, even held within New South Wales.

Mr M Taylor: We'd agree. We are concerned.

Mr Glyde: Dr Derham can add the final part to answer your original question.

Senator HANSON-YOUNG: Perfect. Thank you.

Dr Derham: In relation to flood-plain harvesting, as Mr Glyde has alluded to, New South Wales is still going through their licensing and regulatory process. What we know thus far, including from information gathered by the independent review, is that the amount of water that is being intercepted by flood-plain harvesting is more than we had estimated in the Basin Plan. And it was an estimate. In fact, in some New South Wales catchments it's above what we would believe would be legal take. New South Wales will be addressing that as part of their regulatory framework. In addition, as the water resource plans are developed, we won't have the complete regulatory information for the plans that are submitted this year for accreditation, but we are working with New South Wales to be able to bring forward amendments to those plans once that licensing arrangement has been undertaken and completed. As part of that, we must have regard to the Ramsar outcomes and implications.

Senator HANSON-YOUNG: There's just one follow-up question to that. If, indeed, the amount of water that was being harvested in these flood plain areas was underestimated, what does that mean for the SDLs?

Dr Derham: As Mr Glyde alluded to, it's underestimated in terms of what we thought was the quantum being taken, but the water, in terms of the water balance, was factored into our determination and was regarded as a loss to the system. So its effects on system flows are factored in but not as a known quantum of actual take; it's just been lost from the system. So it's there and its effect has been picked up as part of our modelling.

Senator WATT: Regarding the figures we were just talking about, whether to do with the water division projects or the funds out of infrastructure and other departments, could you table the projects that have been funded from each of those programs, please?

Senator Canavan: We might have to take that on notice. Maybe at the same time I will clarify some figures that you were asking about regarding the National Water Infrastructure Development Fund. The figure for expenditure in the department of infrastructure for that program, the administered funding there, was described as $1.5 million this year, in the budget year 2019-20—under that program in the department of infrastructure—and there are also the amounts provided to states and territories under that program, which are in the Treasury portfolio estimates. In 2019-20, in the same year, there was $128.209 billion
allocated for capital spending under that program and $15.2 million for feasibility studies under the National Water Infrastructure Development Fund.

Senator WATT: Thanks.

Senator ROBERTS: Are you aware of section 100 of the Commonwealth's Constitution where it says:

The Commonwealth shall not, by any law or regulation of trade or commerce, abridge the right of a State or of the residents therein to the reasonable use of the waters of rivers for conservation or irrigation.

Senator Canavan: We're well aware of that section.

Senator ROBERTS: So you can't take water from farms.

Senator Canavan: I'm well aware of that section of the Constitution. I think questions on the Water Act, if you are referring to that go to the department. They administer the Water Act. I'm sure they can explain the constitutional authority.

Senator ROBERTS: What I'd like to know in addition to that is how people justify preventing farmers, like Louise Burge in Deniliquin, Graeme Pyle and Chris Brooks, from taking water vital to their crops and livelihood?

Senator Canavan: I would first say that, generally speaking, almost always—and I'll be corrected—the actual allocation and rights to take a specific amount of water in specific climatic conditions are managed by the states. The licences and the property rights are enforced at a state level, so it's not really something that the Commonwealth does. We prevent someone from taking water. I'm not sure whether officials have something to add to that.

Mr Thompson: I think that's right, Minister. The Commonwealth Water Act, as you would know, Senator, and the Basin Plan rely on other powers in the Constitution, including treaty powers and corporations powers, and, in addition to that, there was a referral of powers from the states to enable the Commonwealth to administer that legislation.

The particular interpretation you make of section 100, I think—I'm not a lawyer and that will become very apparent very soon—really goes to property entitlements. Property entitlements around water are created and deemed by states under their legislation. Any recovery that the Commonwealth makes of water is on the basis of willing sellers and on just terms. I'm not sure that addresses your question, but I think, for me, there's—

Senator ROBERTS: It gives me better knowledge as to where to go to get the answer. How do you then justify flooding and damaging farmers, like Louise Burge and her husband, through man-made floods? I think she's been devastated twice, maybe three times.

Senator Canavan: I know Ms Burge, but I'm not aware of the particular circumstances there. Does anyone else know—

Mr Reynolds: I would suggest that the flooding that has occurred in recent times, in 2016, are not man-made floods. They are natural events that came into the upper Murray. The storages, particularly Hume Dam, were operated in a way to manage that floodwater. In fact, the peak outflow from the storage was less than the peak inflow. So the extent of flooding was less than it otherwise would have been if the dam had not been in place. The reality, though, is the volume of water that came into the system in that particular event was much larger than the storages could hold, and once the dams are full we have no alternative but to pass that
water through the system. To not do so would risk the integrity of the infrastructure, potentially causing far more catastrophic outcomes.

I know it has been said a number of times that these floods were man made, but I refute that is actually the case.

Senator ROBERTS: That's your view, thank you. In August, when I was in Deniliquin, I was prevented from entering a forum, supposedly, to listen to locals. I was prevented from entering, after the request of one of the farmers in the area, and I was prevented by an agency acting on behalf, she said, of the Murray-Darling Basin Authority. Why does the Murray-Darling Basin Authority want to be secretive? I wasn't going to take part in it. I told them that. I was going to sit up the back, as the farmer said, and just listen. Why would that have been the case?

Ms Woodburn: Minister Littleproud set up an independent panel to assess the socioeconomic conditions in the basin. As part of that panel, they have an independent secretariat. The terms of reference that Minister Littleproud provided them asked them to consult on their terms of reference. The meeting in Deniliquin was an invite only. The panel members had selected the invite. I was at that meeting, taking notes for them. It was the chair and the independent secretariat who were talking to you outside the room, not the Murray-Darling Basin Authority.

Senator ROBERTS: Thank you for clarifying that. So I was excluded.

Ms Woodburn: Yes. That was the chair of the panel who—

Senator DAVEY: Senator Roberts, I live in Deniliquin and I also inquired about that meeting. I was informed, and I thought it was quite a good decision for the independent panel to take, that they wanted the invitees to be able to speak freely and frankly without having politicians spouting their opinions or taking over.

Senator ROBERTS: Exactly, and as I—

Senator DAVEY: I also inquired, and I also was told that they would prefer it if I didn't attend. So I respected that position of the panel.

Senator ROBERTS: And that's your view. I was requested, by farmers who were in that meeting, and I undertook to not speak.

CHAIR: Senator Roberts, we're coming up to lunch. Could this be your last question, please?

Senator ROBERTS: Sure. Ms Swirepik and Mr Reynolds, would you be interested in meeting with some farmers, to listen to them and get a better understanding of their needs and to explain why they think the forests are dying down at—

Ms Swirepik: I would be happy to do that. I spend every other week out in the basin and we speak to people in that region a lot. We've had our local engagement officers speaking to people in that very region this week, facilitated by some people in the room, in fact. So I'd be delighted.

Senator ROBERTS: Great.

Mr Reynolds: Likewise, we regularly meet with people in the basin and are happy to do so.
Senator ROBERTS: As a matter of clarification: a farmer just sent me a message, saying that trading of water between farmers was allowed before 2004.

Mr Thompson: Yes.

Senator ROBERTS: So why did we need to separate water from property rights?

Mr Thompson: That was a decision of governments to create more certainty around the nature of the entitlement. That was essentially the driver, and one of the—

Senator ROBERTS: Even though it was already going on?

Mr Thompson: Even though trading was already happening. But there is no doubt that the separation of land and water title has provided that greater certainty in state statutes for entitlement holders—primarily farmers. But it has also enabled the market to grow in a way that it probably wouldn't have grown otherwise.

Senator ROBERTS: Is there someone—

Senator Canavan: This is going back a long time, and it's my recollection so correct me if I'm wrong: prior to 2004—or prior to the last decade or so, really—there was more limited trading between basins themselves. So getting trading set up to go from the Murrumbidgee through to the Murray and other areas was part of that reform initiative to set up the rules, that are quite detailed, about how water can be transferred from one system to another.

Senator ROBERTS: Thank you, Chair.

CHAIR: We will now suspend for lunch and be back in one hour.

Proceedings suspended from 13:01 to 14:02

Senator WATT: I have some questions about the Prime Minister's recent announcements about dams in New South Wales. On 13 October the Prime Minister announced a range of funding for new dams on the basis of a fifty-fifty funding split with the New South Wales government. That is mainly with the department of infrastructure, is it?

Dr Bacon: That's correct.

Senator WATT: My understanding is that the federal funding comes from the Regional Investment Corporation. We are talking about Wyangala Dam here.

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Senator Canavan: I think part of it is.

Senator WATT: Part of it is?

Senator Canavan: We might ask.

Dr Bacon: That's correct.

Senator Canavan: Would you like a breakdown?

Senator WATT: Yes. What is the contribution of the Regional Investment Corporation to the funds towards each of Dungowan Dam, Mole River and Wyangala Dam, please?

Dr Bacon: I will ask my colleague Mr Edwards to answer. For clarity, for the relevant sources of those funds, the policy responsibility for both the fund and the loan facilities sits with our department.

Senator WATT: Which department, sorry?

Dr Bacon: The Department of Infrastructure, Transport, Cities and Regional Development. I will ask Mr Edwards to give you the details.
Mr Edwards: For Wyangala Dam the estimated cost is $650 million, of which the Commonwealth has committed to provide up to $325 million. That $325 million, as you have indicated, is split on a fifty-fifty basis between the National Water Infrastructure Development Fund and the National Water Infrastructure Loan Facility—so $162.5 million from both.

Senator WATT: So, of the Commonwealth's $325 million contribution towards the Wyangala Dam, half of that is in the form of loans?

Mr Edwards: Correct—through the National Water Infrastructure Loan Facility, which is administered by the Regional Investment Corporation.

Senator WATT: So the other $162½ million is essentially a grant?

Mr Edwards: Yes.

Senator WATT: To the New South Wales government?

Mr Edwards: Correct.

Senator WATT: What about Mole River?

Mr Edwards: Mole River is only a feasibility study. The Commonwealth is providing $12 million out of a total cost of $24 million, and that is coming through the National Water Infrastructure Development Fund—the feasibility component of that program.

Senator WATT: Was that $12 million or $12½ million?

Mr Edwards: $12 million.

Senator WATT: For a feasibility study?

Mr Edwards: As part of the cost of the feasibility business case design development.

Senator WATT: I presume that is a grant rather than a loan?

Mr Edwards: That is a grant.

Senator WATT: So there is no loan funding associated with Mole River at this point in time?

Mr Edwards: Correct.

Senator WATT: And Dungowan?

Mr Edwards: Dungowan has an estimated cost of $484 million, of which the Commonwealth is providing $242 million that is, again, split between the two same programs fifty-fifty—so $121 million from the capital component of the National Water Infrastructure Development Fund and $121 million from the National Water Infrastructure Loan Facility.

Senator WATT: So, again, half of that funding is in the form of a loan?

Mr Edwards: Correct.

Senator WATT: Which the New South Wales government, presumably, has to repay?

Mr Edwards: As a loan, they would, yes.

Senator WATT: Focusing on the two big projects, Dungowan Dam and Wyangala Dam, the New South Wales government will in fact be responsible for 75 per cent of the cost, with the Commonwealth being responsible for 25 per cent?

Mr Edwards: Once the loan is repaid, yes, that will be the case.
Senator WATT: It will be the New South Wales government who will pay, either in the form of their own grants or loans, 75 per cent of the cost of those two projects.

Senator Canavan: There may be a fine distinction to make here. The officials will correct me, but my understanding of the plan is that the New South Wales government will loan this asset, if you like. So their contribution would not be best characterised as a grant; it would be more accurately characterised as an equity investment. Obviously they expect some, you would think, of that equity capital to be returned, whereas the 25 per cent, or the half of the Commonwealth government's funding, will not be returned no matter how well the underlying asset performs.

Senator WATT: Okay. So the New South Wales government, whether it be in the form of equity investments that they are making or loans that they will be repaying, will actually be responsible for 75 per cent of the cost of these two dams?

Dr Bacon: I think the minister has answered that question.

Senator Canavan: It's just not quite accurate to characterise it—

Senator WATT: What is not accurate about that?

Senator Canavan: The loan obviously carries risk, and we are taking on that risk up-front. It is an up-front cost that has to be—

Senator WATT: But they're repaying it, aren't they?

Senator Canavan: That is the plan. Obviously, with the state government as a counterparty, that risk is low, but there remains risk with any loan. The policy objective of the Regional Investment Corporation funds is to try and allow the Commonwealth to take on some of the risk of building water infrastructure.

Senator WATT: But these aren't Regional Investment Corporation funds, are they? I thought they were coming from other loan programs.

Dr Bacon: Just to clarify that: we have policy responsibility for the loan facility, and it is administered through the RIC. They administer the day-to-day administration of the loan facility.

Senator WATT: I know you're doing your best to try and stick with what has been said already, but the fact is: once these dams are built and loans are repaid, the New South Wales government will have paid 75 per cent of the cost of these two dams, with the Commonwealth paying 25 per cent.

Senator Canavan: Again, that is not accurate. Once the loan has been repaid, at that point, if the loan has been repaid, presumably there is some other capital available to repay the equity to provide a return of the equity, and possibly on the equity as well. At that time the New South Wales government's cost will be lower than its initial investment, because it would have recouped some of its initial equity investment. By the very nature of equity, we can't predict exactly what those returns will be; there are risks associated with that. We might be able to take on notice if there are any estimates of that. I presume that we might have some more information on it for you as business cases develop, and the New South Wales government might be able to provide something. But it's not right to say that, at that point in the future, the cost is 75 per cent, because it does not properly reflect the equity investment that the New South Wales government would be responsible for.
Senator WATT: Senator Canavan, you're making a valiant effort to defend the Prime Minister here, but isn't the truth that, yet again, we've got the Prime Minister misleading people about what the Commonwealth is doing around drought and water infrastructure?

Senator Canavan: Not at all. There is another corollary here.

Senator WATT: But you're not paying 50 per cent, are you?

Senator Canavan: I would like to understand: are you saying that we should be paying 50 per cent?

Senator WATT: No, I'm not saying that. I'm trying to hold the Prime Minister to what he says in his public statements. We are all learning that, with this Prime Minister, when he gets out there and makes commitments, you've actually got to have a little bit of a look behind the first headline because, invariably, what he is saying just isn't true—especially on drought and water matters.

Senator Canavan: It is absolutely, fundamentally and abundantly clear that the Commonwealth is bearing 50 per cent of the cost of these dams.

Senator WATT: So you're not going to get repaid those loans?

Senator Canavan: We are paying the up-front cost of those dams. We are financing them.

Senator WATT: Which will be repaid?

Senator Canavan: We hope so, but, as I mentioned before, there is risk, and I do think—

Senator WATT: You think the New South Wales government is going to renege?

CHAIR: Senator Watt, listen to the answer, please.

Senator Canavan: I was going to go on to say it is a good thing for the Commonwealth if we can encourage or facilitate the construction of dams through a loan, as we have been able to do in this case, because that will mean that, hopefully, if the loan is repaid—which we expect and hope for—that will potentially free up more money to invest in more dams. I am not really sure of your line of questioning. Are you suggesting that, somehow, we should hand over 50 per cent of the cost in a grant? That would be inimical to the interests of the Commonwealth.

Senator WATT: I'm not saying that.

Senator Canavan: If we do so in the form of a loan, which would help, we could potentially reinvest in other priorities.

Senator WATT: It's a matter for you how you structure these payments. What I am saying is that the Prime Minister should be honest with people when he is out there making announcements about drought and water, and, yet again, he's not. He is saying that this investment is a fifty-fifty investment, and he just is avoiding the fact that, ultimately, the New South Wales government will repay these loans. Is it that hard just to say 25 per cent? Just be honest.

Senator Canavan: By your very own words, you have contradicted yourself. As you have just said, if that is an accurate representation of the Prime Minister's views that you've put, he said there was a fifty-fifty investment. A loan is an investment, and, therefore, we are making a fifty-fifty contribution to the up-front costs of this infrastructure. We have always been up-front that some of that investment is in the form of a long-established loan facility we have for
water infrastructure and that some of it is in the form of a grant, because we are prioritising
the interests of farmers and food production in this country. We have been willing to invest
and put up some funding that we are not expecting to be returned, but we expect a return for
the national interest in expanding food production and the development of our nation.

Senator WATT: I just don't understand why it is so hard for the Prime Minister to stick to
the facts and say that, in fact, the federal government will be responsible for 25 per cent of
these projects, because the loan component is going to be repaid by the New South Wales
government.

Senator Canavan: I don't quite understand—

Senator WATT: Twenty-five per cent is not bad; I wouldn't be embarrassed about it!

Senator Canavan: You don't seem to be understanding the concept of investment.

Senator WATT: Well, actually, I do. I also understand the concept of being honest with
the public.

Senator Canavan: The loan is an investment that the Commonwealth is making, and the
equity is an investment that the state government is making. Together, they are fifty-fifty
contributions. If we want to split hairs here, if anything, the Commonwealth's contribution is
of a greater weight—

Senator WATT: So you're doing the majority of the heavy lifting, are you?

Senator Canavan: because we are not asking for the money back. I don't know the rules
that the New South Wales government apply to their equity investments; you would have to
ask them. But the contribution we are making, through a grant, is a very generous contribution
that is consistent with our policy objective to grow food production in Australia.

Senator WATT: What is the structure of these loans? What agreement has actually been
struck with New South Wales?

Dr Bacon: The way that the process works—and I can ask my colleague to take you
through that in more detail—is that, after a project is announced, our department would
engage with the state and territory government agencies and work out the details of the
arrangements and of an agreement to be then put to respective ministers for consideration.

Senator WATT: When do we expect that Commonwealth money will be paid, in the form
of either loans or grants, and actually go to the states for the projects?

Dr Bacon: I think we would need to take that on notice as we don't yet have the details.
We haven't worked out with our New South Wales colleagues yet the details for those
agreements and when the milestones might fall due. So we might need to take that on notice.

Senator WATT: Do you expect that the funding will be provided in one stage or in
multiple stages?

Mr Edwards: The Commonwealth funding for infrastructure projects is provided against
staged milestones. So I would anticipate that this project, like others, will have a series of
construction milestones for which stage payments will be made. So if a project takes, say,
three years to build, there would be a series of milestones across that construction period.

Senator WATT: What are the expected starting and completion dates for each of these
projects?
Mr Edwards: Again, we will have to take that on notice because we are still talking to New South Wales about when they will be ready to go.

Senator WATT: Do you have any idea, Minister?

Senator Canavan: I will have to defer to the officials there. That is obviously not the portfolio I am responsible for.

Senator WATT: Obviously the Prime Minister has portrayed these investments as part of the government's drought response. How many years do you think it will be before we will actually see these dams?

Senator Canavan: As officials have said, those arrangements are being worked out with the state governments, which will be, as we have outlined, the owners of and responsible for this infrastructure. It has always been the case that our investment in dams and most water infrastructure is focused on creating long-term resilience in our farming communities on the effects of drought. It has not been presented as an imminent response to the drought that we are facing today, although we have invested in water infrastructure that provides more immediate relief, particularly the funding for on-farm water infrastructure—poly pipes and what have you. Also the tax write-off we have provided for water infrastructure and the accelerated tax depreciation has helped some farmers make immediate investments during this drought to provide relief. But clearly these larger investment projects will take a number of years to build and construct and they are all building a long-term resilience for our community and not an immediate response, which is being tackled by other measures across government.

Senator WATT: Is there any idea at this point what the interest rate is going to be for these loans?

Dr Bacon: We need to work through those detailed matters with our New South Wales colleagues before we are able to answer that question.

Senator WATT: Minister, just remind me: how many dams has your government actually built in the last six or seven years?

Senator Canavan: This was discussed in the previous estimates. I might ask officials to go through that.

Senator WATT: You know the answer, though, don't you?

Senator Canavan: About 21 different projects are being progressed through the National Water Infrastructure Development Fund—

Senator WATT: How many are up and running?

Senator WATT: I might ask officials—

Senator WATT: But you know the answer, Minister, don't you?

Senator Canavan: I will ask officials to go through that. It is not my portfolio, but I think there has been—

Senator WATT: Minister, earlier on I was trying to direct questions to officials and you said, 'They are questions for the minister,' and so my question is actually to you: how many have been built and are up and running?
Senator Canavan: This is not my direct portfolio, but I think we are working on over 20 different water infrastructure projects. But I might ask officials to—

Senator WATT: How many have been built?

Senator Canavan: I might ask officials to provide an answer.

Senator WATT: You know the answer, Minister, don't you?

Senator Canavan: No, I'm sorry. I've been—

Senator WATT: You know.

Senator Canavan: I don't.

Senator WATT: You do.

Senator Canavan: I am not responsible for this portfolio, and I will ask officials to provide an update.

Senator WATT: I will give you a hint. It is a number less than one.

Senator Canavan: We will ask officials.

Senator WATT: Is it zero, Minister?

Senator Canavan: We will ask officials.

Senator WATT: Is it zero?

CHAIR: Senator Watt, why don't we wait until the officials provide the answer.

Senator Canavan: Can we seek the answer from officials, please?

Senator WATT: Yes.

Dr Bacon: As I think we mentioned earlier, there are 21 water infrastructure projects that are currently underway that are being funded through the National Water Infrastructure Development Fund. There have also been 52 feasibility studies, at the cost of $131.5 million. In terms of your question about which water infrastructure projects have come to practical completion, in September 2019 the Camden Rivulet Dam was completed, which was funded under that program.

Senator WATT: So since 2013 it is one, is it?

Senator Canavan: Senator, as we discussed earlier—you might not have been in the room—we've made no bones about the fact that it does take time to get a project started.

Senator WATT: It takes more than seven years, apparently, under your government.

Senator CANAVAN: Absolutely, because when we came to government there was no planning in place for dams or water infrastructure—almost zero planning across the country. It was almost a lost generation in terms of dams and water infrastructure. I take great pride in the fact that this is a government that, for the first time in a generation, has prioritised dams and water infrastructure. The leadership we have shown is now being translated into results, particularly with the greater cooperation of state governments with this agenda, manifested in the last month by the New South Wales government's contribution. As I mentioned earlier, some projects are proceeding in Queensland as well, and lots of pipelines are underway in Victoria. So it is making a difference. But, yes, it takes time to turn the wheels around for these kinds of things, particularly when you've got to work with other levels of government as well.
Senator WATT: It's interesting, because—

CHAIR: Senator Watt, could this be your last question, please, and we'll move on.

Senator WATT: I seem to remember being part of a state Labor government in Queensland that tried to build the Traveston Dam, and that was shot down by Mr Joyce and the Liberal National Party.

Senator Canavan: That was a bad idea. I didn't say we were backing all dams. That damn was a terrible idea. It was a shallow dam—it was only, I think, five metres average depth—and it was on a fault line, and it was the right decision by the state government to walk away from it, at great cost to the Queensland taxpayer because you'd already bought a lot of land that you sold back at a cheaper price. We're not saying every dam in the country needs to be built. The proper planning needs to be done. That's why we've taken the appropriate time to get these things right. Dams last for a long time, sometimes well over a hundred years, so we've got to make sure we make the right decisions.

Senator WATT: When Tony Abbott as the Prime Minister or maybe aspiring Prime Minister said that he was going to build 100 dams, and here we are six or seven years later with maybe one—

Senator Canavan: I know that very well—that Mr Abbott never said he was going to build 100 dams. This started when we were in opposition, because the government was showing no leadership. We started doing our own planning on the priorities for dams. We identified over 100 different dams that had been proposed by various governments in the past. That was an initial list that we could use. We never said we were going to build 100 dams. But, as I said, that work that we started many years ago now is starting to bear fruit. If you want to join the train—

Senator WATT: Maybe if you're in government for 70 years you might get some done!

Senator Canavan: If you want to join the dam-building train, that would be great. Get your colleagues in Queensland behind it. Let's all get behind building dams.

CHAIR: Thanks very much, Senator Watt. Senator Rennick.

Senator RENNICK: My question is for the minister. How many dams has the Queensland state Labor government built in the last 10 years?

Senator Canavan: I don't know the exact answer to that question. As—

Senator WATT: Paradise Dam—and tried to build Traveston.

Senator Canavan: I don't have the precise number for you in the time period. I'd have to take it on notice. There was a period when a Queensland Labor government was at least talking about dams. Former Premier Beattie did spend a bit of time trying to get some dams going. Senator Watt, you mentioned one at Traveston, which I don't think was the right approach. He was also trying to get the Rookwood Weir going. He promised to build the Rookwood Weir by 2011. Unfortunately—I'm not sure if it was because Mr Beattie left or what have you—since that time it has been hard to get a Queensland Labor government on board. We welcome the fact that, over the past couple of years, we've at least had the notional agreement from Queensland to build Rookwood and Emu Swamp. Hopefully, they'll honour those commitments and we'll get some infrastructure built in Queensland.
Senator RENNICK: Okay. Ms Swirepik, I've got a question for you. Section 106.3 of the Water Act, if I read it correctly, does say that you can sell water entitlements provided you buy back water entitlements. I was just wondering: is it possible for you to sell the more expensive, valuable water entitlements to buy back other water entitlements, with the view that that might give you more cash to then do greater environmental projects in other areas?

Ms Swirepik: Yes, conceptually that is the case. We could sell water at a higher price and buy it back at a different time at a lower price. When the water is worth a higher price is when the supply is low, and that is often when we are also low on water allocations. We get the same water allocations as everybody else. So those are the times, often, that we're safeguarding, I guess, the amount of water that we have for the environment, to protect the environment and to be able to maintain refuges in those drier periods. That idea of countercyclical trading is very popular, but in reality it's not necessarily the best way to safeguard the environment.

Senator RENNICK: Okay. With regard to the Lower Lakes, the South Australian barrages are folklore in Queensland, because the Queenslanders always say, 'Why do we let the water go down to South Australia and not keep it in Queensland?'

Ms Swirepik: That's a very complex question and answer. It's not a natural estuary at all anymore.

Senator RENNICK: Not anymore, but it was originally, wasn't it, before the barrages were put up.

Ms Swirepik: It was before there were barrages, yes, and when the river had its full flow flowing down there. Last year, for instance, in what was a reasonably dry year but probably not the height of what we might experience, there was about 15 per cent of flows that went down there, compared to the modelled average natural flows—the modelled flows that would've gone down that year, in a dry year. So you've got a lot less water getting to the end of the system. With the barrages there, that's keeping a lot of salt out of the system, because there's not the fresh water to push against it.

Senator RENNICK: But isn't salt water a part of the natural environment?

Ms Swirepik: Salt water is definitely a part of the natural environment, and it is a very complex physical environment. As you come off the ocean into the Coorong, that's already a hypersaline—saltier than the sea—type of environment, and then you've got the transition to the lakes, which are fresh at the moment. That used to be more of an estuary situation. But whether you could recreate that now, given the massive modifications through the whole of the river system and the much smaller amount of water getting to the end—it's very arguable that you could create a natural estuary. But it is part of the hot topic, I guess, of a debate that's happening in the basin at the moment.

Senator RENNICK: You may not have the answer to this one; anyone can answer it. With the Menindee Lakes, my understanding of them is that they're about 21 to 23 feet deep. Is that right? That's what it says in Wikipedia.
Ms Swirepik: I think Andrew Reynolds might be better to answer. Most of them are reasonably shallow.

Senator RENNICK: Yes, that's right. They're about six to seven metres. Is that right?

Mr Reynolds: I can answer that: yes, that's correct.

Senator RENNICK: According to both the Bureau of Meteorology and my own experience, having grown up on a property about the same longitude west, the evaporation is about eight to ten feet a year. Is that a fair call?

Mr Reynolds: It's probably around two metres, so not quite that much...

Senator RENNICK: A little bit less.

Mr Reynolds: Yes.

Senator RENNICK: I know the house dam on our property is 19 feet deep and it'll go dry in about two years. It's out towards Quilpie way. How many years, with no inflows into the Menindee Lakes, would you expect them to basically run dry because of evaporation?

Mr Reynolds: If you had no inflows to the lakes and were not drawing any water from the lakes—

Senator RENNICK: Purely natural, yes.

Mr Reynolds: Within about three years they'd be dry.

Senator RENNICK: Okay, thanks. That's all.

Senator DAVEY: Please forgive me. I'll probably be jumping all over the place. I've got several questions. I think the first one for you, Ms Colreavy, is regarding the On-Farm Irrigation Efficiency Program. There has been quite a lot of speculation and certainly a report recently from the Australia Institute about the impact of that program, particularly along the Murrumbidgee, where farmers have undertaken efficiency works on their farms to build storages—farm dams. The claim by the Australia Institute is that that is not returning any water to the environment. Are their claims legitimate?

Ms Colreavy: In our view, the report from the Australia Institute was factually incorrect and misleading in many parts. The claim that these projects did not return any water to the environment is patently untrue. Every project that was signed up, that was funded by the Commonwealth, provided water in the form of tradeable water entitlements to the Commonwealth as the first point of the transaction of their contract. Water was received for the environment in exchange for funding under each of those projects. There were 1,525 projects in total funded through that program.

Senator DAVEY: Does the Commonwealth undertake an audit of that program to make sure that the water entitlements that they were promised have been transferred but also that the money that has been issued to farmers has been expended in the manner in which the contract undertaking was made?

Ms Colreavy: Yes, for every contract that we enter into, every funding contract for a project. Under the OFIEP program, when a proposal was received, first of all the farmer asking for funding had to make clear how they believed that their proposed activity would save water. The terms of the proposal were that they needed to provide some sort of validation from a professional in the irrigation industry or an engineering-type person, to
validate that the proposal was feasible and that it would generate water savings. The department then, in undertaking its assessment of all of the proposals, engaged the services of independent professional engineering firms to provide the department with advice on the assessment of applications. Those that proceeded through to the funding stage were contracted. Throughout the delivery or implementation of the project, we had delivery partners on the ground who would visit those projects during the construction phase and check that they were being carried out in compliance with the original funding agreement. Then, at the end of the project, they needed to provide an audited statement against what was undertaken—how the funds were spent and what was achieved—and the delivery partner would make a statement of the outcomes of the project and an assessment of the proposed water saving success of it.

It's often very difficult the measure the water savings for some time afterwards, especially if we're in dry periods, like now, because you might not have the water running through the system. But, based on the best engineering knowledge at the time, that's what was done. We also, in addition to all of that, send out independent auditors or reviewers with departmental staff to review around 10 to 12 per cent of the projects. We do a random selection of projects and check them to make sure that the works that were undertaken are in compliance with the original proposal.

Senator DAVEY: So the claim that they're unaudited and unaccountable is false.

Ms Colreavy: It's completely false.

Senator DAVEY: My understand is: the first step of a project is that they transfer the water entitlements to you—

Ms Colreavy: That's right.

Senator DAVEY: which therefore reduces their licence. After that, the farmer is limited to only using what they have a licence for.

Ms Colreavy: Exactly. So if an on-farm water storage is built as part of a suite of works—an on-farm water storage would not normally of itself be the whole project; it would normally be done as part of an overall on-farm improvement plan. It might include, say, laser levelling, where they can capture the water run-off as they run water through a field and return it to the storage to be used again, for a second time or more. Those sorts of projects are undertaken as part of an overall suite and are a valid, known and documented mechanism for water savings.

Senator GALLACHER: Can I ask a question on that? I just want to clarify whether it is exactly on this subject. The media reports about private dams being filled during an embargo, the satellite images thereof—

Senator DAVEY: I'm going to get to that, Alex!

Senator GALLACHER: Is that in this area here?

Ms Colreavy: No.

Mr Glyde: It's the MDBA.

Senator GALLACHER: But it's in the same area? These are private dams.

Ms Colreavy: No, it's a different area to what that report was about.

Senator GALLACHER: Different private dams?
Mr Glyde: Yes.

Senator DAVEY: Which I can move on to right now, if you want; I'll come back to Ms Swirepik. But, on that, the report that the MDBA released last week, Mr Glyde—you would appreciate that water right now is a very emotive issue. We've got effigies of ministers being thrown into rivers and we've got protests being planned even this weekend across the basin. Was it intended to release that report with the level of detail and the personal information that was included?

Mr Glyde: No. I'd be happy to go through what happened, if you like, but there was certainly no intention to release that report. I'd like to take the opportunity to apologise on behalf of the MDBA for the hurt and inconvenience and for the suspicion that's been cast on those owners of land and properties that were identified in great detail. We regret the publication of that report.

Senator DAVEY: My understanding is the report covered both the Macquarie and the Namoi. The report said that there were embargoes, and it implied that farmers were filling their dams during the embargo. But the Macquarie never had an embargo, did it?

Mr Glyde: Correct. We were actually looking at three catchments. There was the Warrego, the Namoi and the Macquarie. What had happened was there was some rain from a tropical cyclone. As part of our overall approach to getting a better understanding of how water moves through the landscape—particularly in that part of the world, where there are not as many meters monitoring as you might have in the south—we were using publicly available satellite imagery to look at that. Because it was a relatively small amount of water after a long period of dry, we were looking at how far the water would get down the river. As it turned out, in an effort to provide the environmental benefits that you get from that first flush of water that is so critical to protecting refuges and habitat, the New South Wales government had put in place an embargo. As it turned out, we were using the satellite imagery to monitor the movement of water, which included pumping out at the river prior to the embargo, during the embargo and after the embargo. What actually happened during the embargo was that we noticed that some storages—not all farm dams but generally storages in the landscape—

Senator DAVEY: Indeed, one was a sewerage treatment work, was it not?

Mr Glyde: Yes. Indeed, the whole idea of the Basin Plan is—I know there is a lot of media focus on agriculture versus environment, so to speak, but what we are interested in is that all of the water use is monitored and metered. The basic question is: did those storages on and off farms fill up for other reasons or was it because someone might have been pumping illegally? From those images, you cannot make that claim at all. There is certainly no evidence of illegal activity. In April and May of this year, because we had that information and we have a compliance role, as does the New South Wales regulator, we provided that information to the Natural Resources Access Regulator at the time for them to further investigate. They are the ones who actually have the detailed knowledge of the specific rules around the use of water in New South Wales. Our understanding is that the access regulator is still going through those.

What we did was we made the mistake of releasing the fine detail of where these storages were, which enabled people who had knowledge of the region to get on Google Maps and line the two things up. We had not intended to publish the detailed information at that level. We
were preparing to publish the report this week, collectively with the Natural Resource Access Regulator, to demonstrate that this technology is useful and that things are being investigated, but it was not meant to be with the level of detail that ended up happening.

The report went on the website on Thursday. We became aware of it by accident—we are still looking into why that is—during the course of the hearings we were having last Friday. We put out a media release to be very clear that it was not a compliance activity. These images alone are not evidence of illegal activity; they just indicate areas for further investigation. We subsequently pulled down that report and replaced it with a report that de-identified the properties. We put that up a bit after eight o'clock on Friday night, but, by the time we had done that, we think there were in the order of 20 to 30 downloads of that material, including to some media organisations, and downloads by the irrigation industry itself.

Senator DAVEY: I agree that we want compliance and we want monitoring. No one is arguing for the need to undertake these compliance processes. It is just that the way the report came out and the way it was reported, obviously when things are so emotional—I also want to bring to your attention that, at the time of those first flush flows, the Natural Resource Access Regulator in New South Wales was actually reported as saying that irrigators were doing the right thing during that first flush, and, yes, they had used your information and they are investigating. The way irrigators have been tarnished over time—irrigators, just like every other drought-stricken farmer, are very sensitive at the moment. It's really worth us acknowledging that irrigators at the time were doing the right thing in the main. I will table these.

Mr Glyde: I couldn't agree more. We regret the fact that we've tarnished the reputation of irrigators who were doing the right thing. That's not the intent. People do have to have confidence that the water is being used properly, but also irrigators have to have confidence that, if they do the right thing, they're not going to be tarnished. Through an administrative error in our publishing of the report, we've caused that angst. All I can do is, again, apologise to the individuals and the companies involved. You might be aware that Minister Littleproud has asked the interim inspector-general of water, Mr Mick Keelty, to investigate the circumstances so that we are not just looking at ourselves in terms of our practices and our procedures and we'll have someone quite experienced in these sorts of matters to be able to give us advice on how we can do better. It doesn't help when we're also at the same time trying to progress water-sharing plans and agreeing things with irrigators who, as you say, are under significant stress at the moment because of the drought, particularly in that part of the world. It's been so dry for so long. So, yes, I'm afraid I have to agree with you.

Senator GALLACHER: Mr Glyde, you're talking about an administrative error. There's a statement here that says:

'… the MDBA found that 29 private storages appeared to fill or partially fill during the embargo,' the MDBA said in a statement.

Mr Glyde: Yes.

Senator GALLACHER: Is that factually incorrect?

Mr Glyde: No, that's correct.
Senator GALLACHER: Who signs off on this stuff, if you're saying it's an administration error?

Mr Glyde: Ultimately it's me who approves—

Senator GALLACHER: You didn't sign off on this?

Mr Glyde: No, I'm just about to finish off. I'm happy to take responsibility for the procedures and practices that we had in place. Those procedures and practices for preparing a report for publication take some time. We were getting ready to publish that report on Thursday of last week. As it turned out, we were doing this jointly with the Natural Resources Access Regulator. They asked for more time. We agreed that it made sense to make sure that everyone's happy with the releasing of this report. The version of the report that was being prepared wasn't meant to have gone live at nine o'clock or 10 o'clock, or whenever it was, on Thursday morning. It was meant to have been taken down. We thought we'd taken it down, and that didn't happen. We're still investigating why that is. It's definitely an administrative error, and we can't afford to continue to make errors like that.

Senator GALLACHER: I hear where you're coming from, and you're trying to correct what's a pretty ordinary situation. But this really goes back to the fact that you don't have a chair and you don't have a fully functioning board. You're claiming this is an administrative error, when you clearly say that 29 storages were doing something untoward.

Mr Glyde: First of all, we're not saying that there was something untoward happening. What we observed through our satellite monitoring—

Senator GALLACHER: I can't read 'appeared to fill or partially fill during the embargo' any other way.

Mr Glyde: But it doesn't mean that they are acting illegally. There are other reasons why they might have filled. From that satellite imagery alone, we don't know what the circumstances were. They could have been filled from, for example, groundwater. They could have been filled from another dam on the same property that had carried water over.

Senator GALLACHER: It's a hit to your credibility and professionalism.

Mr Glyde: Absolutely.

Senator GALLACHER: I'll rest there.

Mr Glyde: You did mention the quorum—the number of authority members' positions that remain unfilled. Just to be clear, this is entirely a document that was produced by the Murray-Darling Basin Authority staff, by the institution. The authority was aware that we were doing this process. But it's up to me and the people who work for me to make sure that those reports are technically accurate and are based on the best available information, and that they're not going to cause any harm. To my mind, it's an administrative error that has been committed by the staff of the MDBA, not by the authority members.

Senator GALLACHER: But you would be responsible to your board, your chair and ultimately your minister for this sort of administrative error. I don't want to belabour the point, but it's pretty untidy, to say the least.
Mr Glyde: Exactly. We will, no doubt, be discussing this at our next board meeting, where we have an acting chair and we have a quorum. I'm sure they are as disappointed as I am about this and will want to understand why it happened and why we shouldn't have it happen again.

Senator PATRICK: We were talking about flows and this Aither report. You said you were investigating water flows through the southern basin to see whether or not these figures were valid and whether they created a problem. Are you doing modelling on that? Is that what you're doing?

Mr Reynolds: Yes, we are.

Senator PATRICK: When is that modelling likely to be concluded?

Mr Reynolds: There's an extensive work program around that modelling. We're required to report to the ministerial council in December on progress with that. The modelling will also inform potential options to deal with any issues that we identify from the earlier stuff. That's likely to be an 18-month program from now. We have a detailed work program for that that we're working through. At the request of the ministerial council, an independent panel of six members has been formed to look at the work that's been done so far on that modelling to assess whether it is fit for purpose and also to examine the work plan going forward. That panel is also required to report to the ministerial council in December.

Senator PATRICK: Going to the specifics of the modelling as a larger body of work, when will the modelling that looks at that be completed?

Mr Reynolds: The modelling in that program of works looking at the risk of shortfall will continue through that 18-month period. We're developing the model now. By the end of this calendar year we expect to have a model that represents current conditions. We'll then use that model to explore what happens as things change or potentially change into the future. That's part of the ongoing work plan.

Senator PATRICK: I presume at that point that model will become available publicly, including any modelling reports.

Mr Reynolds: We do that work on behalf of the joint venture, so we would share that information with the jurisdictions. I would imagine they'd be comfortable with us publishing the results of that. We certainly—

Senator PATRICK: It's taxpayers' money being used to pay for it.

Mr Reynolds: That's right.

Senator PATRICK: Unless there's some good reason, you would expect it to be made public.

Mr Reynolds: Yes. That work is done, as I say, on behalf of the states, who also fund the majority of that work. I would expect that we'd be making that information available in parallel with this whole program of work. We seek to have quite an extensive engagement program with irrigators and other water users to understand the impacts that this might have around them. That will inform the scenarios that we model going forward as well.

Senator PATRICK: Mr Glyde, we were talking about the court case before.

Mr Glyde: Yes.
Senator PATRICK: Can you provide an update as to the status of proceedings?

Mr Glyde: Yes.

Senator PATRICK: I think a statement of claim has been lodged in the New South Wales Supreme Court. Is that right? Have there been directions hearings, have submissions been made and so forth?

Mr Glyde: I might ask Ms Kelly Casey to answer that. She's our legal officer.

Ms Casey: Would you be able to repeat your question?

Senator PATRICK: It is the matter involving southern irrigators. I think it's a class action against the Murray-Darling Basin Authority. What is the status of proceedings and which jurisdiction or court is it in?

Ms Casey: The proceedings were initiated in the New South Wales Supreme Court, and we were served with a claim in mid-May of this year. The proceedings aren't currently framed as a class action, technically. In terms of where we're at at the moment, there were consent orders agreed on the 15th of this month, which will see the plaintiffs file and serve an amended statement of claim by 31 January. The matter is to be relisted at the end of February for further directions.

Senator PATRICK: Do those directions set out submission time frames for you or do you have to wait for an amended statement of claim?

Ms Casey: We'll be waiting for an amended statement of claims. The next step is the filing and service of an amended claim by plaintiffs.

Senator PATRICK: I presume all of these are available, perhaps not on the Commonwealth Courts portal, but is there a New South Wales equivalent?

Ms Casey: I believe that Aqua Law, who were representing the plaintiff group, did have a copy of the statement of claim available on their website.

Senator PATRICK: Whilst I don't, of course, want your legal strategy, it would be interesting, as you progress this, to make documents available that have been at least served to the other side. There's no legal problem with that, is there, normally?

Ms Casey: I think we would have to have a conversation with the plaintiffs about whether they were comfortable with that, and probably a discussion with the registry.

Senator DAVEY: Can I just check: is Aqua Law still the legal firm representing the plaintiffs? If we want to get the claims, we could have a look on their website?

Ms Casey: The plaintiffs are represented by a firm called Squire Patton Boggs. They're the solicitors on the record now. But I understand they're being assisted by Aqua Law.

Senator PATRICK: Thank you very much for that. So the bottom line is there's not much to tell at this point—just awaiting an amended statement?

Ms Casey: That's right—not at this point.

Senator PATRICK: I want to go back to the matter that Senator Watt was referring to before. Ms Colleavy, when you were dealing with the Kia Ora purchase, text in the documentation talked about an agreement to a 'new approach to purchasing where open tenders for surface water would occur in limited circumstances' and where 'unsolicited offers
would be pursued if they met a particular criteria. Can you explain what that new approach to water purchasing was?

Ms Colreavy: What document are you referring to?

Senator PATRICK: I'm referring to MS15-001701, which I'm sure means nothing to you!

Ms Colreavy: A time context—

Senator PATRICK: It's responding to an unsolicited offer to sell water entitlements.

Ms Colreavy: I think it's referring to this: in 2013, with the change of government, there was an explicit change of policy to prioritise acquisition of water through infrastructure, but some limited purchasing would still be pursued where necessary. We worked quite closely with the Department of Finance to ensure that procurement of water through limited tender was, in fact, acceptable under the Commonwealth Procurement Rules—so we could be really clear, if we were to take that path, that we were compliant and that everything was alright. It was agreed. As, I think, some of the early documentation that we provided also tells you, we also sought some advice on why some of those open public tenders that had been conducted in the 2012, 2013, 2014 period had drawn very little interest. We'd had a very, very steep decline in interest with the public open tenders, and we were trying to explore what other mechanisms we might use in order to continue to meet our obligations under the Basin Plan. So the idea of moving more to strategic negotiated purchases was seen as a strategic and good way to go.

Senator PATRICK: I just want to correct myself: it was in relation to the approval for a purchase of 10 gigalitres of New South Wales Murrumbidgee supplementary Lowbidgee entitlements. So it was about that time—

Ms Colreavy: Yes, it would have been in the same context as what I just outlined.

Senator PATRICK: I understand—I just didn't want to lead you down a pathway because of my error. It was clearly asking for a recommendation for a new approach, and you say that's the strategic water purchasing.

Ms Colreavy: That's right.

Senator PATRICK: How did that strategic water purchasing approach get developed? There was a policy discussion?

Ms Colreavy: As I just said, yes, it was developed over a period of time through some trial and error of testing the market and then seeking some advice. We commissioned some independent advice also for the government as to how we could be a bit more successful, because the public tenders were not attracting—

Senator PATRICK: Could you provide that advice to the committee, please?

Ms Colreavy: It's a published report.

Senator PATRICK: Is it?

Ms Colreavy: Yes, I can provide you with that.

Senator PATRICK: On notice. Perhaps you could direct me to where I can find it.

Ms Colreavy: Yes, we do have a published report.

Senator PATRICK: There's a lot of information on your website.
Ms Colreavy: Yes, I know.

Senator PATRICK: It can be overwhelming in many ways.

Ms Colreavy: Yes.

Senator PATRICK: There may not be an answer to this, actually. Has the department or the MDBA ever been involved in discussions in relation to the South Australian reverse osmosis plant? There have been talks about turning that on and using that to reduce requirements to pump water to Adelaide. Have there ever been any conversations in respect of the Commonwealth bearing the cost of the operation of that? If so, what's the order of magnitude of the cost?

Mr Thompson: The answer to the first part of the question is: yes, we have had discussions. I think it's a matter of public record that South Australia has identified this as a possible project to contribute for efficiency measures purposes for the 450 gigalitres. We have continued our conversations with South Australian officials about that.

Senator PATRICK: So that's ongoing?

Mr Thompson: That's ongoing, yes; it's still live.

Ms Colreavy: Yes.

Mr Thompson: In terms of the magnitude—

Ms Colreavy: I'll find that number in a moment.

Senator PATRICK: Maybe I can come back and pursue that whilst you—

Ms Colreavy: Find the numbers?

Senator PATRICK: look around and see what you might be able to tell us.

Senator WATT: I have a few questions about the National Water Grid Authority. This was obviously the subject of an election commitment from the government. Among other things, they committed to establish the national water grid, a statutory authority responsible for the strategic planning and project management of water, policy and water infrastructure across the nation. Is that new independent statutory authority established yet?

Dr Bacon: Yes. It's not actually an independent statutory authority. The Australian government established the National Water Grid Authority as a secondary Australian government body. It's established within the department of infrastructure.

Senator WATT: So it's not a statutory authority?

Dr Bacon: It's not a statutory authority, no. It's a secondary Australian government body established within the department.

Senator WATT: Minister, why haven't you delivered on the commitment to create a statutory authority to do this?

Senator Canavan: I'll have to take on notice the reasons for the particular designation provided to this body. I'm not familiar with the details, unless the deputy secretary could add something.

Senator WATT: My understanding of the Deputy Prime Minister's comments was that establishing it as an independent statutory authority would take the politics out of water, but it hasn't been set up that way after all.
Senator Canavan: I'll have to take that on notice. I'm not familiar with those precise comments you're referring to or the details.

Senator WATT: When did it commence operation?

Dr Bacon: It commenced operation on 1 October.

Senator WATT: What is it?

Dr Bacon: It's a secondary Australian government body—

Senator WATT: What does that mean?

Dr Bacon: It's established within the department. Perhaps it might be helpful if I go through the objectives of the authority. The objectives of the authority are, firstly, to commission science agencies to identify opportunities for increasing security and reliability of water supplies nationally. The authority has a national focus. Secondly, it has objectives to develop a pipeline of priority projects and work with states and territories on an investment framework and delivering the priority projects that are in that investment pipeline, and to focus then on delivering the Commonwealth commitments for infrastructure projects that we have contributed investment to.

Senator WATT: So, it's actually just part of the department?

Dr Bacon: It is located within the department, yes.

Senator WATT: How many officers are assigned to it?

Dr Bacon: We currently have a team of 10 staff who are focused on delivery of water infrastructure projects and administering the National Water Infrastructure Development Fund. We also have an executive director in place, which is a division-head-level role, within the authority. And there's some oversight from me at the deputy secretary level.

Senator WATT: Just so I understand this correctly: I think you said a team of 10 staff?

Dr Bacon: That's correct.

Senator WATT: Are they focused solely on this new Water Grid Authority?

Dr Bacon: That's correct.

Senator WATT: Or do they do a range of work that includes this?

Dr Bacon: No, they are solely focused on the functions of the Water Grid Authority. In addition, we have recruitment underway for additional staff, which will focus on some of the new functions the authority has.

Senator WATT: Again, going back to what the Deputy Prime Minister has said, there was the election commitment initially to create an independent statutory authority to take the politics out of water.

Senator Canavan: It might be useful to table those documents, if there is an opportunity to do that. I've got a copy of the election commitment, or the media release. There's no
mention that I can find of an independent statutory body in it, but if there's some other
document you're quoting from, Senator, it might be helpful.

Senator WATT: I'll get a copy of that tabled. And then there's a press release from the
Deputy Prime Minister on 24 July this year, after the election—

Senator Canavan: Sorry—I should just clarify: the statement I've got is a statement on
the establishment of the water grid, not from the election.

Senator WATT: But it's during the election campaign, is it?

Senator Canavan: No. It's from mid-September, and there's no mention of an
independent statutory authority. But it would be helpful if you could—

Senator WATT: Is that the 14 September one?

Senator Canavan: Yes.

Senator WATT: We'll table the election commitment. But after the election the Deputy
Prime Minister also issued a press release, on 24 July, about this National Water Grid
Authority and again says:

It’s time to take petty politics out of water. Establishing an independent statutory authority will ensure
the future of Australia’s water supply will be based on data — not on self-interest.

So, Minister, is it the government's intention to not pursue this independent statutory authority
that you committed to during the election?

Senator Canavan: I'll have to take it on notice, given that it goes to the details of the
establishment of the authority. I don't have the information in front of me.

Senator WATT: Dr Bacon, from your dealings with ministers, is it the intention to still go
ahead and create an independent statutory authority?

Dr Bacon: I think the minister's taken that question on notice. What I can say is that one
of the key objectives and purposes of the authority will be to work closely with state and
territory governments to ensure that there is an investment pipeline of prioritised water
infrastructure projects based on the best available science. That cooperation with states and
territories who are the proponents of water infrastructure projects will be very important in
actually delivering on the authority's mandate.

Senator WATT: Okay, but it sounds like you aren't aware, from your discussions, of any
intention from the government to establish an independent statutory authority. It will remain
within the department, will it?

Dr Bacon: I think the minister's answered that question.

Senator Canavan: I've taken it on notice.

Senator WATT: Well, I'm asking you, Dr Bacon, about your discussions you've had with
ministers, so only you can answer that. Have any ministers advised you that they still intend
to establish an independent statutory authority?

Dr Bacon: That would be a matter for government.

Senator WATT: I know it's a matter for government as to whether they want to do that. What I'm asking you is whether any ministers have told you that it is their intention to do that.

Dr Bacon: I haven't had those conversations myself, and that decision would be a matter for government.
Senator WATT: Okay. I'm just a bit concerned, Minister, that it does seem that we've got the government breaking an election commitment in committing to an independent statutory authority and about five months later changing course.

Senator Canavan: I've got the statement that you were referring to previously and I'll have to take it on notice the future government's plans and reasons perhaps behind the establishment of the authority in this way.

Senator WATT: So you do have the election commitment now?

Senator Canavan: I've got that.

Senator WATT: Again, this was held up as one of the government's central commitments around drought and assisting farmers, so please tell me we don't have another example of the government letting down farmers and drought-affected communities by breaking commitments?

Senator Canavan: I know that what the Deputy Prime Minister is focused on getting dams out and getting water infrastructure done.

Senator WATT: Not delivering on election commitments?

Senator Canavan: That is the central objective here. I will take on notice about the decisions around the precise establishment of and status of the National Water Grid Authority itself.

Senator WATT: I am really concerned. We all know that the drought is a massive issue. We have got divisions within your own party about it. There are a lot of people crying out for help, but over the course of this week in this committee, we have found out that the $7 billion drought package is not real. We have found out today that there is billions of dollars of water programs that are unspent. We've now got an election commitment that appears to be being broken or ignored.

Senator PATRICK: It wasn't a core promise.

Senator WATT: Is the government just making stuff up as it goes?

Senator Canavan: I have outlined at various times this morning what we are focused on is results and outcomes. Assistance to farmers directly is what we're focused on in regard to drought. We are also focused on delivering or building water infrastructure as soon as we can and we are getting on with the job of doing that. Obviously, for your political purposes you'll seek to characterise these things in your own way, but I'm focused on outcomes and results, and we are delivering on them.

Senator WATT: That is the whole point: you are not delivering on them. You and the Prime Minister go out and make commitments to spend $7 billion on drought. It takes estimates to unpick it and establish that that is just not true. You have the Prime Minister and ministers going out, making announcements about billions of dollars being spent on water infrastructure—we come to estimates and it turns out it is not true. We have election commitments saying they are going to create independent statutory authorities to take the politics out of water. We come to estimates—it is not true. Why can't we just be honest with people?

Senator Canavan: The narrative you have outlined has a number of clear mistruths there. For example, the Future Drought Fund was the subject of legislation in this parliament, so you
don’t need to come to estimates for the details and the particulars of that drought fund. It has been a well-established fact through that that it is a fund to help support the future resilience of farming in this country. It was never presented by the government as something that would provide immediate assistance. That is your characterisation, not the government’s. Likewise we always have been upfront with the fact that we have to work with state and territory governments on building dams. That is taking time, but we are making progress and are happy with that. On the last point you made, I will take it on notice, but we are now down to talking about the particular construction of an authority within the Commonwealth government. As I say, I am focused on those direct things that we can do to help farmers and build a stronger farming community for our nation.

Senator WATT: You are probably the same, minister, given you are based in a regional area, but I have been getting a lot of contact from farmers and rural Australians this week as they have been seeing things reported in the news; they are getting very frustrated that the government keep offering false hope for people when they are in drought. They keep making promises that don’t actually get delivered. Can I just suggest that it might be a good idea in these circumstances to be a bit more moderate with what the government is actually committing to, be honest with people and then deliver that rather than just jumping out headlines—

CHAIR: Is there a question in this?

Senator Canavan: Yes, this is turning into an extended media release. I am not going to be distracted by that. I am focused on delivering the outcomes for people.

Senator WATT: I won’t labour the point. But there have been a number of occasions this week where clearly the government is not delivering on what it is saying that it is doing.

CHAIR: Once again, is there a question here?

Senator WATT: That is therefore misleading people. Could you please stop?

Senator Canavan: Sorry, I don’t accept that.

Senator RENNICK: That is not a question. That is an order.

Senator WATT: No, it’s a question. Could you please stop—question mark.

Senator Canavan: I don’t accept the characterisation of that. I will just focus on the outcomes.

Senator RENNICK: Take it up with your mates in the Queensland government.

Senator DAVEY: I will try to be brief because I realise if I stop talking we might get out of here. I have a couple of questions for Ms Swirepik and then I am going back to the MDBA. A few years ago, Ms Swirepik, your predecessor David Papps wrote to the then South Australian government asking them not to defer water in order to maximise the outcomes that could be achieved from environmental flows. Following that, an Ernst & Young report that has been tabled through the Senate—I believe Senator Sarah Hanson-Young got the documents produced. That report identified the risk of South Australia’s deferment practices, which are legal and legitimate, that environmental water could be subsidising what otherwise South Australia would not have been able to defer. Have you, since you have taken over as Environmental Water Holder, had any discussions with the South Australian government to
ensure that Commonwealth environmental water is not subsidising South Australian river operational needs or extractive requirements?

Ms Swirepik: I am aware of all of the circumstances that you outline in leading into your question. We have been having discussions with South Australia and we now are in the position where we see their deferral plan, which helps us to plan for how we manage our water. As you said, that is a legal right that they are allowed to defer their water. I guess conceptually I look at it a bit like a state carry over. They don't do it lightly because they lose it if the dam spills first, and it's meant to be—

Senator DAVEY: Wouldn't it be nice if the dam would spill?

Ms Swirepik: Wouldn't it be nice. It's meant to be for critical human water needs. So I don't think that they actually do enter into that deferral lightly and think they will substitute our water for it. I will get Hilton Taylor to speak to some of the progress we have made on that issue.

Mr Hilton Taylor: Over the last year or so, we have been working really closely with our colleagues in South Australia to, as we have said, to get the deferral plans in advance of them. This allows us to see what their deferral plans are and schedule our water around those deferral plans, so that we can anticipate the environmental outcomes that we can get, knowing that those legitimate deferral plans are in place. We have been working with them to upgrade the accounting processes so that we can see the water that goes over the border into SA and over the barrages and have a net balance of water at any time within South Australia. Actually, at the beginning of this water year, the MDBA and South Australia have been working independently also to come up with new calibration of some of those measurements and the modelling that is used to calibrate and measure that water. So we are getting continuous improvement there and I think more and more sophisticated accounting of water into South Australia, use in South Australia and out of South Australia of Commonwealth environmental water.

Senator DAVEY: Is that reported anywhere publicly so that the public can have confidence that, indeed, when South Australia defers water their extractions are reduced by the same equivalence to ensure that what is your water actually stays your water?

Mr Hilton Taylor: I think that is something I will have to take on notice as to where South Australia publishes their water use and things like that. We certainly have internal checks and balances now so we are increasingly confident that we can see where our water is being used and how it is being transferred through the system.

Ms Swirepik: There might be a question that Mr Reynolds can answer. I think if they don't take their full entitlement there is a reduced amount from the 58 gigalitres, or whatever the formula is, every month. But, as far as I am aware, the South Australian government has chosen at this point in time to not to actually forward publish their deferral plan, because they see that as a strategic water security issue. We have been in discussions with them about whether that might be a good idea to provide that public transparency and I know that the South Australian government is also working on things including a possible application that would be on your phone where you could see what barrages are open, what they are doing and what the rationale is for the decisions that they are making.
Mr Reynolds: When South Australia defers water, they can do this for the purpose of protecting critical human water needs or to provide for private carryover. When that happens there is a reduced monthly entitlement flow. We provide detail on that each week in our weekly report. The River Murray operations weekly report talks about the flow into South Australia and if there is any deferral.

There is a different issue at play also, at the moment, though, with South Australia having less than their full entitlement flow. In those circumstances, South Australia needs to make a decision about when they take that reduced flow. If they were to take their full entitlement flow now and there wasn't an improvement in the resource position, they'd get to the peak through summer and wouldn't have sufficient water to meet their needs. What they would then do—it's not deferral—is: to request that MDBA deliver a reduced entitlement in the current month so that they would have water later in the season, based on their entitlement flow. If conditions were to improve, they wouldn't get to make up the water that they've elected not to take at this point in time, because they're not allowed to request more than their monthly entitlement flow defined in the Murray-Darling Basin Agreement. That's what is happening in the current circumstances, but that is quite different from them deferring water and leaving it in storage under their storage right.

Senator Davey: My understanding of the rules is that they're allowed to defer based on the fact that their entitlement flow for that month is reduced and therefore their extractions should be commensurately reduced. This year is an anomaly, but, in a normal year, when they defer, are you confident that that actually happens—that their extractions are down and the water they've deferred is then held?

Mr Reynolds: That will come through in their SDL accounting and their compliance, which is done retrospectively at the end of the year, but we will get all of that information in terms of what the extractions were and how that matched up with what they were entitled to take.

Senator Davey: You mentioned compliance. My understanding as well is that, in South Australia, they will actually deliver water to farmers who may not have water in their current account balance but who then have to return the water before the end of the water year, because they actually do their water years in arrears, whereas in New South Wales and Victoria and, I believe, Queensland, if you don't have water in your account, you can't make a water order. Do you think that that sort of arrears accounting is in line with the intent of good and transparent accountability?

Mr Reynolds: I'm not sure of the specifics of how South Australia do that, in terms of their accounting.

Senator Davey: I have a report here I think!

Senator Patrick: The New South Wales government does it. You can owe a debt to the river—or, sorry, the debt owes a river to you, if you're a New South Wales farmer—

Senator Davey: You cannot put a water order in unless you've got water in your account, in New South Wales—

Senator Patrick: I'm sorry, that's not correct.

Senator Davey: nor in Victoria.
Senator PATRICK: That is not correct.

Senator DAVEY: I've got a *Weekly Times* article—because, you know, press is great!—if people want to see the allegations that have been aired publicly.

Mr Reynolds: I'll have to take any further information on notice.

Senator DAVEY: Okay. While I'm on the MDBA, New South Wales has raised concerns; New South Wales hasn't got any water resource plans in to you yet, as far as I'm aware.

Mr Glyde: That's correct. I think we're expecting one by the end of this month. Dr Derham will be able to help us there.

Dr Derham: We expected the first one at the end of July. New South Wales are required to bring forward 20 of the 33 water resource plans for accreditation under Commonwealth law. Earlier this year, Minister Littleproud was able to offer an extension, under the regulations made under the Commonwealth Water Act, to allow New South Wales an extension time frame to 31 December this year to submit all of their water resource plans. With my experience and the work that my team has been doing with New South Wales, we are expecting those 20 plans to be provided by that date.

Senator DAVEY: I have had concerns raised with me as to the water resource plans that are being prepared. In New South Wales we have an existing cap credit. We have a history of underutilisation of what the cap is. The concerns that have been raised with me by irrigators throughout the New South Wales portion of the basin are as to the requirement of transitioning to SDLs in the drafting of the new water resource plans. The interpretation is that any underuse that may have been there is now going to be planned environmental water and therefore can't be touched, whereas I always thought that the Basin Plan was about setting a sustainable diversion limit and we could extract up to that sustainable diversion limit. Can you clarify that for me?

Dr Derham: The claim is false, and we have transmitted that, through correspondence, to a number of the irrigators, through New South Wales irrigation as well. The correct statement is that a plan sets a limit. The limit under the Basin Plan is the sustainable diversion limit. Prior to that, in New South Wales, the limit of extraction wasn't capped. It was the long-term annual average extraction limit set in the water sharing plan. It was lower than the cap limit. We are transitioning from those long-term annual average extraction limits to the new SDL. The difference is held environmental water, which has been acquired, which we have spoken about today. So the intention of the Basin Plan and the water resource plans that give effect to that will be for plans and irrigators within those plans to use up to their SDL.

Mr Glyde: Senator Davey, I think your interpretation is right.

Senator DAVEY: Good. I'm glad my interpretation is right. I feel—

Dr Derham: I'm sorry if I misled you, Senator. Yours is, but the irrigation claim is wrong.

Senator DAVEY: That is very reassuring, and I'm glad we've got that on record. As to water resource plans and irrigators: the rules will enable extraction up to the sustainable diversion limit?

Mr Glyde: It's the whole intent of the plan—to make sure we get value out of every drop. So, having set the sustainable diversion limit, we want to see farmers use it.
Senator ROBERTS: Senator Canavan, following up on the list of projects, could you please advise the total increase in water storage capacity, in percentage and also volume terms, that water infrastructure projects currently funded by the $1.5 billion fund will provide, on notice?

Senator Canavan: Yes. I’ll have to take that on notice, sorry.

Senator ROBERTS: Thank you. Turning to Hells Gate’s, on 8 November 2018, the federal government committed $54 million towards phase 1 of the project. Who is administering the fund and what is the date that construction will commence?

Senator Canavan: Just to clarify: the commitment on that date was to the construction of the Big Rocks Weir, which is part of the overall long-term Hells Gates network, I suppose you’d say, and also funding to develop a business case for the Hells Gates project. I think Dr Bacon might be able to help out with the status of that funding commitment.

Dr Bacon: Thank you, Minister, and, through the chair, just as a matter of process, I should clarify that the Hells Gate project is actually the responsibility of the North Queensland Water Infrastructure Authority. Unfortunately, the CEO isn’t available for today’s hearing and we apologise for that, but I’m very happy for departmental officials to answer questions about their program, if the committee is happy for us to do that, because we do have that information.

Senator ROBERTS: Yes, please, if you could.

CHAIR: Senator Roberts, are you satisfied with that?

Senator ROBERTS: Yes, I am.

CHAIR: Please go ahead.

Dr Bacon: The minister is correct. On the Hells Gates project, the Commonwealth has committed $24 million for a business case to support that project. That business case is currently underway, and, as to the time frame for that, the business case for that project is due in March 2020.

Senator ROBERTS: And construction of the Big Rocks Weir?

Dr Bacon: The status of that project at the moment is that TEL, Townsville Enterprise Limited, who are involved in that project, have agreed to sign a project agreement that has been offered by the Queensland government, and that's a project agreement for the study that I mentioned earlier. In the meantime, on-ground fieldwork is actually underway. So the initial focus is on the design of the Big Rocks Weir, and there's other work underway, including: approvals for the work, an access road to the Big Rocks Weir site, a work camp that will focus on the Big Rocks site and a project office in Charters Towers.

Senator ROBERTS: So we don't know when the construction will start because it's still being assessed?

Dr Bacon: Those different aspects of the project are underway, with a view to, my understanding is, being in a position to conduct that on-ground fieldwork ahead of the wet season.

Senator ROBERTS: The Lower Fitzroy River Infrastructure Project—I think that's Rookwood—has been under active planning since 22 October 2009, which was 10 years ago so it had a decade birthday just a couple of days ago. The $352 million project is jointly
funded by the Queensland and federal governments. The capacity was supposed to be 79
gigalitres, with 54 gigalitres for town water and 25 gigalitres for irrigators. This has now been
cut to 50 gigalitres with irrigators getting just four gigalitres. Who made the decision to
abandon irrigators, and for that matter to abandon—

**Senator Canavan:** Some of your figures are broadly correct, but I will clarify that I
believe the initial capacity of the Rookwood Weir was something a little bit over 120,000
megalitres or 120 gigalitres. I think the figures you are quoting
are the expected yield, or the
expected average yield, from the dam—you might have mentioned it—and from memory the
figure was around 76,000 megalitres or 76 gigalitres. You also are correct there has been,
from the Queensland government, recent announcements of changes to the design of the
Rookwood Weir and potentially consequent changes to the yield that is expected from the
project. Again, I might get Dr Bacon to add any further details there on what we know at the
moment on that proposal.

**Dr Bacon:** Thank you, Minister. The government is very committed to the Rookwood
Weir project and has been working with the Queensland government to progress and deliver
that project. The latest information we had is from a letter from the Queensland minister,
which I understand was received on 11 October. That letter did talk about a revised capacity,
as the Minister has talked about. The latest information that we have is that it is a revised
capacity of up to 72,000 megalitres, which is down from the capacity of 76,000 megalitres.

**Senator Canavan:** Can I clarify that that is the yield isn't it, rather than the capacity?

**Mr Edwards:** That is the yield.

**Senator Canavan:** Just so we're all clear.

**Senator ROBERTS:** It was decreased and now it has increased again.

**Senator Canavan:** Sorry?

**Senator ROBERTS:** It was decreased from a yield of 76 down to 54, and now it is back
up to 76—

**Dr Bacon:** That is the latest information that we have in that letter. I believe there are
some public statements from the Queensland government to that effect.

**Senator Canavan:** Just to clarify here, Senator, to help you out. The proponent of the
project is Sunwater, a Queensland government entity. The federal government has agreed to
fund half the $352 million cost. As Dr Bacon has mentioned, we have received some
correspondence from the Queensland government that there has been this change and
potential impact on yield, but maybe not as much as was originally announced apparently. We
have very little detail from the Queensland government behind their figures. I think the letter
they have sent us is maybe a couple of pages. There is not a lot of detail on the cost.

**Senator ROBERTS:** For a $350 million project.

**Senator Canavan:** Yes. In saying that, the original design and scope of the project was
the subject of a previous business case which was hundreds of pages long. They were
outlining in great detail the expected $352 million cost. In August this year the Queensland
government announced that there had been a, I think, $213 million cost blowout in the
project. In the space of 15 months they presided over a 60 per cent increase in costs for that
original design and, as I've mentioned, despite requests from myself and others, the

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Queensland government has not been able to send us the details and the reasons behind that almost remarkable increase in costs.

Senator ROBERTS: Sixty per cent.

Senator Canavan: Sixty per cent increase in costs—

Senator ROBERTS: In 15 months?

Senator Canavan: Roughly 15. The original business case was finalised in February last year—I think around that time. It was early last year some time I think.

Mr Edwards: I'll get the date for you, Senator.

Senator ROBERTS: It's not long ago.

Senator Canavan: It's not long ago. And then in August—

Mr Edwards: The government released it in February.

Senator Canavan: Okay. So it was released in February last year and by August this year there was a 60 per cent increase in cost. The Queensland government has made various media comments about the increase in concrete prices and what have you, but no detail has been received by the federal government behind those reasons despite us being a 50 per cent co-funder of the project.

Senator ROBERTS: I was going to ask the question: what is taking so long, because a decade is a long time, so I can see so—

CHAIR: Senator Roberts, would you mind making this your last question, please?

Senator ROBERTS: Okay. In my fact finding along the Murray-Darling, a criticism I hear frequently from farmers is that SDL money is being handed out with little or no supervision of the works or, indeed, even any proof that the works have been carried out. What steps are you taking in the Murray-Darling Basin Authority to ensure that this round of SDLs is able to reduce water usage without reducing agricultural production?

Mr Thompson: The department administers the funding from the Commonwealth, primarily to the states, to undertake construction for SDL adjustment mechanism infrastructure, and that includes Menindee Lakes and some of the other projects that have been approved by ministers to go forward. We've already provided funding for detailed business cases to undertake the proper due diligence and design and planning around those projects, and, following that, that'll then get to a gateway, effectively, for us to work with the states on whether those projects will go forward and in what form. Decisions will be taken at that point, and then, beyond that, we'll apply the sorts of oversight—tracking of projects, auditing or review of projects as required—that we do with our other infrastructure spending.

Senator ROBERTS: On the topic of auditing, just to finish off, the audit criteria in this context would be the completed project's compliance with the plan submitted. Would that be right? Also, on the cost benefit, do you audit, in other words, that they built what you paid for and that it does have the benefits that they said it would provide?

Mr Robertson: As Mr Thompson said, at the moment we're at the stage where we've been funding the states to do the early works on the SDL project. There's $130 million being committed over the next two-and-a-bit years to New South Wales, Victoria and South Australia for a lot of that early work, and then there'll be a gateway process. Under the Basin
Plan, these SDL projects—these particular ones known as supply measures—basically, because of their impact, increase the amount of water that's available for farmers to use, increasing the SDL by 605 gigalitres. As part of that, as the projects are rolled out and completed, there's a reconciliation process that the MDBA will apply to make sure that the projects were as described and as modelled as part of that stage of the plan.

Mr Glyde: I think that's quite important, Senator, because you were talking about the two elements. One is making sure that the Commonwealth gets value for money and gets what it paid for in those projects. But the second element is in our court. We have to check that the environmental value of those projects actually is delivered. The process is called reconciliation, so—

Senator ROBERTS: And that farm production doesn't go down.

Mr Glyde: The intent is—

Senator ROBERTS: That's the intent.

Mr Glyde: The whole idea about this is that 605 gigalitres of water that doesn't have to be bought back from farmers. So, in essence, if these projects deliver, then there's no prospect of farm production going down in order to hit the target in the plan. It's really quite critical that these projects do both things: fulfil the value for money—as taxpayers' money well spent—but they've also got to deliver on the environmental offset.

CHAIR: Terrific.

Senator GALLACHER: I want to go, on a similar line of questioning, to the On-Farm Irrigation Efficiency Program and private dams. I know Senator Davey touched on it earlier. I have about 10 questions in this area, so, if I ask a question, I just want an answer to that question, and I might follow up with something else. It will be helpful if you don't try to pre-empt what I'm going to ask. Firstly, how do these efficiency programs actually save water?

Ms Colreavy: They save water through a variety of mechanisms. It depends on the actual works that are proposed. It may be reconfiguration of farm layout. It may be changing the delivery mechanism. It may be capturing and recycling water on farm. There's a whole range of ways.

Senator GALLACHER: I'll help you out. There's an answer to a question on notice from Senator Patrick—question on notice No. 4, 2 July 2019. There are two primary ways: replacing a shallow water storage with a deeper dam and reducing evaporation; and, secondly, capturing, storing and enabling the reuse of irrigation water. Are those the two primary methods?

Ms Colreavy: They're the two primary methods for on-farm storage. You asked me how the on-farm projects—

Senator GALLACHER: So we're talking about on-farm storage?

Mr Thompson: Yes. They're the two common methods.

Ms Colreavy: You're right; correct.

Senator GALLACHER: So we should keep those two things in mind: deeper dams and not letting the water evaporate and run away. When you're in this program, how do you satisfy yourself that those two criteria or one of those criteria is being met? Is there an application.
Ms Colreavy: The application needs to provide evidence from a qualified person that the proposal is valid and does meet the water saving estimate.

Senator GALLACHER: So some expert has to say that the dam's going to be deeper or we're recycling the water?

Ms Colreavy: That's right—someone like an agricultural consultant.

Senator GALLACHER: How many of these dams have been funded under this program?

Ms Colreavy: I don't actually have an exact number. The reason for that is often the storages are part of a suite of activities that were funded and the storages themselves were not the major—

Senator GALLACHER: Okay. So how many dams have been funded under the program and how many water storage projects have been funded?

Mr Thompson: We can't tell you that now, and we're not sure we can tell you that even on notice because—

Senator GALLACHER: Wouldn't it be part of the expert submission?

Mr Thompson: It is, yes.

Ms Colreavy: We'd have to go through 1,525 different proposals to pull out that information.

Senator GALLACHER: So, if we put the two together—dams and water storage—it's 1,525.

Ms Colreavy: No.

Mr Thompson: There are 1,525 under the program of on-farm water efficiency. Dam storage is one of a number of things that will have been funded through that program.

Senator GALLACHER: So you're no longer asking questions about private dam storage because of the media speculation that they're being used to divert water?

Mr Thompson: Yes.

Ms Colreavy: Yes.

Senator GALLACHER: So can we get on notice how many of these private dams and water storage projects are in that 1,525 total? Is there any way of finding that out?

Mr Thompson: All we can do on notice is provide an estimate and a better articulation of why it's difficult for us to nail that.

Senator GALLACHER: If I accept that an agricultural expert has said the dam's going to be deeper or we're going to recycle and not lose the water—fine. How does the department satisfy itself that that's the case? After the event? Do you have an audit team?

Ms Colreavy: Yes, we do. When the projects are carried out on the ground, we have a range of delivery partners who monitor the implementation of the program.

Senator GALLACHER: Can I go back a bit? What's a delivery partner?

Ms Colreavy: It's somebody who works under contract with the Commonwealth to ensure these projects are delivered in accordance with the contracts.

Mr Thompson: Just someone on the ground.
Senator GALLACHER: To that point, if you have a delivery partner who's auditing the function or the proposal as it was put to you, why is it difficult to tell me how many there are? Presumably you pay those people to do a job?

Mr Thompson: We do. That program is largely completed. We have records, but I think what we're saying is that there would be an enormous effort involved in us working through each of those project proposals to get that information.

Senator GALLACHER: Okay. What about at a high level? Is it possible to get a list of the projects under the efficiency program?

Ms Colreavy: We've already published a list of all of the projects that we've funded.

Senator GALLACHER: It may surprise you, Ms Colreavy, that I don't go around following every new publication?

Mr Thompson: I'm disappointed! I'm a little bit hurt!

Senator GALLACHER: I'm not! I throw a metre of paperwork out of my office each week.

Senator PATRICK: In data you provided the Senate, there are 306 of those projects that use the word 'storage'. Does that help narrow things down a little bit?

Mr Thompson: It would provide an estimate.

Ms Colreavy: It would provide an estimate, but I was trying to be accurate. We think that around maybe 15 or 20 per cent of the projects may have involved on-farm storage, but I'm loathe to be definitive about that because sometimes those storages are not documented.

Senator GALLACHER: If another committee of the parliament looking into this area were to look at an area where these facilities are up and running, we could see them?

Ms Colreavy: Certainly.

Mr Thompson: Yes.

Senator DAVEY: On the back of that I want to clarify a question. We sort of talked about it before and we said that, with these projects, the entitlements get transferred to you first.

Ms Colreavy: That's right.

Senator DAVEY: So if the savings that were estimated aren't fully realised, who wears the risk?

Ms Colreavy: The farmer.

Senator DAVEY: The farmer wears the risk?

Ms Colreavy: Yes, the farmer definitely does wear the risk. The estimated savings are transferred to the Commonwealth as the first stage of the project funding deed. So those savings are realised immediately to us—or the water transfer is recognised. We have had five funding rounds under this program—a lot of projects. Anecdotally, the farmers definitely confirm that they are better off as a result, that they do see those savings and that their productivity, at worst, stays the same, but generally improves, as a result of the works.

Senator GALLACHER: You just said you've had five funding rounds in this program.

Ms Colreavy: Yes.
Senator GALLACHER: At each stage of refunding the round, how did you satisfy yourself that you were actually saving water? Did someone tell you that, or did you go out and measure it?

Mr Thompson: Because the entitlement was transferred to us.

Senator GALLACHER: And we can see that?

Ms Colreavy: Yes.

Senator GALLACHER: What volume of water has been transferred through this program?

Ms Colreavy: Altogether, we have received 149 gigalitres of water under this program.

Senator GALLACHER: There is conjecture that that is probably not a great use of taxpayers' money in terms of the return.

Ms Colreavy: No, I would have thought it was a very good response.

Senator GALLACHER: Some people are saying that on-farm infrastructure spend is, economically, not as sensible as some other measures.

Ms Colreavy: I guess the rationale of the government in funding these projects is that it not only achieves the water savings but also creates stimulus in the regions and leads to improved agricultural productivity.

Senator GALLACHER: Has Eastern Australia Agriculture or Eastern Australia Irrigation received any funding under this process?

Ms Colreavy: No.

Senator GALLACHER: Has Growth Farms received any funding?

Ms Colreavy: Not that I am aware of.

Senator GALLACHER: Has Jam Land received any funding?

Ms Colreavy: I don't believe so, but I'd have to take—

Senator GALLACHER: Take it on notice.

Mr Thompson: We'll take it on notice.

Ms Colreavy: There are 1,500 projects, so I'm really not sure.

Senator GALLACHER: They are fairly renowned names that might stick in your mind if you had them.

Ms Colreavy: We treat them all the same.

Senator PATRICK: In terms of the processes you have just described to Senator Gallacher, you would be aware of the Australia Institute report in relation to Glenmea, Bringagee and Kooba station dams?

Mr Thompson: Yes.

Senator PATRICK: Could you please table the proposal for those dams—the submission that gives the basis of the efficiency measure—and the outgoing report, from the independent expert on the ground, that satisfied you that the work has been done and does achieve the measures that were proposed.

Ms Colreavy: We'll have to take that on notice, but I'll look at that.
Senator PATRICK: I can't think of any reason why that would be problematic.

Mr Thompson: We are just being careful about privacy.

Senator PATRICK: That's fine, but people know who own the farms. What I am looking to is data that would demonstrate, at proposal, that it was going to save water and, at the end, that you did get a benefit out of it.

Mr Thompson: Part of what we are concerned about, too, is the three data points that the Australia Institute used in their study.

Senator PATRICK: Sure. This is your opportunity to—

Mr Thompson: But it is only three data points.

Senator PATRICK: Sure. But sometimes there is benefit in diving deep into one or two examples; that's a useful check. I might just go back to the questions I was asking about the desal plant. I just want to understand what the proposal is. I presume that in producing water at the desal plant at some cost you will then be required to take less water from the Murray River, and I presume that in those circumstances that's not an allocation you would then give to an irrigator or to another stakeholder; that's something you would use as a water buyback or as a—

Ms Colreavy: Efficiency measure.

Senator PATRICK: As an efficiency measure?

Ms Colreavy: Potentially an efficiency measure. We don't have an explicit proposal before us at this stage. Where we're at with this is that we have provided some funds to South Australia to undertake a feasibility study into the cost-effectiveness, if you like, and how they might go about doing that. The big issue here is obviously the energy costs of running the desal plant.

Senator PATRICK: How much funding did you provide for the plan?

Ms Colreavy: For the feasibility study, which is what I was looking at, we have funded them $387,600.

Senator PATRICK: That's to the state government?

Ms Colreavy: To the state government, to undertake the feasibility study. We haven't yet got a final report on that.

Senator DAVEY: Can I just interject for a moment. Has the federal government not already funded the construction of the desal plant or part thereof, and wasn't part of that contract for funding to return a volume of water for the environment? So why are we doing this again? Why are we giving more money?

Senator GALLACHER: You ought to come down at election time! You'd be very helpful!

Ms Colreavy: What you're questioning about is a separate issue. There was a funding agreement under which the desal plant was constructed, and in return for that there was an undertaking to return some water to the environment. Those matters are still in hand. They're being met.

Senator DAVEY: So the water has been returned?
Ms Colreavy: It is being returned. The first six gigalitres was put into the Australian environment account immediately. The subsequent part of that requirement is a rolling schedule of water deliveries under certain conditions, and there's a report published on the South Australian and MDBA websites every year about that. The conversation I was having with Senator Patrick was a slightly different one. It was about exploring the feasibility of the Adelaide desal plant being able to provide and offset towards efficiency measures, because it was constructed for the purpose of being an emergency water supply for Adelaide, and this is exploring whether or not it could be used to offset the take of water from the River Murray under other circumstances.

Senator PATRICK: Thank you for answering that. What's the rough order cost of running the desal plant? How much water were they looking to contribute to the efficiency program, and at approximately what cost?

Ms Colreavy: I might take that on notice, because I think there are a range of scenarios being explored. It's not a single clear-cut—

Senator PATRICK: Okay. When you funded the state government, presumably with a formal purchase order of some sort, what was the date of return for the study? You would have placed a requirement on the state to provide you with a study by a particular time.

Ms Colreavy: Yes. We have extended that already. We signed the agreement with them late. The agreement was signed in March, and we extended the time frame. We have received a preliminary draft report which we've provided comment on, and we're expecting to get a further report from them shortly. I'm not sure of the exact date; I'm sorry.

Senator PATRICK: Will you table that report on notice, or do I have to FOI it?

Ms Colreavy: In the first instance, we need to look at it and see what it is.

Senator PATRICK: Thank you. I'm pretty ruthless with FOI. You can ask some of the other ministers.

Senator WATT: Don't put yourself through it! Just give up!

Senator PATRICK: That's right—give up at the start. I do have a number of portfolios that abandoned the appeals they lodged in the AAT. In relation to those dams—switching back now to dam levels; sorry for going from place to place—the Australia Institute report basically says that these dams are constructed to capture supplementary flows. In that respect, they don't create any efficiency. In fact, they reduce flows from the Murrumbidgee into the Murray. So I'm giving you an opportunity to say that that is wrong and to perhaps put some evidence on the table as to why the Australia Institute is wrong.

Ms Colreavy: The report implies that supplementary flows have not been used by irrigators. That is completely incorrect.

Senator PATRICK: How much supplementary flow that goes from the Murrumbidgee to the Murray would be attributed to supplementary flows? I presume that's been modelled.

Mr Reynolds: I'm afraid I can't answer that question off the top of my head. I'd have to take that one on notice, I'm afraid.

Senator PATRICK: As a result of these dams being built, have you examined data and are you now satisfied that, presuming there was some modelling done, the model still stands
and there is no change as a result of the building of these dams in respect of supplementary flows?

**Mr Reynolds:** I'd have to take that on notice. I can say that management of supplementary flows in the Murrumbidgee is a New South Wales issue, so they're still obliged to maintain end-of-system flows into the Murray. There's nothing that's been put in place that changes their obligation in that regard. Detailed in the modelling—

**Senator PATRICK:** You model all of this, don't you? That's part of your remit.

**Mr Reynolds:** Not the Murrumbidgee, no. The Murrumbidgee and the tributaries to the Murray are managed by the states. They have obligations to provide end-of-system flows into the Murray, so we understand those flows. When water trades from the Murrumbidgee to the Murray, we have the capacity to call that to meet those demands in terms of operating the Murray system. The actual operation of the Murrumbidgee is a New South Wales government issue.

**Senator PATRICK:** I presume you've got historical data that would show flows into the Murray from the Murrumbidgee?

**Mr Reynolds:** Yes, we would have that.

**Senator PATRICK:** Can you provide the annual flows data to the committee on notice?

**Mr Reynolds:** Yes, I can do that.

**Senator PATRICK:** Can you provide annual inflows data to the Murrumbidgee as well?

**Mr Reynolds:** Annual inflows to the Murrumbidgee system—that would be data we'd have to get from New South Wales. It might take us a bit of time to assemble exactly the right data, but we can do that.

**Senator PATRICK:** I'm sure we'll be patient if you don't meet the question on notice deadline.

**Mr Thompson:** Just to be clear, I don't want there to be any implication or any inference that supplementary flows are not part of the calculation of the sustainable diversion limit amount. That's not the case. That leads then to the concern that we have with the Australia Institute finding at a principle level. This implication that there's free water or new water out there that farmers are capturing in supplementary flows is not the case. Farmers can only store in their dams what they're legally entitled to under water resource plans within the cap. Building a dam does not give a right to take water. We've rehearsed that in many other settings today.

**Senator PATRICK:** But, in some respects, if you have an entitlement and you pump into a dam, that's clear; you're measuring it and so forth. The supplementary flows are normally pumped under a different arrangement, aren't they?

**Mr Thompson:** It's still licensed.

**Ms Colreavy:** It's a licensed entitlement, the same as high security and general security. It's measured in exactly the same way.

**Senator PATRICK:** How about, in the absence of what I asked for last year, which was a debate between Maryanne Slattery and Mr Glyde—and that offer is still on the table?

**Senator DAVEY:** I'd like to see that debate too.
Senator PATRICK: I'll pay for the airfares.

Senator DAVEY: I'll watch.

Senator PATRICK: Senator Davey will pay for the accommodation, if you're up for it, My Glyde. Is that fair enough?

Mr Glyde: I think there is a general misunderstanding in the media and more broadly about the role of dams and that, when someone sees a dam pop up, therefore, there must be new water or more water in the system. The amount of water in the system's fixed. In particular, that Four Corners report was saying that, because they saw some expansion in a particular irrigation district, that was somehow tampering with the limit. The limit's the limit, and people are, through markets and other mechanisms, using the water more efficiently.

Senator PATRICK: Well, that's to be tested, and with the evidence that's provided.

Mr Glyde: I guess, in the cage wrestling match between Glyde and Slattery—

Senator PATRICK: I reckon I could sell a few tickets on that and it could donate to charity!

Mr Glyde: Unfortunately, I'm a bear of very little brain, and I would bring with me the combined might of the Murray-Darling Basin Authority—

Senator PATRICK: It might not be enough!

Mr Glyde: and the expertise that sits within there. There are 288 FTEs that sit behind our opinions. And I think that's a pretty critical difference.

Senator PATRICK: If you want to put something on notice that challenges what is in that report, that's actually really helpful. I think it's helpful for you and it's helpful for us

Mr Glyde: Yes, we're considering that.

Mr Thompson: It would clarify matters.

Senator PATRICK: We look forward to a rebuttal there. I want to go to your Climate Change and the Murray-Darling Basin Plan discussion paper:

The Basin's climate is changing. The atmosphere is warming, rainfall patterns are shifting, and extreme weather events such as storms, droughts and floods are becoming more frequent and intense. These changes are attributed to increasing concentrations of greenhouse gases in the atmosphere associated with human activities, in particular, growing emissions of carbon dioxide.

I've read that out to annoy Senator Roberts! But the point being—and I don't doubt the science behind that—to ask: how is that review going? When are we expecting some outcome? And what may result from it?

Mr Glyde: I might ask Ms Winter go to the detail of where we're up to with it.

Ms Winter: We are in the scan phase of our climate change research program at the moment. As you said, Senator, we launched a discussion paper in February. We've now engaged CSIRO to conducts some scenarios work for us. They'll be producing six qualitative scenarios about different plausible climate outcomes. We're also partnering with the Bureau of Meteorology, and we're expecting it to be finished by February next year.

Senator PATRICK: Can I stop you there, thank you. I seem to recall, and I may have been wrong, that when I asked this question in February, I thought there was a milestone on a date in October. Was there originally an October milestone?
Ms Winter: There may have been. We have commissioned the work, and we have worked really hand-in-hand with our advisory committee on social and economic environmental sciences. It will be a five-year research program and we're using the Climate Compass risk-management framework to design that.

Senator PATRICK: So this is a very long-term thing.

Ms Winter: Yes.

Senator PATRICK: I don't think anyone disputes—and we've seen this in the royal commission—the data that was used originally in the plan and to inform in respect of the SDLs. We know there is a change. The MDBA has conceded that there was a change. But we're kind of waiting, and I'm hoping we're not waiting for five years before someone says, 'Well, now we're going to do something.' You already have some data.

Ms Winter: I guess from our perspective we want to make sure that the program for that five years is based on the best science, and then we're not duplicating work that's also being done by the states, because they're actually doing quite a lot of climate-change water work as well. So we are taking the time to design that.

Senator PATRICK: It's not a criticism of what you're doing. I go back to Mr Glyde and say: you know there is an issue in respect of climate change—the words I read out before. I accept them as fact. Yet there's a latency. I'd like to hear that you're doing something about this, and you're going to intervene and make an adjustment to cater for what is happening right now.

Mr Glyde: Yes. Also in that report that we put out in February, there's the description of how it is that we came to set the sustainable diversion limit and the way in which climate change was taken into account, recognising the fair degree of uncertainty about what the future scenarios might be. The obligations that are wired into the Basin Plan in terms of reviews require that the very first subject we have to look at when there's a review on is: have we got better information in relation to climate change, and does that effect the settings? To date, that has not been the case in terms of clear information that will enable us to do it. What we're trying to do through this process is get that better and further information so that we can put the case to governments that either there is a need for a change or there isn't a need for change. The thing that I take a bit of comfort from—

Senator PATRICK: I think there's an understanding there's a need for change; it's about the magnitude, isn't it?

Mr Glyde: What sort of change do you make? Part of the reason is one of CSIRO's recommendations was in relation to what's going to happen to the future climate. What they were saying to us is that within the historical record the swings between really wet years and really dry years were bigger than what was likely to be the climate change signal in the range of scenarios. Looking at those, do you think about those while we're getting better information?

I think the other thing that is important to recognise is that, with the move to a sustainable diversion limit, it's an adjustment mechanism in and of its own right. You're only providing for consumption the water that is available. So there is that long-term dry, and we're picking it up through the way in which the water is allocated. So I think that's an important thing that I take a bit of comfort from. While we're getting that science together, working with the states
to try and get to a point where you can make a decision, we've got those stabilising mechanisms in the plan as it is.

**CHAIR:** Terrific.

**Mr Glyde:** Sorry, Chair. The other thing is the fact that we now have—

**Senator PATRICK:** She's nice! She'll cut me off but she won't cut you off.

**Mr Glyde:** The fact that we now have 2,000 gigalitres, on average, used to benefit the environment is also a significant investment in better preparing the environment for whatever the future climate scenario might reveal.

**Senator PATRICK:** There will be questions on notice. Thank you.

**CHAIR:** Thank you very much. That concludes today's proceedings. I thank Minister Canavan and all witnesses who have given evidence to the committee today. Thank you also to Hansard, to Broadcasting and to the secretariat. This committee stands adjourned.

*Committee adjourned at 16:02*