

From:
To: [Murray Darling Basin Royal Commission](#)
Cc: [Sandra Matt Ireson](#)
Subject: Submission to Murray Darling Basin Royal Commission
Date: Thursday, 28 June 2018 11:32:14 AM
Attachments: [Australian National Audit - PIIOP.pdf](#)
[Email Correspondance - Simon Birmingham \(Department of Environment\).pdf](#)
[Murrumbidgee Irrigation - Letter to Shareholders June 2018.jpg](#)
[Wah Wah Stock & Domestic Scheme - Letter - Barnaby Joyce.pdf](#)
[Submission Coversheet.pdf](#)

Murray Darling Basin Royal Commission
G.P.O. Box 1445,
Adelaide, SA, 5001

Dear Commissioner,

Re: Submission to Murray Darling Basin Royal Commission

The Alternative Supply Group (ASG) welcomes the opportunity to make a submission to the commission. The ASG is part of the Wah Wah Stock and Domestic (WWS&D) channel system, which has provided a stock and domestic water supply to landholders in the western grazing areas of the Murrumbidgee Irrigation Area (MIA). The ASG represents an area of approximately 73,000ha serviced by the WWS&D system. The channel system has been operating for over 85 years servicing a total area of approximately 310,000ha. Water is stored on-farm in existing in-ground tanks (dams). The WWS&D has been supplied water from Murrumbidgee Irrigation (MI) Ltd area of operation, situated in Griffith, New South Wales. The channel system supplies stock and domestic water twice a year, with many of the landholders being 5th generation landholders.

Funding to pipe the WWS&D system is being provided by the Australian Government through the Murrumbidgee Irrigation modernization project under Round 2 of the Private Irrigation Infrastructure Operators Program (PIIOP) in New South Wales. PIIOP involves the use of public funding, by law this requires the Commonwealth to be accountable for this funding.

The conveyance water savings to be realized from the project will assist in meeting the objectives for water recovery in the Murrumbidgee Catchment under the Murray-Darling Basin Plan (MDBP). Not all landholders are supportive of the proposed pipeline (Gunbar Water) due to many social, economic, and environmental concerns.

Under the **Terms of Reference**,

C. The objects and purpose of the Act and the basin plan include, but are not limited to, the following matters,

(f) to optimize social, economic and environmental outcomes arising from the use of basin resources in the national interest.

Concerned landholders have written to the Minister of Agriculture seeking support in this matter. Landholders unsatisfied with the proposal, formed the Alternative Supply Group (ASG). The PIIOP proposal was to replace the conveyance losses along the open channel system with a pressurized pipeline called "Gunbar Water". Portrayed as a water saving initiative, landholders were initially supportive as they were told they could retain existing on-farm ground tanks.

Murrumbidgee Irrigation stated; **"The water will be supplied onto the farm into your preferred option of existing ground tanks/dams or tanks/troughs"**.

Recent findings have shown how the PIIOP program is using public funding to provide the mechanism to build and enhance MI's business financially, at the expense of landholders in WWS&D district. The WWS&D channel system was deliberately misquoted by MI as only being 22% efficient. The main supply channel is closer to 75% efficient with most of the losses

occurring on-farm. The PIIOP proposal involved the return of 9000 Megalitres of conveyance water to the Commonwealth for \$43 Million in funding.

Landholders hoped the system would replicate current business requirements and stocking rates, and not disadvantage individual landholders. Landholders were told it was their choice as to what is best for individual situations. In the funding agreement, it was mandatory that all landholders needed to be engaged in a signed agreement with MI, known as the Proponent Deed (PD) prior to commencement of the project. MI ignored landholder concerns, and would not vary the content of the deed for private proponents and has commenced the installation of the Gunbar Water pipeline without all landholder's PD's signed.

Meetings were organized with the Commonwealth and it was stated, **“how they were led to believe there was full support for project from MI”**. Still not all landholders have signed the PD and now MI have threatened landholders that if the PD is not signed by the end of July 2018, the landholder will forgo Commonwealth funding. If landholders do not sign the PD, an outlet will be placed at the landholder's boundary effectively leaving the households and livestock without water. The Commonwealth has been well informed of the situation but continues to direct landholders to negotiate with MI.

Landholders questioned the in-kind contribution expectation with the project. The in-kind contribution is for the landholders to provide installation of materials on-farm. This will place a huge financial burden on individual landholders and their businesses. The expectation for landholders to provide an in-kind contribution was not part of the funding agreement but offered the Commonwealth **“Value for Money”** in the project. Some landholders and MI formed a Memorandum Of Understanding (MOU) consisting of the in-kind contribution. The MOU was signed without the support and approval from all committee members and most landholders were unaware of this situation. Landholders unable to provide an in-kind contribution were to receive a “Minimum Level of Service” (MLS) from MI. This was an obligation to provide piped water to existing ground tanks on-farm. The MLS has proven to be a false obligation by MI as the pipeline does not have the capacity to maintain existing infrastructure on-farm and the allocations derived in the early 1990's didn't reflect “History of Use” requirements.

WWS&D channels were falsely categorized as both irrigation and Stock and Domestic Channels. State Water agreed landholders should have received 0.015 Megalitres/ha allocation like all other stock and domestic applications in the Murrumbidgee Catchment. Instead landholders only received 0.008 Megalitres/ha. This problem has only been highlighted now with the pipeline proposal as the system will be metered. It is now apparent that landholders will not have enough stock and domestic water to maintain existing ground tanks, with some businesses relying solely on water delivered to existing ground tanks. The Commonwealth has falsely portrayed to landholders that the pipeline proposal will deliver an improved level of service and that it will increase production. Landholders expressed reasons for wanting to retain existing infrastructure (ground-tanks) on-farm. These social, economic and environmental concerns were overlooked with the pipeline proposal.

Landholders have been continually bullied into joining the pipeline project, with the PIIOP funding causing a huge division amongst landholders in this region. Landholders have initiated independent environmental surveys. Communities are concerned for the endangered and threatened Southern Bell Frog, which has been confirmed to be in existence in the WWS&D system. The Office of Heritage has been unable to assist in this matter, as it doesn't look good with one Government department challenging another government department. Landholders wanting to retain existing ground tanks have also raised animal welfare concerns which have also been ignored.

Recently a solution was forwarded by the ASG, for an alternative Stock and Domestic System. A

competitive costing and design was presented but unsupported by MI. Apparently ASG's proportion of PIIOP funding has already been committed to the Gunbar Water project. A previous employee from MI who was project manager for the WWS&D proposal from 2003-2016 has provided damning allegations regarding MI in delivering the project. A statutory Declaration (SD) was provided by the employee in good faith, as the employee believed landholders were being mistreated for the financial gain of MI. In the employee's opinion the PIIOP WWS&D project is flawed. The current inefficiencies of the channel system do not lie with MI channels, but with on-farm channels. The water savings should have been for on-farm improvements, and the historical water usage should have been maintained with the channel system. The ASG is concerned that MI has no intention of finding a workable solution to the situation, but to force landholders into Gunbar Water pipeline.

The SD was recently forwarded to the solicitor representing MI. These allegations contained in the SD, have been denied by MI. Since the SD was forwarded to MI, the employee has requested that the SD be withdrawn. Landholders are concerned that the individual may have been pressured into retracting the declaration which we believe is a true statement of the financial benefits the organization will be receiving from PIIOP program. The intent of the Basin Plan was to achieve "Triple Bottom Line" outcomes.

Landholders are also particularly concerned that the delivery entitlements attached to the WWS&D district are being sold to corporations upstream of the WWS&D district before an adequate solution/agreement has been reached. This has been a major financial windfall to MI, with landholders and the Commonwealth unaware and misled regarding this benefit. The employee believed the DE's should have gone with the sale of the conveyance water to the Commonwealth. The Delivery Entitlements (DE) attached to the WWS&D district are worth \$100's of millions of dollars to MI. With WWS&D landholders removed from MI area of operation, the DE will remain for the benefit of the company. Meanwhile landholders are having to seek legal advice at their own expense to pursue a stock and domestic system that replicates financial sustainable grazing enterprises. MI has been unwilling to support our circumstances. MI will also retain excess conveyance water associated with the WWS&D which could be worth close to \$40 million, plus the DE's associated. DE will not be required with the proposed pipeline and MI will retain the DE's associated with landholders individual WWS&D allocations as well. The WWS&D system is a Stock and Domestic system only. Whilst some landholders have access to a supplementary irrigation opportunity upstream, most landholders have no access to irrigation. The PIIOP funding should have been used on irrigation efficiency schemes, as many of the channels around the MIA are less efficient than the WWS&D channel system.

It is hoped that the ASG submission to the Murray Darling Basin Royal Commission will disclose these allegations. Public funding by law needs to be fully accountable and should not be for the benefit of an organization like MI. The Commonwealth would have never envisaged MI's huge financial gain, from the PIIOP scheme.

The ASG are committed to sustainable grazing enterprises that will be passed on to future generations.

The ASG would like to thank the Murray Darling Basin Royal Commission for the opportunity for this submission to portray circumstances involving the basin plans water recovery program.

We look forward to being involved in the Royal Commission and would hope the integrity of water savings for the MDBA will be upheld, in particular the social, economic and environmental impacts on individual farmers and communities affected.

Kind Regards,
Alternative Supply Group President

Paul Porter



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Administration of the Private Irrigation Infrastructure Operators Program in New South Wales

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Introduction

1. The Murray–Darling Basin (the Basin) is an area of national environmental, economic and social significance. The Basin contains Australia's three longest rivers—the Darling, the Murray and the Murrumbidgee—as well as nationally and internationally significant environmental assets, such as wetlands, billabongs and floodplains.¹ It covers one-seventh of Australia extending across four states—Queensland, New South Wales, Victoria, South Australia—and the Australian Capital Territory. The Basin is an important resource for rural communities and contributes substantially to Australia's economy. Irrigated agriculture accounts for over 80 per cent of the Basin's consumptive water use², contributing to an agricultural industry worth more than \$9 billion per year.³ Water from the Basin also directly supports three million Australians.

2. In response to the predicted water scarcity in the Basin, the Australian Government has increased its focus on improving the Basin's water management. The Government has invested significantly in long-term initiatives designed to better balance the water needs of communities, farmers and the environment, in particular, through the \$12.9 billion Water for the Future initiative. This initiative contains a suite of urban and rural policies and programs, including funding for water purchasing, irrigation modernisation, desalination, recycling and storm water capture.⁴ The \$5.8 billion Sustainable Rural Water Use and Infrastructure Program (SRWUIP) is the largest component of the Water for the Future initiative. A key element within SRWUIP is the \$650 million Private Irrigation Infrastructure Operators Program in New South Wales (PIIOP), which is the subject of this audit.

Water reforms in the Basin

3. In recent years there have been a number of reforms aimed at improving the management of water resources and addressing the imbalance between consumptive and environmental water use in the Basin. Major reforms include the:

- passage of the Water Act 2007 on 3 March 2008, which provided the legislative basis for the Australian Government's intervention in managing the water resources of the Basin;
- establishment (under the Water Act 2007) of the Murray–Darling Basin Authority (MDBA) in December 2008, which has responsibility for producing the first Basin-wide water sharing and management plan

(the Basin Plan).⁵ This plan is intended to guide the management of the Basin's water resources in an integrated and sustainable way;

- signing of an Intergovernmental Agreement on Murray–Darling Basin Reform (the Basin Agreement) on 3 July 2008, which committed Basin jurisdictions (the Australian Government and the Queensland, New South Wales, Victorian, South Australian and the Australian Capital Territory governments) to new ways of managing water resources in the Basin⁶; and
- establishment of a Commonwealth Environmental Water Holder (CEWH), in April 2008, to manage Australian Government water holdings for the benefit of the environment.

4. To underpin these reforms, the Australian Government is providing \$5.8 billion through SRWUIP to increase water use efficiency in rural Australia. SRWUIP comprises over 40 different projects, programs and initiatives⁷ ranging in size from \$1.2 million to \$1 billion, both within and outside the Basin. The Department of Sustainability, Environment Water, Population and Communities (DSEWPaC or the department) manages and coordinates SRWUIP activities. SRWUIP includes 15 State Priority Projects where the Australian Government has indicated its intention of making infrastructure investments in the Basin in return for water access entitlements that can be used by the CEWH for environmental watering purposes, and to progress the Government's water reform agenda.⁸ State Priority Project investments are to be principally directed towards projects that:

- deliver substantial and lasting returns of water for the environment;
- secure a long-term future for irrigation communities; and
- deliver value for money in the context of the first two tests.⁹

5. Thirteen of these State Priority Projects are administered by state governments. The other two are Commonwealth-led and administered by DSEWPaC—the Private Irrigation Infrastructure Operators Program in New South Wales (the subject of this audit) and the Private Irrigation Infrastructure Program for South Australia.¹⁰

Private Irrigation Infrastructure Operators Program in New South Wales

6. The Private Irrigation Infrastructure Operators Program in New South Wales (PIIOP) was developed to deliver on a commitment made by the Basin jurisdictions in the Basin Agreement. Under the program, the Australian Government is providing up to \$650 million to NSW private irrigation infrastructure operators (PIIOs)¹¹ in the Basin to:

acquire water entitlements resulting from water savings from eligible projects to improve the efficiency and productivity of water use and management, both off- and on-farm¹², ... helping to secure a sustainable future for irrigation communities.¹³

7. Although PIIOP was viewed by the Government as an investment in the Murray–Darling Basin, DSEWPaC considered that PIIOP had more in common with a grants program than a procurement activity. The department, therefore, chose to apply a grants-based framework, underpinned by the Commonwealth Grant Guidelines (CGGs), to administer PIIOP, in the absence of a more suitable administrative framework. PIIOP is managed within a section in DSEWPaC's Water Group, with additional oversight provided by the department's Water Group Outcome Board.¹⁴

Private irrigation infrastructure operators

8. PIIOs across NSW are not homogeneous, varying in structure, size and sophistication. Prior to 1995, much of NSW's irrigation infrastructure—generally either systems of interconnected open channels or piped delivery systems—was owned and operated by the NSW Government. Over the period 1995–2000, NSW Government-owned irrigation schemes were progressively privatised. NSW irrigation infrastructure operators

now include: large irrigation corporations; a number of private irrigation districts; private water trusts; and small joint water supply schemes.

9. It is generally acknowledged by governments, industry and conservationists that irrigation water could be used more efficiently. Between 10 and 30 per cent of the water diverted from rivers into irrigation systems is lost before it reaches the farm gate.¹⁵

Selecting and contracting PIOP projects

10. PIOP was originally designed to select projects to modernise and upgrade irrigation infrastructure in a single funding round that closed on 27 November 2009. However, as DSEWPaC's recommendations to fund Round 1 PIOP projects did not exhaust the program's funding allocation, a second funding round that closed on 22 July 2011 was undertaken. PIOP funding was fully allocated following the conclusion of the second funding round.

11. To guide the preparation of applications in each round, DSEWPaC developed and published program guidelines containing eligibility and merit criteria that reflected the economic/social, environmental/technical and value for money criteria to be applied to the assessment of all State Priority Projects under SRWUIP. PIOP applications were assessed by an assessment panel that included departmental officers and external advisors. Those projects considered to be the most meritorious were recommended to the Minister for Sustainability, Environment, Water, Population and Communities (Minister) for funding approval.¹⁶ Table S1 outlines the nine successful applicants (five in Round 1 and four in Round 2), the funding approved and the total water to be acquired by the Australian Government following both PIOP rounds.

Table S1

Announced PIOP projects

Applicant (Catchment)	Round 1 maximum funding announced (\$ GST exclusive)	Round 2 maximum funding announced (\$ GST exclusive)
Coleambally Irrigation Cooperative Limited (Murrumbidgee)	51 218 330	7 350 000
Murrumbidgee Irrigation Limited (Murrumbidgee)	50 000 000	149 622 911
Marthaguy Irrigation Scheme (Macquarie)	9 528 690	-
Tenandra Scheme (Macquarie)	37 475 140	-
Trangie-Nevertire Irrigation Scheme (Macquarie)	115 000 000	-
Murray Irrigation Limited (NSW Murray)	-	169 226 315 ¹
Narromine Irrigation Board of Management (Macquarie)	-	60 237 244
Total funding	\$263 222 160	\$386 436 470
Australian Government's share of water access entitlements²	69 509 ML (or 39 740 ML LTCE)³	102 549 ML (or 75 100 ML LTAAY)³

Source: ANAO analysis of DSEWPaC information.

Note 1: Includes an increase of \$3 880 000 to correct a departmental assessment error.

Note 2: The announced water access entitlement transfers to the Australian Government per project have not been disclosed for commercial confidentiality reasons.

Note 3: Long-term cap equivalent (or LTCE) and long-term average annual yield (or LTAAAY) are methods that have been used by DSEWPaC over time to standardise the calculation of expected water recoveries in the Murray–Darling Basin from the different water access entitlement categories across the catchments of the Basin. The differences between the former LTCE and current LTAAAY methods are only minor. One megalitre (ML) equals 1 000 000 litres.

12. Funding agreements were executed with all successful Round 1 applicants during the period July 2010 to June 2011. In April 2012, DSEWPaC advised that funding agreements for Round 2 projects are expected to be executed by June 2012.

Audit objectives, scope and criteria

13. The objective of the audit was to assess the effectiveness of DSEWPaC's administration of PIIOP, including the acquisition of water access entitlements and progress towards achieving the program's objectives.

14. The audit examined whether DSEWPaC:

- effectively implemented PIIOP and had appropriate governance arrangements to support the program;
- assessed and selected applications in both funding rounds in accordance with the Commonwealth Grant Guidelines (CGGs);¹⁷ and
- negotiated appropriate funding agreements for Round 1 projects and established effective arrangements to monitor the implementation of the projects and the achievement of the program's objectives.

Overall conclusion

15. The Private Irrigation Infrastructure Operators Program in New South Wales (PIIOP) is one of a number of programs within the \$5.8 billion Sustainable Rural Water Use and Infrastructure Program. Under PIIOP, the Australian Government has invested in upgrades to irrigation infrastructure in return for a share of the water efficiency gains and to progress the Government's water reform agenda. Water access entitlements are used by the CEWH for environmental watering purposes. Over two funding rounds, DSEWPaC received 12 applications from eight applicants requesting some \$1.79 billion in financial assistance, which was significantly more than the \$650 million funding available under PIIOP.

16. The Minister for Sustainability, Environment, Water, Population and Communities (and the then Minister for Climate Change, Energy Efficiency and Water) approved funding under both PIIOP rounds for nine projects that range in size from \$7.4 million to \$169.2 million in return for 172.1 gigalitres of water access entitlements (which represents over 90 per cent of the projects' estimated water savings).¹⁸ All available funding was allocated and funding agreements for the five Round 1 projects were executed. As at December 2011, DSEWPaC had acquired 35.1 gigalitres (53.5 per cent) of the water access entitlements contracted under Round 1 and expended \$81.5 million (31.9 per cent) of PIIOP funding in Round 1. Although implementation of the Round 1 projects has not progressed as rapidly as DSEWPaC originally expected, the department anticipates that all of these projects will be completed within budget by March 2014. As at April 2012, funding agreement negotiations for the four Round 2 projects were underway.

17. As one of the first water infrastructure programs within SRWUIP, PIIOP presented implementation challenges for DSEWPaC. These challenges particularly related to the investment-focused nature of the program—characterised by its intended contribution to water reform in the Basin and the acquisition of water access entitlements in exchange for funding infrastructure improvements—administered within a grant

program framework. In this context, the due diligence criteria that were to underpin all SRWUIP investments became PIIOP's eligibility and merit criteria for funding under the program.

18. While DSEWPaC has implemented PIIOP and allocated available funding, weaknesses in program governance and in the management of a number of implementation issues had an adverse impact on the overall effectiveness of the program's administration. In this regard, shortcomings were evident in DSEWPaC's design of the program, the assessment of applications and the development of measures to inform an assessment of whether the program is achieving its objectives. DSEWPaC has established appropriate funding agreements with successful Round 1 applicants and developed effective monitoring arrangements to address the project implementation risks arising from the shortcomings in the assessment of applications.

Program governance

19. Although the department began designing the program in mid-2008, the program area did not develop and submit key program management documentation for endorsement by the departmental committee responsible for PIIOP's oversight—the Water Group Outcome Board—until mid-2010. As a consequence, DSEWPaC did not have in place an endorsed project plan or associated risk management plan in the first two years of PIIOP, which had an impact on the department's capacity to implement the program and identify issues early. The Board did not identify these gaps in the program's management documentation or intervene to resolve the PIIOP taxation treatment issue that put at risk the execution of most Round 1 funding agreements.

Program design

20. In designing PIIOP, early consideration should have been given to the potential taxation treatment of the large-scale grants being offered under the program. Taxation of government funding will always be a material consideration for potential applicants and a strong influence on the viability of applications for funding. However, it was not until December 2008, over five months into the establishment of PIIOP, that DSEWPaC recognised the significance of the taxation treatment of program funding to potential applicants, and subsequently sought taxation advice.¹⁹ The lack of early consideration of PIIOP's taxation implications, coupled with delays in developing PIIOP's funding agreement that outlined the terms and conditions of the funding, delayed the determination of the program's taxation status until late into the Round 1 application process. Advice from the Australian Taxation Office (ATO) in November 2009 that PIIOP's terms and conditions did not support the taxation outcome DSEWPaC preferred, and had previously advised to applicants, had the potential to jeopardise the timely and successful implementation of the program. Earlier consideration of PIIOP's taxation implications would have better positioned the department to have factored into PIIOP's design the preferred taxation outcome for the program.

21. DSEWPaC decided during PIIOP's design phase that a one-stage application process would be appropriate. This decision was based on the limited number of potential applicants and the prerequisite for applicants to have completed an irrigation modernisation plan that would underpin their applications.²⁰ Notwithstanding this rationale, the detail required in applications and the variability in the quality of modernisation plans necessitated a substantial financial outlay from PIIOs. Some PIIOs considered that they lacked access to the management expertise and finances needed to fund the development of the detailed PIIOP applications. PIIOs had to balance the effort and resources they allocated to their applications with their likelihood of success. Adopting a two-stage application process, which gave greater assurance of the likelihood of success, may have encouraged a greater investment by PIIOs in more comprehensively completing their applications under the program and allowed a more thorough assessment of applications by DSEWPaC.

Assessment of applications

22. The department's assessment of PIIOP applications in both rounds proved challenging. This was primarily because the applications did not contain sufficient detail to facilitate a thorough assessment, particularly in relation to addressing the economic/social criteria, environmental/technical criteria and the projects' benefits-costs analyses. A major contributing factor to this situation was the lack of sufficient guidance in the program guidelines on the level of detail and information required from PIIOs to support their applications. DSEWPaC sought to address the lack of sufficiently-detailed information provided in applications through the use of

technical advisors, external advisors on the assessment panels and through seeking additional clarification from the applicants. In Round 2, DSEWPaC also intended to provide applicants with expanded guidance materials to improve the quality of applications, but these materials were not finalised and/or released. Residual information gaps in the applications for both rounds posed substantial risks for the assessment panels.

23. Nevertheless, the department considered that most applications met the merit criteria sufficiently to be recommended to the Minister for funding, with the value for money criteria being the primary determinant for the order of merit in each round.²¹ The assessment documentation for both rounds did not, however, demonstrate that any of the approved projects met either the program's economic/social criteria or environmental/technical criteria. The documentation retained by the department for Round 1 was substantially less than that necessary to support a transparent process, as required by the Commonwealth Grant Guidelines (CGGs). The documentation supporting Round 2 assessments indicated that applications had very low scores for most merit criteria.

24. The Minister approved DSEWPaC's funding recommendations without variation, after being advised of the challenges the department faced when assessing PIIOP applications and the consequential level of residual risk for the Australian Government in funding the recommended projects. The Minister also approved the conditions imposed on successful Round 1 applicants to address identified project implementation risks and the uncertainties flowing from the gaps in the applications. The conditions attached to each project's approval were addressed satisfactorily during the negotiations for, or in the content of, the Round 1 funding agreements.

Development of performance measures

25. In terms of whether PIIOP is meeting its objective, DSEWPaC is yet to develop key performance indicators (KPIs) or collect the data necessary to measure and report on PIIOP's performance. The funding agreements require PIIOs to report on the generation of water savings and irrigation system productivity improvements resulting from their PIIOP projects. However, PIIOs are not required to report on how their projects are helping to secure a sustainable future for the irrigation communities. The establishment of an appropriate set of KPIs for PIIOP that align with the objectives of the SRWUIP investments, and the development of an evaluation strategy for PIIOP, would better position DSEWPaC to demonstrate the extent to which the projects are contributing to the achievement of PIIOP's objectives.

26. The ANAO has made three recommendations to improve DSEWPaC's administration of its grant programs. The first reinforces the importance of effective governance arrangements, the second highlights the need to tailor the application approach to the program and implement assessment processes that better reflect the requirements of the CGGs. The third recommendation addresses the need to develop appropriate KPIs to collect and analyse performance data.

Key findings

Program establishment and governance

Establishing the program

27. DSEWPaC consulted appropriately with a range of industry stakeholders during the design and establishment of PIIOP. However, the department's delay in seeking taxation advice and in finalising the draft PIIOP funding agreement meant that advice from the ATO on PIIOP's taxation status was not provided to applicants until late in the Round 1 application process. The ATO's advice was also contrary to the taxation outcome preferred by DSEWPaC. DSEWPaC released the draft funding agreement to the five successful Round 1 PIIOP applicants a week after the announcement of the approved applications. All PIIOs, after consulting with their taxation advisors, identified the potentially significant taxation liabilities that could arise from entering into a PIIOP funding agreement with the Australian Government.

28. DSEWPaC determined that a one-stage application process would be employed for PIIOP. This decision was based on the limited number of known potential applicants and the expectation that irrigation modernisation plans (the development of which could be funded under another program administered by DSEWPaC) would underpin PIIOP applications. However, DSEWPaC's analyses of the government-funded irrigation modernisation plans identified variance in their quality and comprehensiveness. Despite having completed a modernisation plan or equivalent, all six of the PIIOP Round 1 applicants interviewed by the ANAO stated that the PIIOP one-stage application process had been time-consuming, costly and presented a range of risks. In particular, some PIIOs commented on the lack of readily available management expertise and finances to fund the development of the detailed PIIOP applications.

29. The PIIOP guidelines for both funding rounds included key information, such as the objectives of the program, the amount of funding available, eligible applicants and projects, the merit-based selection criteria, how to apply and the deadline for applications. However, the guidelines did not contain sufficient guidance on the program's terms and conditions (in the form of the draft PIIOP funding agreement), the relative importance of the merit criteria and the level of detail DSEWPaC required from PIIOs to support their applications. The limited guidance resulted in Round 1 applications of variable quality that ultimately had an impact on the department's ability to assess the applications.

30. Despite feedback from Round 1 applicants and the variable quality of Round 1 applications, DSEWPaC adopted a similar one-stage application approach for Round 2. Although the department intended to provide Round 2 applicants with expanded guidance materials to improve the quality of applications, these materials were not finalised and/or released prior to the funding round. As a consequence, the variable quality issue encountered in Round 1 was also encountered by the department in respect of Round 2 applications.

Governance arrangements supporting PIIOP

31. PIIOP is managed within a section in the department's Water Group. In addition, the Water Group Outcome Board (the Board) has an oversight role for all programs under SRWUIP, including PIIOP.

32. While the program commenced in mid-2008, administrative arrangements for PIIOP were first documented by DSEWPaC in February 2009 in a draft Annual Plan for the program area managing PIIOP. The Plan was not, however, finalised or endorsed by DSEWPaC senior management, nor was the plan submitted to the Board for approval in accordance with administrative arrangements established for SRWUIP programs. It was not until early June 2010, some two years after the department began designing the program, that DSEWPaC developed, and the Board approved, an Annual Plan. It was a further year before DSEWPaC developed, and the Board approved, a PIIOP-specific Project Plan and associated risk management plan. The development of these project-specific plans better positions the department to manage the ongoing delivery of the program.

33. Since October 2009, the PIIOP section has provided monthly PIIOP status reports to the Board. However, the absence of key program governance documentation has inhibited the Board's ability to use these status reports to effectively monitor program risks and program progress against planned performance. Notwithstanding the absence of key program governance documentation, the Board was informed of the impact of the taxation issue on PIIOP's progress. However, when the resolution of taxation issues became protracted over the period June to November 2010, the Board did not intervene to resolve the issues. There would be merit in DSEWPaC reviewing the systems and processes in place to ensure that all required information is provided to the Board and that the monitoring activities of the Board effectively identify and manage significant risks to program delivery.

34. Although PIIOP is not listed as a discrete program in DSEWPaC's Portfolio Budget Statements (PBS), the PBS and department's annual reports contain performance information (deliverables, KPIs and targets) for the broader 'Water Reform' program related to PIIOP's (and SRWUIP's) performance. However, the department has not established baselines from which to measure water efficiency improvements and the established deliverables do not identify the quantity of water savings that are to be returned to the Australian Government from SRWUIP investments. Improving the relevance of KPIs and deliverables would provide greater insights into the extent to which water programs are contributing to the achievement of program objectives for PIIOP and SRWUIP.

Assessment of applications

Promotion and communication of PIIOP to potential applicants

35. DSEWPaC consulted with peak industry bodies and provided detailed briefings to known potential applicants on PIIOP soon after both funding rounds were launched. Round 1 applicants indicated to the ANAO that they were generally satisfied with the department's responsiveness to important issues raised during the application phase; with the exception being the taxation treatment of the grants.

36. DSEWPaC provided information to potential Round 1 applicants that PIIOP funding would create a capital gains tax (CGT) outcome—in advance of such an outcome being confirmed with the ATO. Subsequent advice from the ATO stated that program documentation did not support a CGT outcome, instead creating an income tax outcome that could cause severe cash flow problems for PIIOs. PIIOs advised the ANAO that their applications assumed either a tax-neutral outcome or CGT outcome.

Assessment framework process

37. The PIIOP guidelines clearly specified the program's eligibility requirements for projects and applicants. The program's merit criteria were based on the due diligence criteria established under the Basin Agreement for SRWUIP investments. However, some of the economic/social, environmental/technical and value for money sub-criteria were not sufficiently clear or specific to guide applicants—particularly in terms of the standard and level of detail expected in the applications.

38. The Rounds 1 and 2 assessment plans prepared by DSEWPaC were designed to deliver an accountable, transparent, fair and competitive process for assessing PIIOP applications. While the plans were generally comprehensive and provided a key point of reference for the assessment of PIIOP projects, there were a number of limitations related to:

- ✓ • guidance to assessors on benchmarks/weightings within the scoring system, to score applications consistently and establish the relative importance of the criteria to the final scores;
- ✓ • guidance on how the benefits-costs analyses that applicants were required to submit would be incorporated into assessments;
- ✓ • assessing the viability of sub-projects independently of the projects as a whole; and
- ✓ • guidance on including the PIIOs' intended compliance with the funding agreement terms and conditions in the assessments.

Assessment and selection of projects

39. One of the major challenges that faced the PIIOP assessment panels was the variable quality of applications caused by the lack of detail and gaps in the information provided. The variable quality of applications for both funding rounds made it difficult for the department to effectively assess and compare projects—particularly in terms of the extent to which projects met the merit criteria and the relative costs and benefits of each application. DSEWPaC had the option of recommending far fewer or no projects on the ground that the applications were not complete. While this position could be justified, it was unlikely that progressing the assessment of few or no applications would have been compatible with the imperative to progress water reform in the Murray–Darling Basin. DSEWPaC considered that the information provided by applicants was sufficient to progress all applications to a full assessment of the merits in the subsequent assessment phase.

40. The assessment panels in both rounds assessed applications against the merit criteria. However, in Round 1 there were some inconsistencies between the assessment of projects by the panel and those of the independent technical advisors on particular merit criteria. The Round 1 assessment report did not acknowledge the difference of opinions, or provide a justification for the panel's contrary opinion. Additional documentation that may have provided clarity over the Round 1 assessments, such as assessment panel meeting minutes and the assessments of individual panel members, were either not retained or insufficiently documented. The assessment documentation supporting the Round 2 process provided much better alignment between the assessments in technical reports, the individual panel member assessments, minutes of meetings and the final assessment report to the Minister.

Copy of phase

41. Assessments against the value for money criteria were the primary determinant of the orders of merit in both PIIOP rounds. In Round 1, the assessment panel determined value for money by calculating a 'market multiple'—the ratio of PIIOP funding sought to the market value of water access entitlements to be transferred to DSEWPaC—for each application. Given the shortcomings in the documentation of Round 1 assessments, it is unclear how the recommended applications met the program's economic/social and environmental/technical criteria. In Round 2, the value for money criteria (including scores based on the market multiple, a form of benefits-costs analysis, and cash/in-kind contributions by applicants) accounted for 70 per cent of the total potential score for each application. Given the very low scores against the economic/social and environmental/technical criteria (generally less than five out of ten) and for the benefits-costs analyses, the assessment panel's assessment of Round 2 applications does not clearly demonstrate that approved projects met all the merit criteria.

Recommendations to the Minister

42. The Minister was briefed on all the projects submitted for consideration in both rounds, including those recommended (nine) and not recommended (three) for funding. The briefings included documentation to support the Minister's mandatory grants approval obligations along with documentation to support the reasons for recommendations. DSEWPaC advised the Minister of the general lack of clarity and detail provided in all applications and the challenges this posed to the department's assessment of applications. To manage the consequential risks from funding PIIOP applications in Round 1, the Minister approved funding on the basis that extensive conditions were placed on successful applicants to address identified risks and uncertainties flowing from the gaps in their applications. While DSEWPaC did not recommend imposing conditions on Round 2 applicants, the project risks and stakeholder issues identified in the briefing to the Minister should be considered and addressed as part of the negotiations of Round 2 funding agreements.

Development of funding agreements and management of projects

Negotiation of funding agreements for Round 1 projects

43. DSEWPaC negotiated funding agreements that committed PIIOs to transferring to the Australian Government the quantity of water access entitlements that PIIOs offered in their applications in return for government funding. As funding agreement negotiations progressed, most PIIOs requested changes to their project parameters. In general, DSEWPaC considered favourably those requests that: were for eligible activities consistent with the PIIOs' applications; maintained the projects' value for money; and did not increase the approved maximum contribution to the projects. The original Round 1 funding agreements negotiated by DSEWPaC accurately reflected the PIIOP projects approved by the Minister and satisfactorily addressed the preconditions attached to the projects' approval.

44. Under the PIIOP funding agreements, PIIOs are required to report to DSEWPaC on their projects' contributions towards the elements of the program's objective related to the generation of water savings and productive improvements. However, PIIOs are not required to report on the extent to which their projects contribute to the 'helping to secure a sustainable future for irrigation communities' element of PIIOP's objective. Further, DSEWPaC has not established key performance indicators (KPIs) to measure the extent to which the program is achieving its objective. DSEWPaC's development of an appropriate set of KPIs for PIIOP, aligned with the objectives of the SRWUIP investments, and the collection of relevant performance data, would better position the department to demonstrate the achievement of PIIOP's objective.

45. The execution of most Round 1 funding agreements was extensively delayed pending the resolution of the taxation treatment of PIIOP funding. While DSEWPaC considers that the PIIOP taxation issues were raised with the appropriate agencies in a timely manner once there was clear evidence that action was warranted, the resolution of the taxation issues was overly protracted due to the department's reliance solely on private binding rulings between the ATO and PIIOs. Although other options were canvassed, none were pursued concurrently or as alternatives to obtaining private binding rulings for many months, including the legislative amendment option that ultimately resolved the taxation issue. DSEWPaC's pursuit of alternative options in parallel with private binding rulings sought by PIIOs would have better positioned the department to resolve the PIIOP taxation issues in a more timely manner.

Project monitoring by DSEWPaC

46. Central to the original monitoring arrangements established by DSEWPaC for PIIOP Round 1 projects was the department's approval of annual workplans for the projects. However, the submission and approval of PIIO's workplans has not occurred in accordance with DSEWPaC's original expectations. Workplans were required to be resubmitted numerous times to address the concerns of the department's technical advisors. Further, the detail DSEWPaC expected in the first project workplans was not available until subsequent milestones were achieved, which necessitated the department's approval of 'interim' workplans and the submission and approval of 'updated' workplans at later dates. Nonetheless, DSEWPaC's technical consultants, who cleared the contents of all workplans prior to their approval by the department, have provided assurance about the reasonableness of the timeliness, cost and effectiveness of the PIIO's proposed construction and project management activities.

47. From mid-2011, DSEWPaC negotiated additional PIIOP funding agreement obligations and revised monitoring arrangements that significantly strengthened the department's framework for monitoring project progress and the expenditure of project funding. The revised arrangements have simplified the PIIOs' preparation of milestone and expenditure documentation. Payment delegates now receive documentation evidencing the achievement of each project milestone, including certifications from PIIO management and independent auditors.

DSEWPaC's management of project implementation issues

48. Under the funding agreement model selected for PIIOP, PIIOs were required to enter into legally-binding agreements with participating irrigators in their scheme to deliver the on-farm works component of the PIIOP projects and transfer the required water access entitlements to PIIOs. The contracting of irrigators by PIIOs under the program has not been straightforward. Information provided by irrigators to the ANAO indicated that many found their contracts with the PIIO complex and daunting. As a consequence, some irrigators withdrew from PIIOP projects, while others executed contracts based primarily on the assurance they received from other irrigators in their community entering into similar agreements.

49. DSEWPaC has established effective working relationships and communication channels with PIIOs and their project managers. Issues arising from PIIOP projects have been considered in a timely manner, and their resolution clearly communicated to all parties. The most common issues impacting on PIIOP Round 1 projects have been related to the slow rate of progress—most of which are beyond the control of the Australian Government, and some of which are also beyond the control of PIIOs.

50. At times, DSEWPaC has also received requests from PIIOs to vary funding agreements, including changes to the parameters of irrigation projects or the substitution of irrigators and/or irrigator projects. In all cases, DSEWPaC appropriately assessed the impact of the delays or proposed variations on the projects concerns and the PIIOs' rights and obligations, before agreeing or not agreeing to the change requests. Further, DSEWPaC's interventions in disputes between PIIOs and their irrigators and inquiries into third-party complaints have been appropriate and effective to resolve the matters and progress the PIIOP projects.

Progress of PIIOP projects

51. During the establishment of PIIOP, DSEWPaC's initial expenditure forecasts for the program indicated that payments to approved PIIOP projects would commence in 2009–10. However, due to delays with the funding agreement negotiations, the first payments to PIIOP projects occurred early in 2010–11 and the larger milestone payments expected to occur in 2010–11 were delayed until 2011–12. Further, a review of the schedules of the original PIIOP Round 1 funding agreements against progress as at March 2012 indicated that project expenditure on two projects was below original expectations, but transfers of water access entitlements were generally meeting original funding agreement schedules. By March 2012, DSEWPaC had expended \$127.1 million (49.9 per cent) of Round 1 funding, which was significantly less than the original expectations of \$143.3 million, but had received 45.9 gegalitres (69.8 per cent) of water access entitlements, which was more than the 44.9 gegalitres originally expected at this time. DSEWPaC expects that by July 2012 the total project expenditure and water entitlement transfers will exceed the department's original expectations of progress as anticipated in the original funding agreements.

52. Project completion dates for four of the five Round 1 projects have not changed from the original funding agreements—with dates ranging from March 2012 to March 2014. The project completion date for the remaining project has been delayed by 11 months from late February 2012 to early February 2013. As at 31 March 2012, all Round 1 projects were considered by the department to be on track to be completed within their approved budgets.

DSEWPaC's summary response to the proposed report

53. The department's summary response to the proposed audit report is provided below, while the full response is provided in Appendix 1 of the report.

The Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) agrees with each of the ANAO's recommendations. SEWPaC appreciates the ANAO's recognition that the policy intent of the Government was for PIOP to provide for investment in rural irrigation infrastructure, to achieve long term benefits for irrigation water providers, related communities and the environment.

In particular, SEWPaC welcomes the ANAO's finding that assessment and contract management arrangements progressively applied by the Department from the beginning of 2011 have significantly strengthened SEWPaC's framework for monitoring project progress and the expenditure of Australian Government funding on PIOP projects.

-
- [1] ANAO Audit Report No. 27 2010–11 *Restoring the Balance in the Murray–Darling Basin*, p. 35.
- [2] Australian Bureau of Agricultural and Resource Economics–Bureau of Rural Sciences, *Assessing the regional impact of the Murray–Darling Basin Plan and the Australian Government's Water for the Future initiative in the Murray–Darling Basin* [Internet], ABARE-BRS, Australia, 2010, available from <http://www.daff.gov.au/data/assets/pdf_file/0011/1812971/regional-impact-mdba-2010.pdf> [accessed 25 October 2011].
- [3] Department of Sustainability, Environment, Water, Population and Communities, *Murray–Darling Basin* [Internet], DSEWPaC, Australia, 2011, available from <<http://www.environment.gov.au/water/locations/murray-darling-basin/index.html>> [accessed 25 October 2011].
- [4] Department of Sustainability, Environment, Water, Population and Communities, *Water for the Future: Fact Sheet* [Internet], DSEWPaC, Australia, 2010, available from <<http://www.environment.gov.au/water/publications/action/pubs/water-for-the-future.pdf>> [accessed 6 October 2011].
- [5] The *Proposed Basin Plan* was released on 28 November 2011. After comments on the Proposed Plan received during the consultation period are taken into account, the Government intends to present the final Basin Plan to the Parliament later in 2012.
- [6] The Basin Agreement also allocated the initial round of Australian Government funds for infrastructure-based water recovery projects under SRWUIP.
- [7] SRWUIP initiatives include compliance and enforcement activities, communication campaigns and meter testing facilities.
- [8] State Priority Project investments were contingent on their assessment against the due diligence criteria established in the Basin Agreement.
- [9] Department of Sustainability, Environment, Water, Population and Communities, *Sustainable Rural Water Use and Infrastructure* [Internet], DSEWPaC, Australia, 2011, available from <<http://www.environment.gov.au/water/policy-programs/srwui/index.html>> [accessed 25 October 2011].

[10] The Department of the Environment, Water, Heritage and the Arts (DEWHA) originally had administrative responsibility for PIIOP (and the Private Irrigation Infrastructure Program for South Australia). DEWHA was re-established as DSEWPaC through machinery of government changes on 14 September 2010. For the purposes of this report, DSEWPaC has been used universally to refer to as the department responsible for PIIOP's administration.

[11] A private irrigation infrastructure operator (PIIO) is defined in the *Water Act 2007* as an entity that owns or operates infrastructure to store, deliver and/or drain water for the purpose of providing a service to another person, primarily for irrigation.

[12] Examples of eligible off-farm activities include: upgrading channel lining; replacing channels with piping systems; repairing pipes and pumps; and permanently decommissioning sections of the water delivery system. Examples of eligible on-farm activities include: installing or upgrading on-farm meters; and other infrastructure upgrading activities which complement the proposed off-farm delivery system upgrades while contributing to the total water savings.

[13] DSEWPaC, *Sustainable Rural Water Use and Infrastructure Program: Guidelines for the Private Irrigation Infrastructure Operators Program in New South Wales—Round 2*, February 2011, p. 5.

[14] The Water Group Outcome Board comprises a departmental Deputy Secretary, who is the Chair, and the three First Assistant Secretaries who have responsibility for divisions within the Water Group.

[15] More specifically, losses in irrigation infrastructure systems can arise from: outfalls, that is, water flowing from the downstream-end of the delivery system; farm irrigation water meter inaccuracy; unrecorded usage of water where water usage is not metered or stolen; leakage of water from channels through channel banks and structures; seepage, that is, the movement of water through the beds of irrigation channels; and evaporation in channels and storages. (Marsden Jacob Associates, *Improving water-use efficiency in irrigation conveyance systems: A study of investment strategies*, Land & Water Australia, May 2003, pp. 7 and 8).

[16] In earlier times, the former Minister for Climate Change and Water and former Minister for Climate Change, Energy Efficiency and Water were responsible for the administration of PIIOP by DSEWPaC.

[17] The *Commonwealth Grant Guidelines* (CGGs) outline seven principles for grants administration, which are: (1) Robust planning and design; (2) An outcomes orientation; (3) Proportionality; (4) Collaboration and partnership; (5) Governance and accountability; (6) Probity and transparency; and (7) Achieving value with public money. (Department of Finance and Deregulation, *Commonwealth Grant Guidelines—Policies and Principles for Grants Administration*, Finance Management Guidance No. 23, July 2009, p. 14.)

[18] One gigalitre equals 1000 megalitres or 1 000 000 000 litres.

[19] Grants are generally considered as taxable income to recipients, unless legislation specifically provides otherwise. Early taxation advice obtained by DSEWPaC indicated that the best outcome for applicants would be for PIIOP funding to be subject to capital gains tax on the disposal of water access entitlements by PIIOs—on the basis that an income tax outcome could have created cash flow problems for PIIOs.

[20] DSEWPaC administered a separate program, the Irrigation Modernisation Planning Assistance (IMPA) program, that provided funding to assist PIIOs to identify and consider a range of options available to increase the efficiency of their irrigation systems and adapt to a future with less water.

[21] In Round 1, value for money was calculated by reference to the ratio of funding sought to the market value of the water access entitlements offered in return. In Round 2, value for money also included reference to a form of benefits-costs analysis and cash/in-kind contributions by applicants.

Mywurlie Pastoral Company

From: Mywurlie Pastoral Company
Sent: 24 April 2014 14:58
To: Mywurlie Pastoral Company
Subject: FW: Pipeline Proposal [SEC=UNCLASSIFIED]

From: Mywurlie Pastoral Company
Sent: Tuesday, 8 April 2014 9:21 AM
To:
Subject: FW: Pipeline Proposal [SEC=UNCLASSIFIED]

From: Mywurlie Pastoral Company [[mailto:](#)]
Sent: Tuesday, 8 April 2014 8:41 AM
To:
Subject: FW: Pipeline Proposal [SEC=UNCLASSIFIED]

From: Mywurlie Pastoral Company [[mailto:](#)]
Sent: Sunday, 12 January 2014 8:35 AM
To:
Subject: FW: Pipeline Proposal [SEC=UNCLASSIFIED]

From: Mywurlie Pastoral Company [[mailto:](#)]
Sent: Thursday, 26 December 2013 12:22 PM
To:
Subject: FW: Pipeline Proposal [SEC=UNCLASSIFIED]

From: Birmingham, Simon (Senator) [[mailto:](#)]
Sent: Tuesday, 24 December 2013 11:49 AM
To:
Subject: RE: Pipeline Proposal [SEC=UNCLASSIFIED]

Dear Mr Porter

Thank you for your email of 12 December 2013 concerning the Wah Wah Stock and Domestic Scheme pipeline proposal.

The Australian Government is committed to meeting its obligations under the Funding Agreement with Murrumbidgee Irrigation. The Commonwealth share of water savings arising from the project, around 30 gigalitres annually over the long term, will greatly assist with meeting the objectives for water recovery in the Murrumbidgee catchment under the Murray-Darling Basin Plan.

As you are aware, the Wah Wah Stock and Domestic Scheme has been included in the project by Murrumbidgee Irrigation in collaboration with the Wah Wah Stock and Domestic Water Users Association

and on the basis that the Wah Wah Stock and Domestic community will eventually take over the ownership and operation of the assets of the piping scheme.

In response to your specific concerns, I am advised that Murrumbidgee Irrigation requires a sufficient number of farmers to make the pipeline viable, but it is not necessary for the project that 100 per cent of farmers have to agree to the pipeline project. The reason why this pipeline project is a source of water savings is that piping will save a significant amount of water from a reduction in seepage and evaporation that results from distributing water through the current earthen channel system. There are no viable or alternate management changes that Murrumbidgee Irrigation could apply to address these water losses and deliver significant water savings. In addition, I am advised the system cannot be operated out of Barren Box Storage and Wetland because it is not an off-take point but rather a natural drainage point for the Murrumbidgee Irrigation Area.

I understand that you have experienced flooding in the recent past, along with many other farmers in your region, as Murrumbidgee Irrigation took action to cope with a very significant flood event. Floods and droughts are a natural feature of our climate and may occur again in the future, water infrastructure managers are responsible for ensuring that flood waters are dealt with in an appropriate manner to ensure that change arising from these natural events is mitigated as far as possible.

In relation to the delivery of your stock and domestic water supply through pipelines to ground tanks or water troughs, it is unlikely to lower your production as Murrumbidgee Irrigation has committed to deliver the same volumes of water, which would also be more secure and controllable than the current system.

I encourage you to continue to work with Murrumbidgee Irrigation and the Wah Wah Stock and Domestic Water Users Association to find solutions to the issues you have raised.

Thank you for taking the time to write on this matter.

Yours sincerely

Simon Birmingham

Senator Simon Birmingham

Senator the Hon Simon Birmingham

Parliamentary Secretary to the Minister for the Environment | Liberal Senator for South Australia

Adelaide: 61 Henley Beach Road Mile End SA 5031 | **T:** (08) 8354 1644 | **F:** (08) 8354 1655

Canberra: Parliament House Canberra ACT 2600 | **T:** (02) 6277 3198 | **F:** (02) 6277 5982

E: senator.birmingham@aph.gov.au **W:** www.senatorbirmingham.com.au



From: Mywurlie Pastoral Company [<mailto:>]

Sent: Thursday, 12 December 2013 7:49 AM

To: Birmingham, Simon (Senator)

Subject: Pipeline Proposal

Dear Senator Simon Birmingham, I writing to you to reconsider \$42 million of taxpayer funds being allocated by the former labor government to a pipeline project west of Griffith Nsw .In light of the huge budget constraints ,this money need not be spent.My family have farmed in this district since 1881.I have attatched a copy of the letter I sent to Murrumbidgee Irrigation Board directors for their upcoming meeting at which they will be making a decision on this project ,I trust you can have some influence on this matter,yours sincerely Paul Porter

The Board of Directors (Murrumbidgee Irrigation)

I write to you to table, consider and discuss openly the imminent decision to pipe water over the replacement of the current channel system supplying stock and domestic water to western Wah Wah water users.

I am totally opposed to the current pipeline proposal including tanks and troughs. You are about to make all properties unviable with the increase in maintenance, time and sheer cost, not only to implement on farm works but on going expenses associated with the day to day running of this system. It is known that a twenty percent loss in production in on farm grazing can be expected with a pipe water scheme as opposed to farm dams. I don't think any business can withstand this. A professor from the University of Queensland recently published in 'The Land' newspaper difficulties coming to terms with the mindless agenda by government and its water instrumentalities in enforcing over capitalisation and over burden of costs on farmers in view of saving water when some smart upgrades of current channel systems would lead to more cost effective and sustainable outcomes.

Your water saving model is quite hypocritical considering you have a natural catchment and storage below Griffith that if run properly could adequately supply the current system, also reducing the downstream flooding on the Mirrool Creek to which yet, I have seen no concrete management plan on how you intend to run the floodway and lower Mirrool Creek into the future. One hundred thousand megs was totally wasted last year when an admission by your own management staff quoted at a Mirrool Creek meeting that they had the flooding under control and contained after a month but continued flooding four to five months after this time causing great cost and management problems to downstream land holders. I thought MI was predominately in the business of selling water not wasting it.

The basis of this pipe scheme being implemented was to prevent so called wastage of water. On investigation of the current allocation of 2065 megs it seems far inadequate based on most other stock and domestics schemes throughout the state. The current rated area allocation equates to 0.008 megs per hectare. On contacting the NSW Office of Water most other schemes work on a minimum of 0.015 megs per hectare up to 0.03 megs per hectare at the highest. On this basis your current allocation modelling is far too low, the correct allocation should be in the vicinity of 4500 to 6000 megs. Murrumbidgee Irrigation and/or The NSW Office of Water need to explain in detail how such a low-ball allocation was ever arrived at. My point is, we are being held to ransom on water wastage based on an incorrect figure which you are using to fund this project, and no one seems willing to answer this huge disparity.

At the initial meetings with MI on the piping project, 100% support was required for the project to proceed. There is far from unanimous support. It is interesting that no comparable costings on upgrades in water delivery of the current S&D system of what they are currently about to implement, and the cost in buying extra allocation if needed, to supply the present system. An alternative to spending 42 million of taxpayer's funds should be considered at the very least.

The biggest loser in your proposal will be the environment. Many native animals, birds, reptiles and microclimates of flora will be destroyed particularly ground moving species who will not get a drink at a trough. The Wah Wah channel system is the lifeblood of this environment; it doesn't bear

thinking about if it is shut down. Also no social or economic impact study has been done to assess what ongoing affect it will have on this region. Recently my bank manager was on farm and he suggested that land would be devalued by getting rid of the channels.

The proposal also takes the form of transferring ownership of the scheme to a private PID. This concerns me particularly when people are being asked to sign up for something that we don't know what our water bills will cost into the future, yet you are happy to transfer ownership on this basis, highly questionable I would've thought particularly when no one has experience in running a pipe scheme of this magnitude.

Lastly I would like to make mention on how we are supposed to fight large grass fires in the region when pipe schemes all over Australia have failed deliver in this process. A case in point being, the Eyre Peninsula Fires and the Conargo/Jerilderie Fires. The pipe line system failed to supply water at the fire and afterwards, many stock perished not from fire but died of thirst, tanks, troughs and pipelines melted, the systems had to be turned off. Fire units had to travel up to 60 kms to obtain water making the whole process quite inadequate.

I cannot stress enough your consideration on how you are about to change this region.

Yours Sincerely,

Paul Porter



The Hon. Barnaby Joyce MP

Deputy Prime Minister
Minister for Agriculture and Water Resources
Leader of The Nationals
Federal Member for New England

Ref: MC16-006931

Mr Matthew Ireson

30 AUG 2016

NSW

Dear Mr Ireson *Matthew*

Thank you for your email of 21 July 2016 about the Wah Wah Stock and Domestic pipeline project (Wah Wah project). As you are aware, funding for the Wah Wah project is being provided by the Australian Government through the Murrumbidgee Irrigation (MI) modernisation project under Round 2 of the Private Irrigation Infrastructure Operators Program (PIIOP) in NSW.

The government is committed to meeting its obligations under the Funding Agreement with MI, including delivery of the Wah Wah project. The conveyance water savings to be realised from the project will assist in meeting the objectives for water recovery in the Murrumbidgee catchment under the Murray-Darling Basin Plan. While MI is seeking agreement from a majority of participants in order to make the project viable, the Funding Agreement does not require 100 per cent of proponents to support the project in order for it to proceed.

You have raised concerns that it appears landholders are being forced to sign up to a specific water delivery option and the project has the potential to disadvantage businesses financially. In fact, the funding for the Wah Wah project was requested through a joint submission between the Wah Wah landholders and MI. The government agreed to fund the project on the basis of this submission and the benefits the project will realise for both proponents and the environment. These benefits will include improved delivery system efficiency, increased water security for landholders and reduced conveyance water losses from seepage and evaporation.

Previous government investment in similar stock and domestic pipeline projects has resulted in improved stock carrying rates due to greater reliability of water supply and reports of improved work-life balance for landholders as a result of automated systems, which can also bring the prospect of improved farm revenue. The department is satisfied that you are guaranteed the continued supply of your current stock and domestic water entitlement under the proposed new arrangement.

I therefore encourage you to continue to work with MI to resolve your concerns about the Wah Wah project and to seek a satisfactory resolution for your farming business and your current and future water delivery needs.

Thank you for bringing your concerns to my attention.

Yours sincerely

Barnaby Joyce MP



The Hon. David Littleproud MP

Minister for Agriculture and Water Resources
Federal Member for Maranoa

Ref: MC18-014232

The Hon. Sussan Ley MP
Member for Farrer

25 JUN 2018

Dear Ms Ley

Thank you for your representations of 10 May 2018, on behalf of Matthew and Sandra Ireson of Belmont, Booligal, New South Wales, regarding the construction of a Stock and Domestic water delivery pipeline in the Wah Wah district near Griffith, New South Wales, by Murrumbidgee Irrigation Limited (MI), which is being funded under Round two of the Commonwealth Private Irrigation Infrastructure Operators' Program in New South Wales (PIIOP). I apologise for the delay in responding.

I am advised that MI received funding of \$175,122,911 under PIIOP Round two and will transfer water entitlements to the Australian Government that will return 37,521 megalitres every year on average over the long term to help bridge the gap in the Murrumbidgee catchment. Project construction is expected to be completed by June 2019 and involves eligible activities under the Program, including:

- replacing one-third of the Scheme's open channels with a pumped pipeline system in the Wah Wah area, linked to an on-farm pipe and trough system
- automation and refurbishment of irrigation channels and channel control structures
- replacing concrete and earthen channel infrastructure with piped systems; and
- on-farm infrastructure upgrades and works.

MI's proposed Wah Wah Stock and Domestic pipeline was approved for funding as it met the funding criteria under the PIIOP funding guidelines. The Wah Wah pipeline sub-project will deliver savings of 9,000 megalitres of conveyance water, previously lost through evaporation and seepage in the open channel network which is due for decommissioning later this year.

A group of nine landholders, known as the Alternative Supply Group (ASG) and including Mr Ireson, do not support the new pipeline project as the open channel systems currently used to convey water allocations and accessed by their stock will no longer be in service. Mr Ireson argues he should receive his recent historical level of water supply (which includes conveyance water and greatly exceeds his actual entitlement) but which will not be continued under the new Wah Wah pipeline arrangements. The ASG has engaged legal representation against MI on this matter.

Mr Ireson has previously written to the previous Minister for Agriculture and Water Resources about his concerns. The Department of Agriculture and Water Resources (DAWR) has also been regularly updated by MI about its ongoing negotiations with the ASG and its representatives. MI recently developed an alternative supply proposal for the ASG; however, on current costings it is not commercially viable. At the end of May 2018, the ASG put forward its own alternative proposal which is priced at a substantially lower cost which is currently under consideration.

This is a commercial matter which needs to be resolved between MI and the ASG. DAWR Officers will continue to liaise with both parties and assist them toward a resolution of their differences. However, I note that Mr Ireson has recently raised with you allegations of impropriety by MI. In view of the nature of these allegations, which you have provided to my office, the information has been forwarded to the Department for appropriate investigation.

Thank you for bringing the Ireson's concerns to my attention.

Yours sincerely

DAVID LITTLEPROUD MP

From:
To: [Murray Darling Basin Royal Commission](#)
Subject: FW: Ministerial Response Hon David Littleproud
Date: Monday, 2 July 2018 2:03:51 PM

Carolyn, reply Susan Ley to Email from Matt Ireson, regards Paul Porter ASG

From: Sandra Matt Ireson
Sent: Friday, 29 June 2018 2:29 PM
To: Paul Porter
Subject: FW: Ministerial Response Hon David Littleproud

From: Sandra Matt Ireson
Sent: Friday, June 29, 2018 2:27 PM
To: 'farrer@aph.gov.au'
Subject: FW: Ministerial Response Hon David Littleproud

Dear Susan,

Thank you for your correspondence received from The Hon. David Littleproud, MP, Minister for Agriculture.

The ASG would like to clarify some misconceptions in the letter dated 25th June 2018. The letter mentions, **“Mr Ireson argues he should receive his recent historical level of water supply (which includes conveyance water and greatly exceeds his actual entitlement) but which will not be continued under the new Wah Wah pipeline arrangements.”**

Extract from the Commission’s Report- Volumetric allocation scheme for the Murrumbidgee Valley, May 1983.

Re: Stock and Domestic Allocations
(c) for new applicants for licenses for stock supply only, 0.015 ML per hectare from the outset.

As previously mentioned regarding the WWS&D district, landholders have no access to irrigation and are solely a stock and domestic system. This problem has only become apparent with the pipeline proposal now that it will be metered. MI recently provided our 2018-19 schedule of charges, where WWSD landholders are classified as, **“customers with stock and domestic rights in the Wah Wah Stock and Domestic District. These customers are supplied through large earthen open channels twice per year into in-ground tanks.”** Landholders understand the pipeline proposal was to replace the conveyance losses with the delivery of stock and domestic requirements via the open-channel system. The efficiency and amount of conveyance water apportioned to the WWS&D area of operation needs to be fully investigated, as it appears from previous correspondence that current system may have been misquoted. Landholders like the ASG who wish to retain and maintain existing infrastructure on-farm ground tanks (History of Use), should be supported in doing so.

The WWS&D system received a volumetric allocation of 0.008 ML /ha in the 1990's. The WWS&D system was incorrectly classified as irrigation and stock and domestic supply channels. Clarification from State Water agrees landholders were under allocated.

The ASG believe if an allocation of 0.015 ML/ha was honored, landholders would have sufficient allocation to replicate the current system and provide a pipeline to existing on-farm ground tanks. In Mr Ireson's case this would not greatly exceed the current entitlement as stated. The proposal, under consideration (Channel 10 low-head), would provide a sustainable stock and domestic supply to landholders wanting to retain on-farm infrastructure.

MI is currently purchasing excess Stock and Domestic allocation from landholders in the WWS&D area that have committed to the Gunbar Water pipeline. Stock and Domestic Water Access Licence's (WAL's) are for specific purpose only, **"Water taken under a domestic and stock right may be used for normal household purposes around the house and garden and/or for drinking water for stock. It cannot be used for irrigating fodder crops for stock"** etc. Basically, domestic consumption only. The ASG are wondering why this surplus Stock and domestic allocation couldn't be re allocated to the channel 10 low-head proposal for stock and domestic consumption only, otherwise what is MI's intention for this water?

Landholders were misled into believing the Wah Wah pipeline proposal would maintain existing on-farm ground tanks. MI stated in the design process for landholders that, **"The water will be supplied onto the farm into your preferred option of existing ground/tanks or tanks/troughs."**

In correspondence received from The Hon. Simon Birmingham, dated 24th December, 2013, to Ms McConnell. It was stated, **"I am also advised that landholders have the option to have the pipeline discharge into either troughs or ground tanks, which would make it possible for you to avoid the maintenance costs mentioned in your email. The delivery of your Stock and domestic water supply through the pipeline to your ground tanks is unlikely to lower your production as MI has committed to deliver the same volumes of water entitlement to its customers. The new scheme would have the added benefit of providing a more reliable, secure and controllable water supply than the current system."**

MI also stated,

"If the Wah Wah Stock and Domestic customers, as a group, want to exit the scheme and not have access to MI's infrastructure and service, it will require agreement from one hundred per cent of landholders.

If this is the case, the Wah Wah customers will need to develop and present their own proposal to MI. As a minimum, this proposal would need to include a strong business case that addresses all financial, social, environmental and governance risks.

We (MI) have a commitment to the on-going supply of water to the WWS&D customers. We (MI) need to be assured that any alternative arrangements are fully supported and workable before we can consider withdrawing from this commitment."

The ASG are encouraged that the channel 10 low-head option is under consideration and that Department will be investigating recent findings where MI may have provided incorrect, false or misleading information regarding the funding agreement with the Commonwealth. The Statutory Declaration that was provided in good faith, due to the unfair treatment of landholders, is

believed to be a true indication of MI's impropriety. The ASG believe the individual has now been pressured to retract the Statutory declaration which is of great concern to the ASG.

It must be noted that ASG sole interest is in developing an alternative stock and domestic supply system that replicates the current stock and domestic system, for the future viability and sustainability of generations to come.

Regards Matt Ireson (on behalf of the ASG)

From: Golden, Lindy (S. Ley, MP)
Sent: Thursday, June 28, 2018 1:48 PM
To:
Subject: Ministerial Response Hon David Littleproud

Good Afternoon Matt

Sussan is currently in parliament and has just received the attached response from Minister Littleproud, and has asked me to pass it onto you.

You will note the last paragraph where the Minister has made reference to your recent correspondence and we will update you on any further information received.

Kind regards
Lindy

Lindy Golden, Electorate Officer
Office of THE HON SUSSAN LEY MP

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Murrumbidgee
Irrigation

4 June 2018

-2186

M E Ireson & S H Ireson

Dear Customer

At Murrumbidgee Irrigation, it is our job to deliver you the service you want, at a fair price and in the possible best way. Enclosed is our schedule of charges for 2018/19 which demonstrates the results of our efforts this year. In short, our efforts mean that we have been able to contain price increases to CPI and reduce the Delivery Entitlement (DE) charge.

To achieve this, we have focused on delivering your water more efficiently and reducing unnecessary administration and other costs. We have also worked with our customers to change our supply network to better meet their needs.

The reduction in the DE price is something that I'm particularly proud of and am committed to seeing continue. It is largely a result of our expansion projects where we have listened to customers and changed our network to better meet their service needs. Essentially, customers have co-invested with us to increase capacity in parts of our network in return for a higher assured flow rate.

Outside of these projects, changed farming practices are also driving an increased interest in DEs. We are seeing a move to farmers wanting higher flow rates for shorter durations across some areas. All of this means that we have issued over 84,000 new DEs this financial year. As a direct result, the DE charge has reduced for all customers. This is because we are largely a fixed cost business. If you would like more information on DEs I encourage you to contact our Customer team on [REDACTED]

Finally, I'd like to take this opportunity to tell you about another change we are making to better meet customers' service needs. This winter, rather than shutting down the Main Canal and providing limited windows for winter watering, we are keeping the network open with localised service interruptions where inspections or maintenance are required. Information on localised closures will be posted on our website and again I encourage you to contact our Customer team if you have any concerns.

Yours sincerely

[REDACTED]

Brett Jones
Chief Executive Officer