

40TH PARLIAMENT



Public Accounts Committee

Report 9

WHERE TO FROM HERE?

The status of the Ord-East Kimberley Development Plan

(Follow-up of agency response to Auditor General's Report No. 20 of 2016)

Presented by
Dr A.D. Buti, MLA

March 2019

Committee Members

Chair	Dr A.D. Buti, MLA Member for Armadale
Deputy Chair	Mr D.C. Nalder, MLA Member for Bateman
Members	Mr V.A. Catania, MLA Member for North West Central
	Mr S.A. Millman, MLA Member for Mount Lawley
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Presented by

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Laid on the Table of the Legislative Assembly on 21 March 2019

Chair's Foreword

Performance audit reports by the office of the Auditor General generally include recommendations designed to help the audited agency address identified shortcomings, thereby facilitating a more efficient use of public money. Yet there is no formal requirement for agencies to provide a response to these recommendations and the Auditor General has no authority to demand one.

Consequently, in Western Australia (WA), the Public Accounts Committee (PAC) undertakes agency follow-ups, usually after a minimum of twelve months—to find out what actions the agency has taken in response to the audit recommendations. Depending on the adequacy of these responses, the committee can issue a report with its own recommendations requesting further action around issues raised in the audit or the follow-up.

In this, our fourth agency follow-up report since the 2017 State election, we focus on Auditor General's Report No. 20 of 2016, which examined the Ord East-Kimberley Development Plan, an infrastructure initiative comprising two key elements - the Ord Irrigation Expansion Project (OIEP), and the East Kimberley Development Package (EKDP).

In relation to this agency follow-up and report, I would like to acknowledge the work and diligence of my fellow committee members—Deputy Chair, Mr Dean Nalder, Member for Bateman; Mrs Lisa O'Malley, Member for Bicton; Mr Simon Millman, Member for Mount Lawley; and Mr Vince Catania, Member for North West Central. Further, on behalf of the committee, I would like to thank our secretariat: Principal Research Officer Mr Timothy Hughes, and Research Officer Dr Sam Hutchinson, for their excellent assistance and support.

The State and Commonwealth governments launched the OEKD Plan in December 2009 as a co-funded \$415 million stimulus package. The OEKD Plan reflected the long-standing desire of both levels of government to expand the Ord River Irrigation Area, which has been operating since the early 1970s. When the State Government in 2009 initially allocated \$220 million for the OIEP, the then Premier, Hon. Colin Barnett MLA, and the then Minister for Housing; Racing and Gaming, Hon. Brendon Grylls MLA, said the funding was made with a view to doubling the Ord Irrigation Area to 28,000 hectares (ha) of land for agriculture. As the Auditor General noted, the 2009 OEKD Plan also aimed to 'develop a sustainable and stronger [local] economy and improve the socio-economic outcomes for Aboriginal people in the East Kimberley.'

The Auditor General's September 2016 audit report assessed how effectively the [then] Department of Regional Development (DRD) implemented the Ord-East Kimberley

Development Plan (OEKD Plan) and whether the intended socio-economic benefits to the community were achieved. The Auditor General remarked that the OEKD Plan had delivered 'mixed results.' Of the eleven key findings in the report, nine were highly critical while the other two contained qualified criticisms.

The Auditor General acknowledged that all infrastructure associated with the Plan was now in place. However, the reality was that a two-year \$415 million project had taken seven years and cost \$529 million to complete. While the 27 projects linked to the Commonwealth-funded EKDP were delivered to budget, some of these were delayed by up to three years.

The results for the OIEP, funded and administered exclusively by the State, were even worse. The audit found that 'the costs to the State [had] gone up in all areas' of the OIEP component of the Plan and that the irrigation expansion work had taken three years longer than expected to finish. The cost increases amounted to an additional \$114 million for the OIEP. The largest increase in terms of total dollars, was for irrigation construction activities (\$59 million over budget), while the largest increase in percentage terms was for a 250-bed workers' camp, which cost \$24.1 million against an original estimate of \$10 million. The Auditor General attributed these cost and time overruns to a 'lack of detailed planning' and an 'underestimation' of the complexity of the irrigation construction work and the land development.

The fact there was 'no specific business case or detailed costings undertaken for the entire project' also contributed to the overruns. Nor did the former DRD prepare a revised budget or costings when it sought the \$91 million of additional funding in 2011 to cover the higher than expected construction costs.

The Auditor General's 2016 audit report made four recommendations to the (then) Department of Regional Development to implement by December 2016. During debate in Parliament on 7 September after the tabling of the audit report, the then Minister for Regional Development, Hon. Terry Redman, MLA, gave the following undertaking regarding the audit report recommendations: '... we will put those four recommendations in place. There is no doubt that we will respond to this; it is very important that we do'.

Unfortunately, the former Minister's undertaking has not been fully realised. There has been mixed results around the Department of Primary Industry and Regional Development's (DPIRD) subsequent response to the audit recommendations. We feel that while the Department has taken some actions against each recommendation, it has fully satisfied the requirements of only one of them, which called for the development lease at Goomig to be finalised. Even here, the Department completed the required actions almost a year later than the timeframe put forward by the Auditor General.

In its initial response to the audit report, the former Department of Regional Development made some ambitious forecasts around the potential area of land under irrigation by 2021 (up to 30,000 hectares). Given the delays in establishing commercial arrangements at Goomig, and the failure as yet to finalise development leases on five other major landholdings, these forecasts appear increasingly speculative.

The Auditor General's second recommendation called for improved reporting processes around the status of key aspects of residual projects linked to the OEKD Plan. We recommend that DPIRD ensure its new reporting tool applies to all outstanding aspects of the OEKD Plan, and that it promptly advises the Minister of any further variations to timelines and costs.

We are concerned with DPIRD's response to the Auditor General's third recommendation, which was to review the State's objectives and role for the future development of the Ord, and to make recommendations to the Government around future governance arrangements. We were disappointed to observe DPIRD's failure to properly address either of this recommendation's component parts. The Department must address this recommendation as a matter of urgency.

The Auditor General's fourth recommendation sought the establishment of key performance indicators and measures of success for projects arising from the OEKD Plan, or any future government investment in the Ord region, including a formal review and reporting framework. It is encouraging to see the work DPIRD has put in to developing a Monitoring and Evaluation Framework to apply to future investments, although we have recommended some refinements to provide a more meaningful evaluation regime.

Unfortunately, opportunities to assess the overall impact of the OEKD Plan appear far more limited. There is a paucity of data around the socio-economic benefits from the OEKD Plan, largely due to a failure to establish baselines for relevant criteria when the Plan was launched. In addition, DPIRD was unable to provide the latest crop yield data from the Goomig landholding due to commercial-in-confidence issues within the development lease. While little can be done regarding the failure to establish baseline data, it is incumbent on DPIRD to ensure current data associated with any project of such magnitude is available when requested by the Parliament or its committees.

In conclusion, I make the following comments.

The OEKD Plan is a laudable and ambitious undertaking but to a large extent it has been a ten-year failure. The performance of the relevant agency and the promised undertakings of responsible Ministers in the previous government has been wanting in many aspects. However, there are some positive responses to 2016 recommendations from the Auditor General, but much more needs to be done. Concerns still remain.

To fully realise the vision of the OEKD Plan, the DPIRD under the stewardship of the current Minister for Regional Development, the Hon. Alannah MacTiernan, must more fully enact the Auditor General's recommendations and we respectfully say, the recommendations contain within this report that I table today.

DR A.D. BUTI, MLA
CHAIR

Contents

Executive Summary	i
Ministerial Response	v
Findings and Recommendations	vii
1 Audit finds Ord-East Kimberley Development Plan has delivered mixed results	1
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Scope of audit report: implementation of the Ord-East Kimberley Development Plan	1
Audit report findings mostly critical	3
Audit recommendations target improved management and outcomes	5
2 Committee follow-up of agency response	7
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Department delivers a mixed response to audit recommendations	8
Goomig Development Lease finalised and executed eleven months later than anticipated	8
Level of agricultural development yet to reach the scale originally envisaged in the Ord-East Kimberley Development Plan	10
Some steps taken to improve project reporting	11
Despite these changes, ongoing rigour and greater transparency in reporting is required	13
Future objectives and governance arrangements remain unclear	14
The Department needs to be more strategic and less reactive	16
Framework to assess benefits of the Plan still not fully developed	18
The Department has focused more on ensuring effective performance reporting processes for future projects	20
Departments should give more emphasis to establishing evaluation regimes during the planning stages of major projects and programs	22

Appendices	25
1 Public Accounts Committee's role in following up reports from the Auditor General	25
2 Pre-hearing submission from the Department of Primary Industries and Regional Development	27
3 Transcript of hearing with the Department of Primary Industries and Regional Development	29
4 Department's response to further questions	45
5 The Ord-East Kimberley Project - Outcomes as at January 2014	51
6 Committee's functions and powers	53

Executive Summary

The Ord-East Kimberley Development Plan (OEKD Plan) is a laudable but ambitious undertaking, the outcomes of which are yet to match the rhetoric that accompanied the Plan's launch in December 2009.

The OEKD Plan started out as a \$415 million stimulus package co-funded by the State and the Commonwealth governments. The Western Australian Government initially allocated \$220 million for the Ord Irrigation Expansion Project, an infrastructure initiative designed to double the amount of farmable land in the Ord Irrigation Area to 28,000 hectares. A total of \$195 million in Commonwealth funding was committed to 27 social infrastructure projects collectively referred to as the East Kimberley Development Package. The former Department of Regional Development oversaw the Ord Irrigation Expansion Project, while the Department of State Development coordinated the majority of the Commonwealth-funded activities.

In 2016, the Auditor General conducted a performance audit of the OEKD Plan. The audit assessed how effectively the responsible State agencies implemented the OEKD Plan. The audit also considered whether the OEKD Plan had delivered its intended socio-economic benefits to the local community.

In a highly critical report, the Auditor General noted significant delays in the delivery of key infrastructure and cost blowouts. As a result, what was initially promoted as a two-year \$415 million enterprise took seven years and cost \$529 million to complete. The \$114 million increase was entirely attributable to the Ord Irrigation Expansion Project, which saw costs exceed budget in all areas. These added costs were borne exclusively by the State, and delays on delivering the irrigation infrastructure had affected the timely development and subdivision of a key landholding at Goomig.

The Auditor General described the OEKD Plan's governance structures as 'detailed' but 'complicated', and lacking the level of oversight the audit team were expecting. Significantly, the audit concluded that the OEKD Plan had not yet delivered the sustained socio-economic benefits originally intended. Nor did there appear to be any processes in place to monitor and measure these benefits going forward.

The Auditor General directed four recommendations to the Department of Regional Development for improving the governance arrangements and outcomes of the OEKD Plan, and the future development of the Ord. The Department, and the responsible Minister at the time, publicly committed to implementing the recommendations, all of which had an implementation deadline of December 2016.

We resolved to follow this audit report up via a public hearing with the Department of Primary Industries and Regional Development (DPIRD), which had succeeded the

Department of Regional Development under the Machinery of Government changes of mid-2017. Following the hearing, held on 20 June 2018, we sent DPIRD a series of further written questions.

Ultimately, we feel that while DPIRD has taken some actions against each of the four recommendations, it has only fully implemented the first, which called for the development lease at Goomig to be finalised. Yet even this took 11 months longer than the timeframe agreed to by the former Department of Regional Development and the Auditor General.

In its initial response to the audit report, the former Department of Regional Development made some ambitious forecasts around the potential area of land under irrigation by 2021 (up to 30,000 hectares). Given the delays in establishing commercial arrangements at Goomig, and the failure as yet to finalise development leases on five other major landholdings, these forecasts appear increasingly speculative.

The Auditor General's second recommendation called for improved reporting processes around the status of key aspects of residual projects linked to the OEKD Plan. While DPIRD has now established a quarterly dashboard-reporting tool, some ambiguity remains as to whether the Department will apply it to projects linked to the OEKD Plan, or only to future unrelated projects. Accordingly, we have recommended DPIRD ensure its new reporting tool applies to all outstanding aspects of the OEKD Plan, and that the Department promptly advises the Minister of any further variations to timelines and costs.

We remain most troubled by DPIRD's response to the Auditor General's third recommendation, which was to review the State's objectives and role for the future development of the Ord, and to make recommendations to the Government around future governance arrangements. We were disappointed to observe DPIRD's failure to properly address either of this recommendation's component parts. In particular, we feel DPIRD has had ample time to develop an informed strategy outlining its ongoing objectives for the OEKD Plan and the likely return on the State's investment. The failure to do so raises the question 'where to from here?' for a \$529 million initiative that has already absorbed \$334 million of Western Australian taxpayers' money. We have recommended DPIRD address this issue as a matter of priority.

The Auditor General also recommended the establishment of key performance indicators and measures of success for projects arising from the OEKD Plan, or any future government investment in the Ord region. Here, it was encouraging to see the work DPIRD has put in to developing a Monitoring and Evaluation Framework to apply to future investments. While this framework should prove to be a useful resource, we have nonetheless suggested some refinements we believe will lead to a more meaningful evaluation regime moving forward.

Unfortunately, opportunities to assess the overall impact of the OEKD Plan appear far more limited. There is a paucity of data around the socio-economic benefits from the OEKD Plan, largely due to a failure to establish baselines for relevant criteria when the Plan was launched. In addition, DPIRD was unable to provide the latest crop yield data from the Goomig landholding due to commercial-in-confidence issues within the development lease. While little can be done regarding the failure to establish baseline data, it is incumbent on DPIRD to ensure current data associated with any project of such magnitude is available when requested by the Parliament or its committees.

Ministerial Response

In accordance with Standing Order 277(1) of the Standing Orders of the Legislative Assembly, the Public Accounts Committee directs that the Minister representing the Minister for Regional Development report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the Committee.

Findings and Recommendations

Finding 1

Page 8

The Auditor General's 2016 report *Ord-East Kimberley Development* directed four recommendations to the former Department of Regional Development (now the Department of Primary Industries and Regional Development). While the Department has taken some actions against each recommendation, it has fully satisfied the requirements of only one of them: the requirement to finalise and execute the Goomig Development Lease. All other recommendations remain incomplete, despite a 2016 undertaking from the former Minister for Regional Development that all recommendations would be implemented.

Finding 2

Page 9

The Director General of the Department of Primary Industries of Regional Development confirmed that an unwieldy governance structure involving too many agencies contributed to the delay in finalising and executing the Goomig Development Lease. While the Department now has a simplified governance structure in place, the effectiveness of this structure remains somewhat untested with Goomig the only landholding linked to the Ord-East Kimberley Development Plan to progress to the development lease stage.

Finding 3

Page 11

In September 2016, the former Department for Regional Development advised the Auditor General that the total land under irrigation in the Ord-East Kimberley area would double from 15,000ha in 2011 to at least 30,000ha by 2021. We find it difficult to see how this target will be realised. While a development lease has been signed covering 6,665ha of the Goomig landholding, only 2,200ha of this land is under irrigation. Development leases are yet to be finalised for five other major landholdings representing over 11,000ha of irrigable land.

Finding 4

Page 11

The late delivery of key road and irrigation infrastructure, coupled with the current inability to finalise development leases on at least five major landholdings, has delayed the realisation of the sustainable economic benefits from agricultural development originally envisaged in the 2009 Ord-East Kimberly Development Plan.

Finding 5

Page 14

The Director General's Steering Committee established to oversee the implementation of the Ord-East Kimberley Development Plan has been disbanded. In its place, an Ord Responsible Agencies Group (ORA Group) has been formed comprising senior officers from the Department of Primary Industries and Regional Development; the

Department of Planning, Lands and Heritage; and the Department of the Premier and Cabinet. The ORA Group's role is to ensure there remains appropriate consultation and collaboration across Government relating to the residual aspects of the Ord-East Kimberley Development Plan.

Finding 6

Page 14

Following criticisms from the Auditor General regarding the quality of project reporting that went to the former Director General's Steering Committee, the Department of Primary Industries and Regional Development has created a quarterly dashboard to monitor financial and performance targets on future projects managed by the Department. While this is a positive development, it remains unclear as to whether quarterly dashboard reporting will apply to the residual aspects of projects associated with the Ord-East Kimberley Development Plan.

Recommendation 1

Page 14

The Department of Primary Industries and Regional Development implement a regime whereby it prepares quarterly dashboard reports on all outstanding matters relating to the Ord East-Kimberley Development Plan for consideration by the Ord Responsible Agencies Group at its bi-monthly meetings. Any confirmed variations to project costs or key timelines should be promptly and directly reported to the Minister for Regional Development by way of written and verbal briefing.

Finding 7

Page 17

In response to one of the Auditor General's recommendations, the Department of Primary Industries and Regional Development has taken some steps to improve governance processes around projects linked to the Ord-East Kimberley Development Plan. These include establishing the Ord Responsible Agencies Group as a smaller oversight body, and committing to ensure all future infrastructure projects are subject to business cases.

Finding 8

Page 17

The Department of Primary Industries and Regional Development is yet to formally review or confirm the State's objectives for the future development of the Ord, despite the Auditor General recommending the Department do this by December 2016.

Recommendation 2

Page 17

The Department of Primary Industries and Regional Development compile and provide to Parliament a detailed list of the State's specific objectives and clarification of its role for the future development of the Ord region within the next six months.

Recommendation 3**Page 18**

The Department of Primary Industries and Regional Development improve its governance arrangements by ensuring its officers adhere to all elements of the Department of Treasury's Strategic Asset Management Framework, in particular the requirement for business cases, and that all infrastructure projects over \$100 million in value are subject to Gateway Reviews.

Finding 9**Page 19**

The Department of Primary Industries and Regional Development is not aware of any significant review or evaluation undertaken by either the Commonwealth Government or the former Department of State Development, to assess the ongoing socio-economic benefits arising from the 27 projects linked to the \$195 million Commonwealth-funded component of the Ord-East Kimberley Development Plan.

Finding 10**Page 20**

The Department of Primary Industries and Regional Development was unable to provide data on crop yields for the 2,200 hectares of land currently being farmed by Kimberley Agricultural Investments PTY Ltd (KAI) at Goomig. Instead, the Department advised us that the data was 'best sourced direct from KAI if required' due to the 'commercial nature' of the information. We find it highly concerning a parliamentary committee cannot obtain such key data from the responsible department when it relates to a \$334 million investment of State money.

Recommendation 4**Page 20**

The Department of Primary Industries and Regional Development ensure that commercial-in-confidence issues within lease agreements related to the Ord-East Kimberley Development Plan do not preclude relevant public sector agencies from being able to provide accurate data on crop yields, or any other performance indicator, when requested by the Parliament in future.

Recommendation 5**Page 22**

The Department of Primary Industries and Regional Development finalise its Monitoring and Evaluation Framework within the next six months and have it ready to apply to all future investments of public money overseen by the Department. The finalised version of the Framework should address the following shortcomings observed in the current draft version:

- No apparent breakdown of construction and ongoing jobs across local, Aboriginal, interstate, and overseas worker cohorts.
- No requirement upon the current developer of the Goomig landholding to report or record Aboriginal participation in its workforce numbers.

- No indication that health and well-being indicators (especially relating to the local Aboriginal population) will be taken into account.

Recommendation 6

Page 22

The Department of Primary Industries and Regional Development commit to regularly publishing the results of its Monitoring and Evaluation Framework on all new major infrastructure investments it oversees.

Chapter 1

Audit finds Ord-East Kimberley Development Plan has delivered mixed results

Success will mean a better future for us all and open the door for future prosperity.

Teddy Carlton, Chair, MG Corporation (2009)¹

- 1.1 In this report, we examine the actions taken by the Department of Primary Industries and Regional Development (DPIRD) in response to the Auditor General’s 2016 performance audit report, *Ord-East Kimberley Development*.

Scope of audit report: implementation of the Ord-East Kimberley Development Plan

- 1.2 The Auditor General’s 2016 audit report assessed how effectively the [then] Department of Regional Development (DRD) ‘implemented the Ord-East Kimberley Development Plan (OEKD Plan) and whether the intended socio-economic benefits to the community were achieved.’²
- 1.3 The State and Commonwealth governments launched the OEKD Plan in December 2009 as a co-funded \$415 million stimulus package. The OEKD Plan reflected the long-standing desire of both levels of government to expand the Ord River Irrigation Area, which had been operating since the early 1970s (see Figure 1 on the following page). The audit report noted that the 2009 Plan aimed to ‘develop a sustainable and stronger [local] economy and improve the socio-economic outcomes for Aboriginal people in the East Kimberley.’³
- 1.4 The OEKD Plan comprised two key elements: the Ord Irrigation Expansion Project (OIEP), and the East Kimberley Development Package (EKDP) (see Figure 2 on page 3).
- 1.5 The State Government initially allocated \$220 million for the OIEP with a view to doubling the Ord Irrigation Area to 28,000 hectares (ha) of land for agriculture.⁴ The OIEP involved the delivery of water and infrastructure to service 8,000ha of the Goomig

1 Department of Regional Development, *Ord-East Kimberley Development Plan*, 3 December 2009, p. 4.

2 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 5.

3 *ibid.*, p. 14.

4 Hon. Colin Barnett MLA, (Premier), Hon Brendon. Grylls MLA, (Minister for Housing; Racing and Gaming), *National Agreement complements State’s vision for Ord and East Kimberley*, media release, 3 July 2009.

Chapter 1

landholding. It also included the subdivision of the Goomig landholding into as many as 25 lots, and ‘scoping’ for at least another 6,700ha across the Mantinea (4000ha), Ord West Bank (1,300ha) and Packsaddle (1,380ha) landholdings.⁵ DRD was the lead agency for the OIEP and the project was due for completion in 2011.

- 1.6 The EKDP was a program of 27 complementary infrastructure projects designed to ‘meet shortfalls in health, aged care, housing, employment, education and training, family and child services in the region.’⁶ The Commonwealth funded the EKDP through a \$195 million payment under a National Partnership Agreement. The Western Australian Department of State Development (DSD) was responsible for coordinating 21 of the projects, while the Shire of Wyndham-East Kimberley managed the other six. All projects under the EKDP were expected to be complete by June 2010.
- 1.7 The Auditor General described the governance structure for the overarching OEKD Plan as ‘complex’.⁷ At its apex was the Ord Ministerial Council, a body made up of the Premier, the Minister for Regional Development, the Minister for Water, and the Minister for Agriculture and Food. An OEKD Plan Steering Committee, comprising the Directors General or Chief Executives from the relevant agencies, reported to the Ministerial Council. Below this, two project committees—one each representing the OIEP and the EKDP—were set up to report to the Steering Committee.

Figure 1 Timeline of key events that preceded the Ord-East Kimberley Development Plan⁸

- *The first stage of the Ord River Irrigation Area is located around the town of Kununurra. The area became irrigable with the completion of the Ord River Dam in 1971 and it now services 14,000 hectares of farmland.*
- *Over the ensuing decades, the State and the Commonwealth governments contemplated how they could further develop the area to capitalise on the amount of water captured in this part of the Kimberley.*
- *In October 2005, the State Government, traditional owners, and local pastoralists signed the Ord Final Agreement. This agreement paved the way for the development of six major parcels of land: Goomig, Knox, Mantinea, Packsaddle, Ord West Bank, and Ord East Bank. An initial approach to the market failed to elicit sufficient interest, with potential proponents seeking substantial government investment for key infrastructure.*
- *In December 2008, the Cabinet of the State Government approved the allocation of \$220 million of Royalties for Regions funding to expand the Ord River irrigation system.*
- *In July 2009, the Commonwealth Government committed \$195 million through a National Partnership Agreement.*
- *In December 2009, the Ord-East Kimberley Development Plan—which comprised both the State and Commonwealth funding commitments—was announced.*

5 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 5.

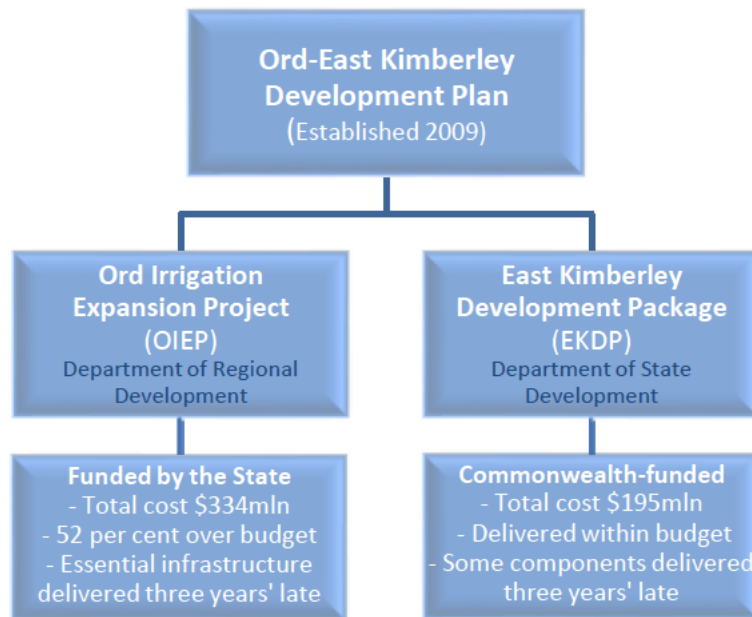
6 *ibid.*, p. 17. Pages 25 and 26 of the Auditor General’s report list the 27 EKDP projects.

7 *ibid.*, p. 21.

8 *ibid.*, pp. 5-6 and 14-15.

Audit finds the Ord-East Kimberley Plan has delivered mixed results

Figure 2 The Ord-East Kimberley Plan at a glance



Audit report findings mostly critical

- 1.8 Upon tabling the audit report, the Auditor General remarked that the OEKD Plan had delivered ‘mixed results.’⁹ Of the eleven key findings in the report, nine were highly critical while the other two contained qualified criticisms.
- 1.9 Arguably, the most damning finding related to the delivery of the OEKD Plan. The Auditor General acknowledged that all infrastructure associated with the Plan was now in place. However, the reality was that a two-year \$415 million project had taken seven years and cost \$529 million to complete.¹⁰ While the 27 projects linked to the Commonwealth-funded EKDP were delivered to budget, some of these were delayed by up to three years.
- 1.10 The results for the OIEP, funded and administered exclusively by the State, were even worse. The audit found that ‘the costs to the State [had] gone up in all areas’ of the OIEP component of the Plan (see Table 1 below) and that the irrigation expansion work had taken three years longer than expected to finish.¹¹ The cost increases amounted to an additional \$114 million for the OIEP. The largest increase in terms of total dollars, was for irrigation construction activities (\$59 million over budget), while the largest increase in percentage terms was for a 250-bed workers’ camp, which cost \$24.1

9 Office of the Auditor General, *Mixed results for \$500 million Ord-East Kimberley*, media release, 7 September 2016.

10 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 14.

11 *ibid*, p. 16.

Chapter 1

million against an original estimate of \$10 million. The Auditor General attributed these cost and time overruns to a ‘lack of detailed planning’ and an ‘underestimation’ of the complexity of the irrigation construction work and the land development.¹²

Table 1 Cost overruns by item of budgeted expenditure¹³

OIEP Expenditure Item	2010 budget (\$m)	Cost by June 2016 (\$m)	Variation (\$m)
Project management/admin	7.4	29.9	22.5
Legal	0.0	3.7	3.7
Environmental	0.2	8.1	7.9
Engineering and planning	16.7	20.6	3.9
Construction (irrigation)	175.7	234.9	59.2
Aboriginal development package	10.0	12.5	2.5
Workers’ camp	10.0	24.1	14.1
TOTAL	220.0	333.8	113.8

- 1.11 The fact there was ‘no specific business case or detailed costings undertaken for the entire project’ also contributed to the overruns.¹⁴ Nor did the former DRD prepare a revised budget or costings when it sought the \$91 million of additional funding in 2011 to cover the higher than expected construction costs.
- 1.12 Delays in delivering the OIEP component of the OEKD Plan had a ‘knock-on effect’ on the timely development and subdivision of the 8,000 ha Goomig landholding.¹⁵ Construction of the irrigation infrastructure to support farming at Goomig was not finalised until December 2014—three years later than expected—and the proposal to market it as a 25-lot sub-division fell through. Ultimately, DRD started moving towards offering the full landholding to a single developer, Kimberley Agricultural Investments Pty Ltd (KAI), in November 2012. By the time of the audit report (September 2016), KAI had 1,600 ha under crop, but a full development lease had still not been finalised and signed. KAI had indicated in June 2016 that it expected to have 4,000 under crop within four months.¹⁶ During the audit inquiry, the State Government confirmed it was committed to further proponent-led (i.e. proponent-funded) development in the Ord region, but it had not yet finalised its future role in this regard.¹⁷

12 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 8.

13 *ibid.*, p. 16.

14 *ibid.*, p. 8.

15 *ibid.*, p. 7.

16 *ibid.*, p. 8.

17 *ibid.*, p. 9.

Audit finds the Ord-East Kimberley Plan has delivered mixed results

- 1.13 Other critical findings centred on the governance arrangements for the OEKD Plan, which were 'not always effective and were not adjusted for changing circumstances and risk.'¹⁸ The governance structure that was in place, while 'detailed', was nonetheless 'complicated', and did not deliver the level of oversight the audit team staff were expecting.¹⁹ Notably, the OEKD Plan Steering Committee had not received 'detailed or consistent updates on financial or contractor performance' during the construction phase of the OIEP.²⁰ In this respect, it appeared to be functioning 'more as an information-sharing body than as a decision-maker.'²¹
- 1.14 Finally, the audit concluded that the 'sustained social and economic benefits underpinning the decision to proceed' with the overarching OEKD Plan 'had not been realised.'²² Nor was any plan in place to track and assess these benefits into the future.

Audit recommendations target improved management and outcomes

- 1.15 The Auditor General directed four recommendations to DRD aimed at improving both the outcomes from the OEKD Plan and the future development of the Ord. The Auditor General recommended DRD 'coordinate by December 2016:
1. finalisation and execution of the Development Lease for Goomig
 2. development of formal progress reporting requirements to ensure the Steering Committee is fully appraised of project status, including appropriate project closure processes following the completion of the Goomig Development Lease
 3. a review of the State's objectives and role for the future development of the Ord, and make recommendations to Government including future governance arrangements
 4. establishment of key indicators and measures of success for the OEKD Plan and any future Government investment in development of the Ord, including a formal review and reporting framework.'²³

18 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 8.

19 *ibid.*, p. 9.

20 *ibid.*, p. 22.

21 *ibid.*

22 *ibid.*, p. 6.

23 *ibid.*, p. 10.

Chapter 2

Committee follow-up of agency response

The agricultural expansion has been long-awaited but this project is more than just farming new irrigation land – it is the opportunity of a lifetime to build the community of Kununurra into a model where there is prosperity for all.

Hon Brendan Grylls MLA, Minister for Regional Development (2009)²⁴

- 2.1 Upon tabling the audit report, the Auditor General said ‘there are a number of lessons the government can learn from this project and any future investment.’²⁵ Two years on, we were interested in finding out the extent to which the responsible department had heeded these lessons. By the time of our follow-up, DRD has been subsumed into the new Department of Primary Industries and Regional Development (DPIRD) following the 2017 machinery of government changes.
- 2.2 Accordingly, we requested DPIRD to appear at a public hearing on 20 June 2018 to discuss the actions it had taken in response to the audit report recommendations. In the lead up to the hearing, DPIRD provided us with a brief written submission. This submission is included in Appendix Two and the transcript of the hearing follows in Appendix Three. After the hearing, we sent a series of further questions, which the Department responded to on 18 July 2018. A copy of that response is provided in Appendix Four.
- 2.3 In conducting our analysis of DPIRD’s response, we have not sought to question the merit of the OEKD Plan, which was a prerogative of the previous government. Indeed, the aspirations behind the Plan seem laudable. However, one of our core functions is to ‘consider whether the objectives of public expenditure are being achieved.’²⁶ This role is especially important when vast sums of public money are spent. It is in the context of this function that we articulate several ongoing concerns around the DPIRD’s response to audit recommendations that were aiming to improve financial administration and oversight of this, and other, major projects.

24 Department of Regional Development, *Ord-East Kimberley Development Plan*, 3 December 2009, p. 4.

25 Office of the Auditor General, *Mixed results for \$500 million Ord-East Kimberley*, media release, 7 September 2016.

26 Standing Order 286(4) *Standing Orders of the Legislative Assembly of the Parliament of Western Australia*, 30 November 2017.

Department delivers a mixed response to audit recommendations

- 2.4 On the day the audit report was tabled, it was the subject of an extensive debate in the Legislative Assembly. During that debate, the then Minister for Regional Development, Hon Terry Redman, MLA, gave the following undertaking regarding the audit report recommendations:

*... we will put those four recommendations in place. There is no doubt that we will respond to this; it is very important that we do.*²⁷

- 2.5 Notwithstanding the intent of the former Minister, we, like the Auditor General before us, have noted mixed results around DPIRD's subsequent response to the audit recommendations. We feel that while the Department has taken some actions against each recommendation, it has fully satisfied the requirements of only one of them. Even here, the Department completed the required actions almost a year later than the timeframe put forward by the Auditor General.

Finding 1

The Auditor General's 2016 report *Ord-East Kimberley Development* directed four recommendations to the former Department of Regional Development (now the Department of Primary Industries and Regional Development). While the Department has taken some actions against each recommendation, it has fully satisfied the requirements of only one of them: the requirement to finalise and execute the Goomig Development Lease. All other recommendations remain incomplete, despite a 2016 undertaking from the former Minister for Regional Development that all recommendations would be implemented.

Goomig Development Lease finalised and executed eleven months later than anticipated

- 2.6 Recommendation 1 in the audit report called on the former DRD to finalise and execute the Goomig Development Lease with KAI by December 2016. The parties ultimately executed the lease on 2 November 2017, thereby allowing KAI to develop and farm 6,665ha of the 8,000ha Goomig landholding.²⁸

27 Hon. Terry Redman MLA, Minister for Regional Development, Legislative Assembly, *Hansard*, 7 September 2016, pp. 5569c-5578a.

28 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att. 1, p. 1. Note the 8,000 ha Goomig landholding includes 419 ha for 'KAI Deferred Clearing Lots' and 368 ha for a 'KAI Vegetation Management Lot.' The draft lease was not executed for these allotments. There is also another 675 ha which, when developed, will be transferred freehold to MG Corporation—who represent the interests of the Miriuwung and Gajerrong native title holders—under the terms of the Ord Final Agreement.

- 2.7 The Goomig Development Lease was executed 11 months later than the timeframe put forward by DRD in its initial response to the audit report²⁹, and almost five years after a heads of agreement was signed with KAI.³⁰ The Director General of DPIRD advised that lease negotiations were protracted and that there had been ‘high degrees of frustration about the time it was taking to resolve the issues.’³¹ However, he acknowledged his judgement in putting forward the late-2016 timeframe to the Auditor General during the audit was ultimately ‘not correct.’³²
- 2.8 We asked the Director General what lessons he had taken from the negotiations with KAI. While qualifying that he commenced his role quite late in the negotiation process, his view was that the ‘development agreement was perhaps unduly complex and onerous.’³³ He also felt that the State ‘had too many agencies involved’ when communicating with KAI.³⁴ This ‘unwieldy’ governance structure meant that ‘too many ducks had to be got in a line before you could make a decision to move forward on an issue.’³⁵ He advised that this issue ‘has subsequently been resolved in a couple of steps’, namely the July 2017 machinery of government changes and the transfer of environmental management responsibilities from the former Department of State Development over to DPIRD.³⁶
- 2.9 It is hoped this simplified governance structure will improve the quality and speed of communications with other prospective proponents, thereby reducing the time taken to finalise future lease agreements. For the moment, however, the effectiveness of the revised governance arrangements remains somewhat untested, with Goomig the only landholding to progress to the development lease stage.

Finding 2

The Director General of the Department of Primary Industries of Regional Development confirmed that an unwieldy governance structure involving too many agencies contributed to the delay in finalising and executing the Goomig Development Lease. While the Department now has a simplified governance structure in place, the effectiveness of this structure remains somewhat untested with Goomig the only landholding linked to the Ord-East Kimberley Development Plan to progress to the development lease stage.

29 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 11.

30 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 3.

31 *ibid.*

32 *ibid.*

33 *ibid.* Note that Mr Addis assumed the role of Director General of the former Department for Regional Development on 11 November 2014.

34 *ibid.*

35 *ibid.*, p. 4.

36 *ibid.*, pp. 3-4.

Chapter 2

- 2.10 It is noteworthy in this respect that in a pre-hearing written submission, DPIRD advised us that ‘developers had been appointed to develop and farm over 18,000 hectares’ across the Goomig, Knox Creek, Mantinea, Ord East Bank, Ord West Bank, and Packsaddle landholdings.³⁷ This statement proved to be inconsistent with subsequent testimony. In response to follow-up questioning, DPIRD confirmed that only 2,200ha of developed land in Goomig is actually under crop. The other five landholdings are only in the ‘planning and approvals stage of development.’³⁸ Moreover, the prospective proponents for Knox Creek, Mantinea, and Ord West Bank, have only signed three-year options to develop the landholdings, all of which expire towards the end of 2019.³⁹ There is no guarantee that these developments will proceed.

Level of agricultural development yet to reach the scale originally envisaged in the Ord-East Kimberley Development Plan

- 2.11 The 2009 OEKD Plan outlined aspirations for sustained economic growth from agricultural development.⁴⁰ The fulfilment of these aspirations was initially undermined by the delayed delivery of essential road and irrigation infrastructure under the Ord Irrigation Expansion Project (OIEP) component of the Plan. Yet even with this infrastructure now in place, many of the anticipated economic benefits will remain elusive without finalised development leases on the five other major landholdings. Already, DPIRD has confirmed that Goomig crop yields have not met the ‘scale anticipated’ in the OEKD Plan ‘due to [the amount of] land available for and in production.’⁴¹ With no other development leases currently signed, the extent to which agricultural development will flourish across the East Kimberley appears largely speculative.
- 2.12 We note that in the 2016 audit report, the former DRD provided a reasonably optimistic updated forecast around the short to medium-term prospects for development:

With the current progress, it can be expected that the East Kimberley will benefit from ongoing farm development for 10-15 years, that the

37 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 13 June 2018, p. 1.

38 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 2.

39 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, pp. 6-7.

40 Department of Regional Development, *Ord-East Kimberley Development Plan*, 3 December 2009, p. 12 and Appendix 2.

41 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 1.

*total area under irrigation will have expanded from 15,000 ha in 2011 to at least 30,000 ha by 2021.*⁴²

- 2.13 We are not privy to the former Department's rationale behind this earlier forecast so we are not in a position to question its veracity. However, we had trouble reconciling the optimism in the 2016 forecast against the information we obtained during our follow-up, so we asked DPIRD whether it remained a realistic estimate. We were not surprised when DPIRD subsequently advised that '[t]he expectation in 2016 regarding timeframes for development has been moderated over the past two years' in light of KAI's experiences in achieving environmental approvals on another nearby parcel of land at Carlton Hill.⁴³ While retaining the view that 30,000 ha under irrigation is 'still achievable', DPIRD conceded 'it will potentially not be met by 2021 unless there are significant changes in approvals timelines'.⁴⁴ As it stands, 2,200ha of crops on the Goomig landholding represents the only new land under irrigation in the East Kimberley.⁴⁵ We therefore find it difficult to believe the Department will meet its 2021 target for land under irrigation.

Finding 3

In September 2016, the former Department for Regional Development advised the Auditor General that the total land under irrigation in the Ord-East Kimberley area would double from 15,000ha in 2011 to at least 30,000ha by 2021. We find it difficult to see how this target will be realised. While a development lease has been signed covering 6,665ha of the Goomig landholding, only 2,200ha of this land is under irrigation. Development leases are yet to be finalised for five other major landholdings representing over 11,000ha of irrigable land.

Finding 4

The late delivery of key road and irrigation infrastructure, coupled with the current inability to finalise development leases on at least five major landholdings, has delayed the realisation of the sustainable economic benefits from agricultural development originally envisaged in the 2009 Ord-East Kimberly Development Plan.

Some steps taken to improve project reporting

- 2.14 Recommendation 2 in the audit report required the Department to develop 'formal progress reporting requirements' so that the OEKD Plan Steering Committee could be 'fully appraised' of the status of key aspects of the overarching project.⁴⁶ These

42 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 11.

43 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 3.

44 *ibid.*

45 *ibid.*

46 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 10.

Chapter 2

included project closure processes following the finalisation of the Goomig Development Lease.

- 2.15 This recommendation came about after the Auditor General found the Steering Committee did not receive key financial and contract performance information during the main construction phase of the OIEP. Of particular concern to us was the finding that the former DRD ‘could not provide a clear breakdown of project expenditure to budget’ for reporting to the Steering Committee.⁴⁷
- 2.16 We asked the Director General of DPIRD why the Steering Committee did not receive detailed and consistent updates on financial and contract performance throughout this period. Importantly, the Director General did not seem to dispute the critical findings of the audit report when he responded that the ‘[c]omments relating to regular reporting of financial and contract performance are noted.’⁴⁸ In his explanation, he clarified that ‘Landcorp was appointed as project manager of the infrastructure and land release requirements’ and there was ‘an approved budget apportionment’ between Landcorp and the former DRD.⁴⁹ The Steering Committee ‘reviewed the funding allocations and disbursements’ that went to both agencies.⁵⁰
- 2.17 Critically, there were ‘no formalised reporting requirements’ beyond the project team’s obligation to report ‘financial and project milestone information’ each quarter against Royalties for Regions funding.⁵¹ It appears that this reporting did not reach the Steering Committee, remaining instead within the former DRD.
- 2.18 The Director General advised us that the Steering Committee no longer operates, having largely completed its ‘primary role ... to get the project up, delivered, the construction works completed, and the commercial arrangements around it in place.’⁵² In its place, an Ord Responsible Agencies (ORA) Group now exists to ‘ensure there remains appropriate consultation and collaboration across government relating to the residual aspects of the Ord-East Kimberley Expansion Project.’⁵³ The group, which reports to the Director General of DPIRD, comprises senior officers from DPIRD, the Department of the Premier and Cabinet, and the Department of Planning, Lands and Heritage.⁵⁴ The Director General advised us the ORA Group meets bi-monthly ‘...just to

47 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 23.

48 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 3.

49 *ibid.*

50 *ibid.*

51 *ibid.*, p. 4.

52 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 4.

53 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 13 June 2018, p. 2.

54 *ibid.*; Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 4.

make sure we have a clear register of the outstanding issues, who is doing what about it and by when, and we keep pushing forward.’⁵⁵

- 2.19 To improve its project reporting capabilities, DPIRD has established a quarterly dashboard report, which monitors financial and performance targets. However, we remain unsure as to which projects the dashboard will apply. The Director General advised us that the dashboard will provide ‘a template for reporting on future projects that are project managed within DPIRD’.⁵⁶ This differs from the description of the quarterly dashboard as articulated by the Government’s Special Inquirer, Mr John Langoulant. In his final report of the Special Inquiry into Government Programs and Projects, Mr Langoulant indicated that the dashboard might have wider application. Based on the evidence he gathered, Mr Langoulant formed the view that the dashboard will:

*... identif[y] the current status of State Government dealings with Kimberley Agricultural Investment and other key agriculture land activities, to which the Government is party in the region.*⁵⁷

- 2.20 In addition, he suggested that the dashboard would be ‘regularly reviewed, updated and actioned by relevant agencies—including the Department of Planning, Lands and Heritage—and ‘reported to Ministers as part of the [Ord River Irrigation Expansion] project update briefing process.’⁵⁸

Despite these changes, ongoing rigour and greater transparency in reporting is required

- 2.21 While construction of the road and irrigation infrastructure may be complete, matters relating to setting up the commercial arrangements with KAI and several other prospective land developers under the OEKD Plan are ongoing. Given the lax and insular reporting that has existed throughout much of the life of this substantial financial undertaking, we think it is critical to ensure the Government has clear and comprehensive access to the status of all ongoing matters relating to the OEKD Plan. The ORA Group bi-monthly meetings and DPIRD’s new quarterly dashboard reports appear to be useful tools that can assist in this process, although some ambiguity currently surrounds the scope to which the dashboard reporting will apply.

55 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 4.

56 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 4.

57 Government of Western Australia, *Special Inquiry into Government Programs and Projects: Final Report (Volume 2)*, February 2018, p. 335.

58 *ibid.*

Chapter 2

- 2.22 To resolve any such ambiguity, DPIRD should implement a regime whereby quarterly dashboard reports on all outstanding matters relating to the OEKD Plan are prepared for formal consideration by the Director General and the ORA Group as a standing item at the Group's bi-monthly meetings. Following these meetings, the Minister for Regional Development should receive prompt advice of any confirmed variations to project budgets or key commercial negotiations with prospective developers.

Finding 5

The Director General's Steering Committee established to oversee the implementation of the Ord-East Kimberley Development Plan has been disbanded. In its place, an Ord Responsible Agencies Group (ORA Group) has been formed comprising senior officers from the Department of Primary Industries and Regional Development; the Department of Planning, Lands and Heritage; and the Department of the Premier and Cabinet. The ORA Group's role is to ensure there remains appropriate consultation and collaboration across Government relating to the residual aspects of the Ord-East Kimberley Development Plan.

Finding 6

Following criticisms from the Auditor General regarding the quality of project reporting that went to the former Director General's Steering Committee, the Department of Primary Industries and Regional Development has created a quarterly dashboard to monitor financial and performance targets on future projects managed by the Department. While this is a positive development, it remains unclear as to whether quarterly dashboard reporting will apply to the residual aspects of projects associated with the Ord-East Kimberley Development Plan.

Recommendation 1

The Department of Primary Industries and Regional Development implement a regime whereby it prepares quarterly dashboard reports on all outstanding matters relating to the Ord East-Kimberley Development Plan for consideration by the Ord Responsible Agencies Group at its bi-monthly meetings. Any confirmed variations to project costs or key timelines should be promptly and directly reported to the Minister for Regional Development by way of written and verbal briefing.

Future objectives and governance arrangements remain unclear

- 2.23 The Auditor General's third recommendation called on the Department to coordinate a 'review of the State's objectives and role for the future development of the Ord and to make recommendations to Government including future governance arrangements.'⁵⁹ We believe this was a logical and appropriate recommendation, particularly given the

⁵⁹ Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 10.

magnitude of the State's overspend on the OEKD Plan against its original budgeted cost. We were therefore disappointed to observe a lack of progress by the Department in addressing either of the recommendation's component parts.

- 2.24 When he appeared before us, we asked the Director General for an update on the progress against this recommendation. He advised that the Department's main priority had been around finalising the Goomig arrangements between KAI and the representatives of the native title holders, the MG Corporation, rather than determining strategic objectives linked to the broader OEKD Plan. However, the Director General did indicate that within the 'next two to three months' when the work around the Goomig Development Lease was complete:

*... we will be in a good position to step back and take stock of where things are at and [consider] what are the next most important priorities.*⁶⁰

- 2.25 We followed this up with a written question asking the Department to confirm whether it had formally articulated any objectives for the future development of the Ord. The Department's response did not directly address our question. Instead it advised:

*While the construction of infrastructure in the Goomig Development and land releases at Mantinea, Ord West Bank, Ord East Bank and Packsaddle is complete, there remains a focus within DPIRD on ensuring these lands in the hands of developers continue to progress to development and productivity and that the State obligations relating to native title benefits contained in the OFA [Ord Final Agreement] are met.*⁶¹

- 2.26 The Department did add that the 'future development of the Ord ... will be considered in the context' of a broader strategic assessment of land and water assets across the State.⁶²

- 2.27 In terms of making recommendations to the Government on future governance arrangements, progress again appears to be limited. In its initial correspondence, DPIRD advised that 'appropriate governance arrangements' would be considered as part of its planned strategic assessment of land and water assets, but it offered no

60 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 2.

61 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 5.

62 *ibid*; Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 2.

Chapter 2

timeframe for when this assessment would take place.⁶³ However, DPIRD did provide an undertaking that:

*Any future State Government investment in the Ord, like all new projects, will be subject to a business case that will require consultation across government and development of project milestones and reporting, including key indicators and measures of success.*⁶⁴

- 2.28 This is a critical development in light of the numerous governance failings identified firstly by the Auditor General, and later by the Special Inquirer, Mr John Langoulant. These included the failure to prepare business cases or detailed costings in support of the State's original allocation of \$220 million for the OIEP and the \$91 million in additional funding when project costs blew out in 2011. The Special Inquirer also noted that the OIEP did not adhere to the required elements of the Department of Treasury's Strategic Asset Management Framework. Nor was it subject to the Department of Finance's Gateway Review regime that is now mandatory for public sector infrastructure projects valued in excess of \$100 million.⁶⁵
- 2.29 It is arguable that such poor planning and ongoing lack of oversight contributed to some extremely disappointing outcomes linked to this project. Foremost among these is the 250-bed workers camp, delivered at a cost of \$24.1 million against an original budget of \$10 million, only to remain unused since its completion in 2013. Plans for the future use of this camp remain uncertain, with the Director General of DPIRD confirming the State is likely to recoup only 'a small portion' of its outlay if it tries to liquidate this asset.⁶⁶

The Department needs to be more strategic and less reactive

- 2.30 Throughout this follow-up we have increasingly formed the view that the Department has adopted a reactive, rather than strategic, approach to the future development of the Ord. We found this comment from the Director General particularly illustrative of this point:

At this stage the requirements of what we are doing in this project at the moment are pretty constrained; pretty focused on getting this first piece [the Goomig Development Lease] closed out, done and dusted, and then we will take stock and say, "What now?" If "what now" is

63 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 13 June 2018, p. 2.

64 *ibid.*

65 Government of Western Australia, *Special Inquiry into Government Programs and Projects: Final Report (Volume 2)*, February 2018, p. 335.

66 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 5.

*something of significance, I think we would need to get our governance arrangements well defined.*⁶⁷

- 2.31 We acknowledge that DPIRD has taken some steps to improve its governance processes around projects linked to the overarching OEKD Plan. These steps include the establishment of a smaller oversight body, the ORA Group, and a commitment to ensuring all future infrastructure projects are subject to business cases.
- 2.32 Notwithstanding these initiatives, we feel DPIRD should have done a lot more by now to address the Auditor General's third recommendation regarding both governance arrangements and strategic planning for future development opportunities around the Ord. The reality is that we are now more than two years on from the Auditor General's December 2016 deadline for implementing all four recommendations—recommendations the former Minister for Regional Development committed his department to actioning. Given the significant amount of money the State ultimately committed to this project, we think DPIRD should already have articulated an informed strategy outlining its ongoing objectives for the OEKD Plan and the likely return on investment. We also expected to see a greater amount of work done on establishing the sort of robust governance structures that will ensure there is no repeat of the management and oversight problems that beset this project in its early years.

Finding 7

In response to one of the Auditor General's recommendations, the Department of Primary Industries and Regional Development has taken some steps to improve governance processes around projects linked to the Ord-East Kimberley Development Plan. These include establishing the Ord Responsible Agencies Group as a smaller oversight body, and committing to ensure all future infrastructure projects are subject to business cases.

Finding 8

The Department of Primary Industries and Regional Development is yet to formally review or confirm the State's objectives for the future development of the Ord, despite the Auditor General recommending the Department do this by December 2016.

Recommendation 2

The Department of Primary Industries and Regional Development compile and provide to Parliament a detailed list of the State's specific objectives and clarification of its role for the future development of the Ord region within the next six months.

⁶⁷ Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 12.

Recommendation 3

The Department of Primary Industries and Regional Development improve its governance arrangements by ensuring its officers adhere to all elements of the Department of Treasury’s Strategic Asset Management Framework, in particular the requirement for business cases, and that all infrastructure projects over \$100 million in value are subject to Gateway Reviews.

Framework to assess benefits of the Plan still not fully developed

- 2.33 The Auditor General’s final recommendation called for the ‘establishment of key indicators and measures of success for the OEKD Plan, and any future Government investment in the development of the Ord.’⁶⁸ Ideally, these measures will be subject to a ‘formal review and reporting framework.’⁶⁹
- 2.34 This recommendation came after the audit report found the former DRD (and the Department of State Development (DSD)) ‘ha[d] not measured whether the \$529 million invested in the OEKD Plan has improved socio-economic indicators in the region.’⁷⁰ This is difficult to comprehend given the Plan’s 2009 policy document provided forecasts of ‘possible cropping mixes and anticipated returns’ and included a broad commitment to ‘deliver sustainable economic growth and generate employment opportunities in the East Kimberley Region.’⁷¹ We would expect formal mechanisms to be in place to measure progress against such projections and undertakings. This would be consistent with the fundamental principle outlined in the Department of Treasury’s Program Evaluation Guide, that ‘all programs [involving public money] should be evaluated on a regular and systematic basis.’⁷²
- 2.35 When appearing before us, DPIRD advised there was ‘significant work done and data collected on the impacts of the [\$334 million Ord Irrigation Expansion] project during the course of delivery.’⁷³ They evidenced this with a document showing a summary of business, training and employment outcomes for the local Indigenous population. Notably, this document—a copy of which is included at Appendix Five—only provides a snapshot as at January 2014. While the Director General shared some updated

68 Office of the Auditor General, *Ord-East Kimberley Development*, 7 September 2016, p. 10.

69 *ibid.*

70 *ibid.*, p. 23.

71 Department of Regional Development, *Ord-East Kimberley Development Plan*, 3 December 2009, pp. 5 and 49.

72 Program Evaluation Unit, *Evaluation Guide*, Department of Treasury (WA), 2015, p. 11.

73 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 6.

numbers on the current size of the workforce employed by KAI, he was unable to provide us with any consolidated key indicators of success for the project.⁷⁴

- 2.36 We pursued this issue further with a written follow-up question asking whether measures and baselines were established to assess a range of social, economic and business outcomes. The Department confirmed that no one collected baseline data against such indicators at the outset of the project. Worryingly, it added that:

While social issues, economic sustainability and business opportunity were used as justification for the project, it is difficult to measure what the [\$334 million Ord Irrigation Expansion] project contributed to these as it was not running in a controlled environment and factors outside the scope and control of the project will most certainly have impacted any such measures.⁷⁵

- 2.37 One major competing factor outside of the former DRD's responsibility was the \$195 million Commonwealth-funded East Kimberley Development Package, undertaken concurrently as part of the overall OEKD Plan. Yet this initiative also appears to have gone without a rigorous assessment of its long-term impact. While the 27 infrastructure projects linked to this package are complete, DPIRD is not aware of any 'significant review or evaluation' undertaken by either the Commonwealth or DSD as to the ongoing socio-economic benefit arising from their construction.⁷⁶

Finding 9

The Department of Primary Industries and Regional Development is not aware of any significant review or evaluation undertaken by either the Commonwealth Government or the former Department of State Development, to assess the ongoing socio-economic benefits arising from the 27 projects linked to the \$195 million Commonwealth-funded component of the Ord-East Kimberley Development Plan.

- 2.38 Other forms of performance data, such as crop yields, are more objectively quantifiable. We therefore thought these would be easier to obtain and monitor. Unfortunately, this was not the case. When we asked DPIRD for the latest yields from the 2,200ha of Goomig land now under crop, the Department replied:

74 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 6.

75 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 4.

76 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 6.

Chapter 2

*DPIRD understands crop yields are good however given the commercial nature of this information, it is best sourced direct from KAI if required.*⁷⁷

- 2.39 It is highly concerning that the department responsible for overseeing the OIEP could not provide such basic data to a parliamentary committee examining a \$334 million investment of State taxpayer's money. Accordingly, we call on DPIRD to address any commercial confidentiality issues with KAI to ensure that such information can be accessed when sought by Parliament in future.

Finding 10

The Department of Primary Industries and Regional Development was unable to provide data on crop yields for the 2,200 hectares of land currently being farmed by Kimberley Agricultural Investments PTY Ltd (KAI) at Goomig. Instead, the Department advised us that the data was 'best sourced direct from KAI if required' due to the 'commercial nature' of the information. We find it highly concerning a parliamentary committee cannot obtain such key data from the responsible department when it relates to a \$334 million investment of State money.

Recommendation 4

The Department of Primary Industries and Regional Development ensure that commercial-in-confidence issues within lease agreements related to the Ord-East Kimberley Development Plan do not preclude relevant public sector agencies from being able to provide accurate data on crop yields, or any other performance indicator, when requested by the Parliament in future.

The Department has focused more on ensuring effective performance reporting processes for future projects

- 2.40 While the paucity of data around the socio-economic benefits emanating from the OEKD Plan remains problematic, DPIRD has taken steps to improve the evaluation of future government investments in and beyond the Ord region. Key initiatives in this respect include the internal quarterly dashboard reporting mechanism (see 2.19 above) and its new Monitoring and Evaluation Framework.
- 2.41 The Monitoring and Evaluation Framework is a tabular form document containing numerous data sets aimed at measuring and reporting on economic, business, and land development outcomes. Some of these indicators include labour force size and characteristics (including Aboriginal participation in employment and training), and private sector investment in local infrastructure. Other columns in the table assign

⁷⁷ Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 18 July 2018, Att 1, p. 1.

responsibility for collecting the various data sets, explain how the data is measured, and quantify the '[a]chievements where completed.'⁷⁸

- 2.42 DPIRD developed this Framework in response to the Auditor General's final recommendation.⁷⁹ While the Department has applied a draft version belatedly to the OIEP, the reality is that this tool will be predominantly future-focused. The Director General acknowledged that 'in retrospect' something similar to this Framework should have been in place at the start of the OIEP, before expressing his expectation that future projects would have such a framework in place from the outset.⁸⁰
- 2.43 Having examined a copy of the draft Monitoring and Evaluation Framework, we believe the document represents a serious effort from DPIRD to address that part of the Auditor General's recommendation pertaining to future investment proposals. While we support the use of this framework as an evaluative tool for future government investments overseen by DPIRD, there are some shortcomings in the draft document we believe need addressing.
- 2.44 Firstly, the draft Framework only provides bulk figures for the number of jobs created during construction and the number of ongoing jobs arising out of a particular investment. We believe a target and actuals figure should be broken down across local, Aboriginal, interstate, and overseas workers.
- 2.45 Secondly, we note that with the Goomig Development Lease, it appears that KAI is not required to report on the number of local Aboriginal people participating in its labour force.⁸¹ We think this should be a mandatory reporting requirement on all development leases that have arisen out of the State's investment in the Ord.
- 2.46 Finally, there should be some effort to incorporate health and well-being indicators for local populations (Aboriginal and non-Aboriginal) into any evaluation framework for investments of this magnitude in remote and regional areas.
- 2.47 Governments in all Australian jurisdictions have recognised the importance of improving the quality of data currently collected on a range of key health and well-being indicators for Aboriginal and Torres Strait Islander populations. Despite efforts that have been undertaken since at least 2003, the Productivity Commission has recently found that gaps still exist in many categories. These include data on self-

78 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Supplementary information provided at public hearing, 20 June 2018, (CLOSED EVIDENCE).

79 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Letter, 13 June 2018, p. 2.

80 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, *Transcript of Evidence*, 20 June 2018, p. 13.

81 Mr Ralph Addis, Director General, Department of Primary Industries and Regional Development, Supplementary information provided at public hearing, 20 June 2018, (CLOSED EVIDENCE).

Chapter 2

employment and business opportunities, participation in local decision-making, and school engagement.⁸²

- 2.48 Such indicators may be more difficult and time-consuming to baseline and assess when major projects commence, but we see no reason why these evaluative processes cannot be factored into initial project costs and planning processes.
- 2.49 In conjunction with the work already done by DPIRD, we think these three measures will lead to a more meaningful evaluation regime, the results of which should be publicly accessible.

Recommendation 5

The Department of Primary Industries and Regional Development finalise its Monitoring and Evaluation Framework within the next six months and have it ready to apply to all future investments of public money overseen by the Department. The finalised version of the Framework should address the following shortcomings observed in the current draft version:

- No apparent breakdown of construction and ongoing jobs across local, Aboriginal, interstate, and overseas worker cohorts.
- No requirement upon the current developer of the Goomig landholding to report or record Aboriginal participation in its workforce numbers.
- No indication that health and well-being indicators (especially relating to the local Aboriginal population) will be taken into account.

Recommendation 6

The Department of Primary Industries and Regional Development commit to regularly publishing the results of its Monitoring and Evaluation Framework on all new major infrastructure investments it oversees.

Departments should give more emphasis to establishing evaluation regimes during the planning stages of major projects and programs

- 2.50 DPIRD's responses to the final audit report recommendation suggest that little thought went into developing evaluation processes that could assess whether the OEKD Plan was meeting its overarching goal of delivering sustainable economic growth and employment opportunities.
- 2.51 This is consistent with the general observation from the Department of Treasury that '[h]istorically, there has been a limited focus on the evaluation of program delivery and

82 Steering Committee for the Review of Government Service Provision (SCRGSP), *Overcoming Indigenous Disadvantage: Key Indicators 2016*, Productivity Commission, Canberra, 2016, p. 49.

results.⁸³ In its 2015 Program Evaluation Guide, Treasury made the following valid point:

*In an environment of constrained public finances, it is essential that public funds are spent on activities that provide the greatest economic and social return.*⁸⁴

- 2.52 The only way to quantify such returns is through structured and robust evaluation processes. The State simply cannot afford to have major investments similar in cost and scope to the OEKD Plan set up in future without a formal evaluation process in place.
- 2.53 Agencies can no longer plead ignorance on the core role of program or project evaluation as part of the policy cycle. As a starting point, all agencies should acquaint themselves with Treasury's Program Evaluation Unit and practise the principles outlined in that department's comprehensive Program Evaluation Guide.

DR A.D. BUTI, MLA
CHAIR

⁸³ Program Evaluation Unit, *Evaluation Guide*, Department of Treasury (WA), 2015, p. 1.

⁸⁴ *ibid.*

Appendix One

Public Accounts Committee's role in following up reports from the Auditor General

The Office of the Auditor General plays a key role in public administration by examining how effectively public sector agencies implement government policies and programs. To perform this task the Auditor General routinely conducts performance audits, which can highlight examples of good practice or identify deficiencies in an agency's operations and procedures.

Performance audit reports generally include recommendations designed to help the audited agency address any identified shortcomings, thereby facilitating a more efficient use of public money. Yet there is no formal requirement for agencies to provide a response to these recommendations and the Auditor General has no authority to demand one.

Consequently, public accounts committees (PACs) across most Commonwealth jurisdictions provide some form of support to their audit offices to ensure performance audit recommendations receive due consideration. In Western Australia, the PAC has undertaken an agency follow-up process since 1996 although the approach has varied over the six parliamentary sessions that have ensued.

We base our approach on a triage methodology that assigns a follow-up rating based on five criteria:

- program or policy cost;
- public interest;
- criticality of audit findings;
- level of urgency; and
- level of commitment and detail provided by the audited agency in its initial response (which is usually included in the audit report).

In March last year we triaged 25 performance audit reports from 2015 and 2016.

Out of this process, nine reports fell within our 'low-priority' triage range. For these reports, we opted to conclude our follow-up while reserving the right to open correspondence with the audited agencies should circumstances warrant interrogation in future.

Nine other reports fell within our 'medium-priority' range. With one of these reports, we chose to conclude our follow-up. For the remaining eight, we sought and received written responses from the audited agencies. Having considered these responses, we

Appendix One

have now concluded all but one of these follow-ups and will summarise this work in an upcoming omnibus report.

Seven audit reports received a 'high-priority' triage score. For one of these, we decided to write to the audited agencies, as they appeared to have already addressed the most pressing issues identified by the Auditor General. For the other six reports, we thought it appropriate to call the audited agencies in for a public hearing where we could discuss their response to the audit reports in depth. These hearings were conducted over three sitting weeks in June this year and we followed-up each agency with a series of further written questions.


We are in the midst of delivering a series of reports highlighting those follow-ups where we retain concern over the adequacy of the agency responses, or where we see opportunities to build on some encouraging actions.

Throughout 2018, we tabled three of these reports. Report No. 6, *No (More) Time to Waste*, examined the audited agencies' responses to the Auditor General's 2016 report on the Western Australian Waste Strategy. Report No. 7, *Further Along the Path*, looked at how the relevant agencies responded to the 2015 audit report on efforts to make cycling a safe and viable method of transport in the Perth metropolitan area. Report No. 8, *Setting the Stage for Improvement*, critiqued the actions taken by the Department of Education in response to the Auditor General's August 2015 performance audit report *Follow-On: Managing Student Attendance in Western Australian Public Schools*.

In this report, we evaluate the ongoing work of the Department of Primary Industries and Regional Development in responding to the Auditor General's August 2016 performance audit of the Ord-East Kimberley Development Plan.

Appendix Two

Pre-hearing submission from the Department of Primary Industries and Regional Development

 <p>Department of Primary Industries and Regional Development</p> <p>GOVERNMENT OF WESTERN AUSTRALIA</p>	Aud Gen Corr# 45
	Our reference: OAG-2016-392; R20164-17 Enquiries: [REDACTED]
Public Accounts Committee	
Committee hearing concerning the implementation of recommendations made by the Auditor General in Report No. 20 of 2016	
Written submission by Department of Primary Industries and Regional Development (DPIRD) to be submitted to the Committee prior to the hearing on 20 June 2018.	
<p>Auditor General Report 20, Ord-East Kimberley Development was published in September 2016. The report examined the effectiveness of the former Department of Regional Development in implementing the Ord-East Kimberley Development Plan.</p>	
<p>The Ord-East Kimberley Development Plan contained three key components:</p>	
<ul style="list-style-type: none">• Ord Irrigation Expansion Project The Ord-East Kimberley Expansion Project - a \$322.5 million investment by the Government of Western Australia largely through the Royalties for Regions Program¹ to deliver water and road infrastructure to service the Goomig development, subdivision and sale of 8,000ha in Goomig, and scoping works for land releases at Mantinea, Ord West Bank, Ord East Bank and Packsaddle.	
<p>Importantly the project was also to deliver on State obligations relating to land releases contained in the Native Title Agreement with the Miriwung Gajerrong Peoples (Ord Final Agreement).</p>	
<p>At the time of the review by the Office of the Auditor General (OAG) in September 2016, the key project milestones of the Ord-East Kimberley Expansion Project had substantially been met and \$12 million² remained in the project budget. \$300 million of infrastructure assets had been constructed and developers had been appointed to develop and farm over 18,000 hectares (Goomig, Knox Creek, Mantinea, Ord West Bank, Ord East Bank and Packsaddle).</p>	
<p>¹ OAG reports \$334million estimated expenditure including \$2.5m from Office of Native Title and \$6million revenue generated from workers camp. ² Note: this \$12million was included in \$334million estimated cost reported by OAG.</p>	
<p>OFFICE OF THE DIRECTOR GENERAL 3 Baron-Hay Court, South Perth, Western Australia 6151 Locked Bag 4, Bentley Delivery Centre WA 6983 Telephone: (08) 9368 3221 info@did.wa.gov.au www.dpird.wa.gov.au ABN: 18 951 343 745</p>	

- East Kimberley Development Package
\$195 million leveraged Commonwealth Funding for social infrastructure across the East Kimberley.
- Concepts for Future Development of Agricultural Land in the East Kimberley (Knox Creek, Northern Territory and Cockatoo Sands)

The OAG recommendations relate primarily to the Ord-East Kimberley Expansion Project and Future Developments of Agricultural Land in the East Kimberley.

Status against OAG Recommendations as at June 2018.

1. The Goomig Development Lease was executed on 2 November 2017.
2. The Ord Ministerial Council last met in October 2015 and the Director General Steering Committee in July 2016. These governance and decision making groups met as required over the duration of the Ord-East Kimberley Expansion Project to consider key project decisions. Since then, there have been no key project milestones or decisions requiring these groups to meet as the water and road infrastructure was complete by the end of 2014 and major decisions regarding land releases had already been made by the end of 2015.

To ensure there remains appropriate consultation and collaboration across government relating to the residual aspects of the Ord-East Kimberley Expansion Project, the Project team within DPIRD chairs a bi-monthly Ord Responsible Agencies meeting with senior representatives from the Department of Planning, Lands and Heritage and the Department of the Premier and Cabinet.

3. A key focus of DPIRD is the strategic development of land and water assets across the Kimberley and Pilbara. DPIRD is exploring opportunities for mosaic development of agricultural precincts within this landscape that extends across 92 million hectares. The future development of the Ord and appropriate governance arrangements will be considered in the context of this strategic land development framework.
4. In response to the Auditor General Recommendations, a Monitoring and Evaluation Plan was developed for the Project. Any future State Government investment in the development of the Ord, like all new projects, will be subject to a business case that will require consultation across government and development of project milestones and reporting, including key indicators and measures of success. The above-mentioned Plan will be available to inform any potential new investment where relevant.

Yours sincerely

Ralph Addis
DIRECTOR GENERAL

17 June 2018

Appendix Three

Transcript of hearing with the Department of Primary Industries
and Regional Development

PUBLIC ACCOUNTS COMMITTEE

REVIEW OF AGENCY RESPONSES TO AUDITOR GENERAL REPORTS



TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 20 JUNE 2018

SESSION TWO

Members

Dr A.D. Buti (Chair)
Mr D.C. Nalder (Deputy Chair)
Mr V.A. Catania
Mr S.A. Millman
Mrs L.M. O'Malley

Hearing commenced at 10.30 am

Mr DAVID RALPH ADDIS

Director General, Department of Primary Industries and Regional Development, examined:

Ms JO-ANNE ELLIS

Principal Business Developmental Officer, Department of Primary Industries and Regional Development, examined:

The CHAIR: Thank you for appearing today to discuss the department's response to the recommendation in the twentieth report of 2016, "Ord–East Kimberley Development". My name is Tony Buti; I am the committee Chair and member for Armadale. To my left I have Mr Dean Nalder, the committee's Deputy Chair and member for Bateman; to my right, Mr Simon Millman, member for Mount Lawley; and to his right, Mrs Lisa O'Malley, member for Bicton. The member for North West Central, Mr Vince Catania, hopefully will be joining us at some stage. I would like to advise you that the committee has asked the Acting Deputy Auditor General and officers from the performance audit team to observe today's proceedings from the public gallery, which is right behind you. Following the hearing, the committee may consult with the audit team for clarification on matters raised. I would also like to advise you that today's hearing will be broadcast live on the Parliament House website. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything that you may say outside of today's proceedings.

Do you have any questions about your attendance here today?

The WITNESSES: No.

The CHAIR: Before we ask some questions, do you have a brief opening statement that you might like to make?

Mr ADDIS: No, I am happy to go straight into it.

The CHAIR: Going to the Auditor General's report and some of the recommendations, recommendation 3 is —

a review of the State's objectives and role for the future development of the Ord, and make recommendations to Government including future governance arrangements

Can you give us an update on the progress there?

Mr ADDIS: Sure. Clearly, one of the most important outstanding issues at the time of the OAG report was to complete the development lease with the developer, Kimberley Agricultural Investment. That has been completed. There are a number of conditions subsequent that we still are focused on, including the environmental management and infrastructure agreement which governs the way that the different players within the Goomig scheme—which at this stage is KAI, and will be Miriung Gajerrong Corporation as the native title entity—collectively manage the environmental and infrastructure requirements within the scheme. That is still in train between those two parties and the state.

Subsequent to that, we would be in position to complete the transfer of the environmental proponentcy under the commonwealth environmental approvals to the operators, which has always

been the intent, so that remains to be completed. We have taken the view that until we complete those pieces of work and can get the first stage properly into operation with all our constituent parts, that should remain our primary focus.

At a broader level, though, obviously there has been significant changes with the new government and the way that we approach agriculture more broadly, so we are in the process of essentially scoping what is our approach to bringing new land and water into production across the state. A raft of areas of work were underway in the previous government, and we are continuing to promote that. We think it is a very important part of the overall state's agenda for ag. The Ord will become part of that broader agenda. We are in the process of designing part of that new organisation to be dedicated to that task of managing a portfolio of new land and water precincts et cetera across the state, and the Ord will be a key part of that and will be seen in the context of where our best opportunities are across the state.

To be more precise in terms of your specific question, we would anticipate that in the next two to three months, as we work with particularly KAI and MG to complete those last parts of the first stage—the Goomig arrangements—once that is done we will be in a good position to step back and take stock of where things are at and what are the next most important priorities.

I would say, though, subject to that, taking a helicopter view, work to progress key new pieces of land, including Cockatoo Sands, which is still being progressed towards a proposal to take that to market, and a couple of pieces of land that were taken to market under the last government, in particular Mantinea and Ord West Bank, is continuing. We continue to work towards the development of those, albeit some of the players in the Ord have changed: in particular, Quintis is in a different circumstance than they were when they were the successful proponent for that option. I hope that covers the question.

The CHAIR: There will be a follow-up question, I am sure, from my colleagues. Just before I hand over to my colleagues, the Goomig development lease was executed on 2 November 2017.

Mr ADDIS: Yes.

The CHAIR: Your initial advice to the Auditor General was that it would be completed at the end of 2016. Can you explain why there was an 11-month delay?

Mr ADDIS: I can do my best. Clearly, to sign an agreement of that form takes two parties to be in agreement and be ready to sign. We certainly used best endeavours with KAI to progress some of the matters that were holding up the lease and had been for some time. They included things like the treatment of some of the risk-protection measures in the broad scheme under the development agreement for the state—bank guarantees and the like; there was some renegotiation of terms and some compromise met. I referred earlier to the environmental management and infrastructure agreement, and there was a lot of work done on the way that that would be held in terms of what form of entity would be appropriate from the proponent's point of view to hold that. So we have worked closely with the proponent through both that intervening period and since then to be as flexible as we can while making sure that the state's interests will be protected as that is put into place.

The proponent was of the view that their preferred entity was a cooperative structure. There are some more complicated tax issues around that for the proponents, and there are certainly some issues the state has had to understand. So we are only getting to the end of that, of being clear and confident that the cooperative structure that they propose actually meets both their needs and the needs of the state. That has involved us going back to the department of commerce, or the commissioner who oversees cooperatives to make sure that it would be a legitimate way to do what

we jointly needed to do. We are now confident we can go down that path, but that has taken some significant time.

The CHAIR: Obviously, as you said, an agreement requires two parties. But you would have based your initial schedule on information that you —

Mr ADDIS: Yes, sure.

The CHAIR: So does this make you question how you receive information or the reliability of the information? What changes have you made to the way you process and receive information?

Mr ADDIS: I had been intensely involved in the negotiations of the lease and the other arrangements around the lease up to the OAG report. It had been an extended negotiation. There were high degrees of frustration about the time it was taking to resolve the issues. We had made good progress, and at that stage my personal judgement was that we had made sufficient progress and there was sufficient momentum that we should be able to close it out in a reasonably quick period of time. Obviously, that judgement was not correct. The complications that we were working on at that point continued to be the same complications, and ultimately there was not a great deal of change but we got it over the line in the end.

Mr D.C. NALDER: The Goomig agreement, how many years did it take? Because KAI started work up in the Ord River scheme some years ago.

Mr ADDIS: Yes.

Mr D.C. NALDER: In my former capacity, KAI expressed huge dissatisfaction with the level of communication that was coming its way and the contract itself proceeding. How long did it take?

Mr ADDIS: From memory, the development agreement, which is the overarching framework for the overall relationship between the state and KAI, was struck in December 2012. Is that right?

Ms ELLIS: It was finally signed—prior to that was a heads of agreement.

Mr ADDIS: Heads of agreement in December 2012, final DA struck in December 2013, and that set out a reasonably orderly process to move from that to a development lease, and ultimately move to an agricultural lease. Yes, it is not lost on anyone that there were frustrations throughout that period, and I think that probably remained the case until the development lease was completed.

[10.40 am]

Mr D.C. NALDER: For me, if we are going to progress our state and develop opportunities we have to move quicker.

Mr ADDIS: Yes, I agree.

Mr D.C. NALDER: Were lessons learnt from this process that can be implemented to ensure this does not happen again?

Mr ADDIS: Sure. I think one of the complications in the process back in those early days—I came to it, as you may know, quite late in the day—was that in my view the development agreement was perhaps unduly complex and onerous. I think it evolved to take a reasonably heavy-handed legalistic approach, and probably needed to focus more on the substantive matters before us, resolve them, and then have them reflected in the legal documentation rather than the other way round. So I think there are certainly some lessons that we can learn in terms of the way the legal reflection of the relationship between the state and KAI was managed and developed.

There are certainly shortcomings on the state side. I think we had too many agencies involved. That has subsequently been resolved in a couple of steps, both by the machinery-of-government changes which concentrate responsibilities for most or more of this sort of work in agriculture and regional

development, but also with the transferring of environmental responsibilities from what was DSD to our department the responsibilities are more aligned and concentrated. I think that has been certainly one improvement.

Mr D.C. NALDER: Lands was involved as well.

Mr ADDIS: Lands is certainly involved, absolutely, and we work closely. They remain our most involved partner agency to this point.

I think the other observation that I would make is that sometimes the communication between the proponent and the state—various forms of governance were tried through that. There was a management committee, which was proponent and state agencies, then there was a DG group. In my view, that needed to be simplified. It was unwieldy, and too many ducks had to be got in a line before you could make a decision to move forward on an issue. I think that caused everybody, including KAI and I think some in the state, some frustration and delay. I think simplifying governance structures around those complex projects so it is very clear how you are able to achieve authorised decision-making is really important. You can get caught up in a tangle.

Mrs L.M. O'MALLEY: Just picking up on that reference to governance, if I could draw your attention to recommendation 2, which is —

development of formal progress reporting requirements to ensure the Steering Committee is fully appraised of project status, including appropriate project closure processes ...

I would like to know what the steering committee's role with the implementation of the OEKD plan was? Was it effective? What did you learn from that?

Mr ADDIS: The primary role of the DG steering committee, which the OAG report refers to, was to get the project up, delivered, the construction works completed, and the commercial arrangements around it in place. The vast majority of that had been completed well before the OAG report. Really, by the time we got the OAG report in late 2016, the primary work of the DG group had been completed. In fact, I think the last DG group meeting was in mid-2016. Obviously there were still some transactional pieces such as the environmental proponentcy, the Lands arrangements, the completion of the lease, which required interaction and collaboration between agencies, but there was no serious program of work other than tidying up those last pieces. So essentially it had done its job by then.

Since then, what I think is called the responsible agencies group, which is essentially our department, the Department of the Premier and Cabinet and the Department of Lands—DPC having been a primary player in the OFA, the Ord Final Agreement part of the overall scheme, and Lands being, as you have pointed out, a critical part for the land assembly side—has met regularly, bimonthly I believe, at officer level, just to make sure we have a clear register of the outstanding issues, who is doing what about it and by when, and we keep on pushing forward. So that continues to do that work.

Mrs L.M. O'MALLEY: Where does the rest of the reporting framework back to?

Mr ADDIS: In the context that the bulk of the program had been completed before the OAG report and the subsequent changes in the machinery of government, primary responsibility sits with me. I receive regular updates on the key issues for completion of Goomig, and I obviously keep my colleagues in Lands, particularly, informed as necessary.

The CHAIR: The 250-person workers' camp was estimated to cost \$10 million; it cost \$24 million and remained vacant for many years. Where are we at with that?

Mr ADDIS: Jo-Anne might have a more detailed answer to that, but we went to the market about two years ago to look for proponents or proposals for the use or purchase of that. You are probably aware that Seafarms have got their Project Sea Dragon just across the border in the Northern Territory, which is a very, very significant aquaculture proposal. They expressed interest and were the preferred candidate, primarily because of the significance of their project and a want on the part of the state to assist and be constructive in helping them to drag their activities towards our state, as opposed to, I suppose, a more remote operation. They obviously have their own development time lines and issues. They are making progress, but they have not got to a stage where they actually need to use that camp. It is still an open option. My understanding of that project, not that is in our scope directly, is that they are reaching clearer decision points and I think getting down to the stage of making decisions about what their accommodation options or preferences might be.

The CHAIR: So there is no other possible —

Mr ADDIS: We have not gone back to the market. There were some other proponents, none of them particularly strong. It has been a time at which there has been a lot of that sort of asset on the market. There has not been strong demand for those sorts of residual assets.

The CHAIR: You do not have great confidence that the state is going to be able to recoup the cost that it expended on the camp?

Mr ADDIS: We will certainly not recoup the full cost. I would imagine if we went to sell it outright, rather than as part of a development strategy, we would recoup some, but it would be a small portion.

The CHAIR: Probably more specific to the Auditor General's report, how did we get to the situation of this camp?

Mr ADDIS: There were clearly time imperatives at the time the project was being delivered. I was not involved; I was not around at that stage. We would have to go back and do some work to understand the logic, but I think it was primarily about a short time imperative for a substantial construction project, wanting to make sure that as much as possible there was some local content, and the government made the decision that it was needed to facilitate the project. As you probably know, it did have some other residual uses in the context of the Warmun flood event in 2011. It was used for the evacuation of that community into Kununurra for about six months, I think, from memory. I think the confluence of having installed a camp for a particular project and the changes in the broader economy, particularly in the resource sector where there were a lot of those sorts of assets coming on, just meant there were not great options to dispose of it at that time. There probably still are not great options.

The CHAIR: As you know, the Auditor General's report was quite critical of the whole Ord–East Kimberley development.

Mr ADDIS: Yes.

The CHAIR: Recommendation 4 was for the —

establishment of key indicators and measures of success for the ... Plan and any future Government investment in development of the Ord, including a formal review and reporting framework.

Moving forward, do we have key factors or key indicators that would determine the success of this?

[10.50 am]

Mr ADDIS: Yes. There was significant work done and data collected on the impacts of the project during the course of delivery. I will have to look at my notes, but KAI still has a workforce of about 40 at present which is down from a high of 150 during expansion. In the last two or three years it has been at around about 60, so there remains a significant workforce.

In the longer term, I think we clearly have some work to do to take stock of and get some clarity with the government about what are the intended next priorities around the Ord, if any. I think that it is not a fait accompli that there is going to be a next stage. There are some smallish pieces of land that are in the pipeline, but I think we have to consolidate. As the first priority, it will be where we land with that. Any new developments are going to need a much more long-term view of what are the benefits. One of the learnings is the benefits do take quite a bit of time to flow beyond the construction benefits, but it is taking a while for KAI to mature the Goomig farming operation, there is no question about that.

The CHAIR: So we do not actually have any consolidated key indicators of success?

Mr ADDIS: Not other than those employment figures. For the other part of the overall scheme, which was the East Kimberley development program or plan, package, which was the commonwealth-funded part of primarily community infrastructure, that has all been installed. As far as I know, there has not been any significant review or evaluation of what contribution those assets have made, which, just to be clear, was not part of our scope.

Mrs L.M. O'MALLEY: The 18 000 hectares across the six landholdings—Goomig, Knox Creek, Packsaddle, Ord West Bank, Ord East Bank and Mantinea—with those proponents, those developers, have they had to present business cases for what they are going to be doing with those landholdings?

Mr ADDIS: So Goomig and Knox was the subject of the proposal for when we got KAI, essentially, so yes. Mantinea and West Bank, which went to market probably 18 months ago, late 2016, they would have had to put forward proposals. I am not sure if they formed a business case. Do you know?

Ms ELLIS: There was an expression of interest process, so they were identified as the preferred proponents, and the process was that they have an option to lease, so there is a three-year option period where they form up the development plan of what the development looks like, how they are going to stage it and how they are going to manage it. At that time, they achieve all of their approvals. At the time they achieve their approvals, the state signs off on that and says, "This is a development we want and support." Then they go into a development lease stage. The option period lasts about three years. The development lease period is approximately four years, depending on what they frame up as part of their option. Then, when the development is complete, in terms of their development plan that they propose to the state, there is a freehold tenure pathway.

Mrs L.M. O'MALLEY: Were they all for crop?

Ms ELLIS: Yes.

Mrs L.M. O'MALLEY: Are any of those properties under crop now?

Ms ELLIS: Both of those, Ord West Bank and Mantinea, are still in the option phase.

Mr D.C. NALDER: Knox is not built yet either, is it?

Mr ADDIS: No.

Mr D.C. NALDER: And it is not likely to be at the moment?

Mr ADDIS: That is right. KAI has an option to develop Knox. I think a couple of key developments since all that has happened. Quintis, clearly, is in a different circumstance, and we will probably be reviewing whether that option continues. Probably that is about all we can say about that at this stage. You may be aware that KAI have purchased Carlton Hill station.

Mr D.C. NALDER: It bought both of them, did it not? It bought the two stations—two million hectares.

Mr ADDIS: Yes, which has an area of about 14 000 hectares of freehold, of which about 8 000 hectares is likely irrigable. I think it is fair to say that that has become their next most important development priority. They are still keeping other irons in the fire, but that is where they are putting most of their development effort in terms of approvals and so forth.

I should just clarify: one of the parcels of land you mentioned was Cockatoo, which has not gone to market yet. We are developing that as an option for the minister and cabinet to consider, but that is a future decision as to whether it will go to market.

Mr D.C. NALDER: That is the Cockatoo Sands?

Mr ADDIS: Yes.

Mr D.C. NALDER: Which includes Bonaparte, because that is all Cockatoo out there.

Ms ELLIS: There is Cockatoo Sands. Our immediate priority is the 2 200 hectares on the Victoria highway.

Mr D.C. NALDER: Yes, I know them.

Mr ADDIS: So not the Bonaparte bit, yes.

Mr D.C. NALDER: Just coming back, there are a couple of things. One is that my understanding is KAI has started planting cotton.

Mr ADDIS: Yes.

Mr D.C. NALDER: Looking at downstream processing and all of that, my understanding is that they will have to send it to Queensland initially to get it processed.

Mr ADDIS: Yes. I think there is a growing view that cotton is the most likely underpinning crop for the future development of the Ord. So KAI, including the Northern Australia Crop Research Alliance, which is an industry partnership up there, are pushing for the cotton research work. A fair chunk of KAI's current land is in cotton. I went up there in April and it is well advanced, so it is a summer cropping approach to cotton. It is showing good promise. I think it is fair to say there is work to be done. There are clearly some scale issues in order to justify installing a gin, which is a big capex, so that is why they are so focused on Carlton. For that to happen, there would need to be a series of things come to fruition to underpin an investment in cotton. There is a strong link to the cattle industry in terms of cottonseed et cetera, so there is a growing view that a maturing system in the Ord involves a strong integration with the cattle sector.

Mr D.C. NALDER: The reason I asked that question, if I can just jump in here, some of the criticism that comes through the Auditor General's report comes to this, and it is consistent with my observation in my six months as agricultural minister: that a lot of things have been done piecemeal. Whether it is the Department of Water, whether it is the Department of Lands, whether it was Regional Development, whether it was ag—yes, they are combined. I have seen things where the Department of Water is taking the farmers to the High Court to try to get 100 gig of water back, which to me was totally nonsensical when so much water goes out into the ocean anyway. Yet I have

seen trials of a derivative of the Kensington Pride mango which is yielding five or six times the Kensington Pride, and you are sitting there, going: what is this opportunity?

I do not look at anyone looking at the complete supply chain; I do not look at anyone looking at the complete value chain. There is this thing around the Ord–Kimberley where you are doing your little bit here, Lands are doing their bit, water is doing their bit, and we need to have this broader objective. Do you get a sense that that has been learnt, that we can step back and go: How are we really going to make this work? If we are going to develop these crops, where are the markets? Who is the customer? Are they overseas? Are they in Australia? If they are overseas, how do we get them there? Is it out of Wyndham or is it out of the airport? If we are trying to get it out of the airport, the runway is too short to get international air freight out. That is a \$23 million fix.

It is this complete value chain–supply chain thing, which seems to strike at the heart of what a lot of the audit was trying to make clear: how are we going to make sure this Ord River scheme is going to really fly one day? I think all of us see so much potential, but we have been saying it for 50 years, and that is where I think this is all coming to. How does that come together? Is it your responsibility, or is there something that should sit over it—an umbrella body that actually takes ownership to deliver?

Mr ADDIS: I think my observation of the way that the Ord has been approached over a couple of decades, having spent 20 years living up there, would be that there has not been a strong enough sustained getting together of the people who know what industry requires to be successful and the players within government, so I am encouraged by some of the work that some of the farmers are initiating up there through things like the Northern Australia Crop Research Alliance, which gives us a way to engage and wrap our research and development efforts around theirs and support work jointly towards some common objectives.

[11.00 am]

I would not disagree with your general commentary. I think there is a possibility for that more holistic, joined up, whole-of-picture approach to be taken. In my view the new arrangements in the government where you have less players around it. That has been rationalised. I only have to talk to two or three DGs instead of six or seven and that really helps. That creates a good opportunity to move to that. That will be what we have to be into once we get this last bit of the Goomig arrangement nailed: how do we get ourselves together and how do we team up with industry to make sense of our opportunities from hereon? There is a very low chance of government fronting up with large chunks of capital, so it is going to need to be much more about what other levers we can pull. That is R&D, that is port infrastructure, regulations and market access et cetera, et cetera, rather than —

Mr D.C. NALDER: One of the examples is mango. The department of ag did great work—fantastic—and there were trials right across Queensland, the Northern Territory and WA. But then they seemed to go, “Well, our job’s done.” I go, “What do you do with it?” “It’s up to the market now; it’s up to farmers.” There was this coordination —

Mr ADDIS: Primarily the private sector pulls together the pieces of the supply chain. I think government has a legitimate role in working with that and helping to —

Mr D.C. NALDER: But no farmer was going to look at this if they did not have access to a market, and the access to the market might have required lengthening the runway, but they are not necessarily equipped to come and do that.

Mr ADDIS: You have got to get those two things working hand in glove, absolutely. My experience with growers in the Ord is that they are a very practical, very commercial bunch and that is a good opportunity for government.

The CHAIR: Can I take you back to recommendation 4. In your letter to us dated 13 June 2018, you mention —

In response to the Auditor General Recommendations, a Monitoring and Evaluation Plan was developed for the Project. Any future State Government investment in the development of the Ord, like all new projects, will be subject to a business case that will require consultation across government and development of project milestones and reporting, including key indicators and measures of success. The above-mentioned Plan will be available to inform any potential new investment where relevant.

That is very sensible. When I asked the question about key indicators and measures of success, you said that it would depend on future projects, but there must be some generic indicators now that you can tell us what you would be looking at.

Mr ADDIS: This is the document we are referring to in the letter: our focus on drive, growth and new investment. That drops down into the sorts of results like target industries create long-term job opportunities in multiple regions measured by labour force size and characteristics, Aboriginal participation and those sorts of things. Another objective is socioeconomic foundations for development, which is the broader regional development side, and does the economic flow into the community. Indicators like the level of co-investment in funded infrastructure projects would go to things like the port or telecommunications infrastructure, and trying to increase private sector investment in that, which serves both an economic and a community aim. It is those sorts of measures that we would be chasing. I think the OAG is quite clearly saying that this work should have been done and followed from the outset. It was not. There were some versions of that done from the outset but clearly they were not satisfactory to the OAG, so we take that on board. This is about us making sure that we are ready to do a more adequate job in the next stages.

The CHAIR: Would we be able to get a copy of that document?

Mr ADDIS: It is a draft and internal, so it is certainly not something that we would put out or are actively following at this stage.

The CHAIR: We understand that, but on that basis could we still get a copy?

Mr ADDIS: I think I am happy to do that, yes.

Mrs L.M. O'MALLEY: My question goes on from recommendation 4. I guess the theme, broadly speaking, is sustainability and the amount of investment that has already been put into the scheme and what is to be put in in the future. You mentioned that one of the crops being considered is cotton. Cotton has some major environmental impacts. A huge amount of water goes into the production of it. It is one of the most heavily chemicalised crops—or it can be. My question is around where the role of government sits. It is a little bit of what Dean was talking about: the intersection between the government role and the market's capability. We are looking at a lot in crops and in primary industry around innovation and these sorts of things. My concern is: will the market continue to sustain the traditional production of that crop, or should we be looking in other areas?

Mr ADDIS: The industry is certainly looking at other things. They are doing some maize, some sorghum, they have been doing chickpea-types—working out whether that could be an option. There is certainly some scope to look at fodder et cetera. In fact, we have some trials being initiated this year, very smallish, on what are the prospects for hemp. There is a range of things that we need to be looking at and investigating. In relation to cotton, I think cotton has a long history of having a

poor public profile. It has made an enormous amount of progress in the last couple of decades. It is not a particularly high water use crop compared to some other options. It is a lower chemical requirement than many of the other cropping options that are currently in place in the Ord. When you look at the current state of cotton production, it is much more middle of the road in terms of its environmental requirements and costs, to the point that in my view it is quite a reasonable option on those grounds. It has the very strong advantage of being a significant commodity market that none of the other Ord crops particularly have been able to crack. As you move from small—the focus in the last couple of decades has been on niche markets and they had to move from this niche to this niche to this niche to keep going and it required quite a high level of agility. As you grow the scale, it becomes much harder to be a niche-based system. I think they are at that point now. They do need to find some new—obviously the future of sandalwood is a little bit uncertain, which is about 4 500 to 5 000 hectares out of 14 000 in stage 1.

Mr D.C. NALDER: Just coming back on that: part of the Goomig is around how long it took, but part of it is also around some of the conditions that were put in there. One of them was around the requirements on KAI to lift water.

Mr ADDIS: For Knox?

Mr D.C. NALDER: I think it is for Goomig as well, is it not? It is right near the border but I thought it was still in the tenement at the bottom there. They are actually putting it back up into dams. They are taking it off the end —

Mr ADDIS: Tail water.

Mr D.C. NALDER: Yes.

Mr ADDIS: I do not think they have a lift in tail water returns.

Mr D.C. NALDER: I went and saw them when they were building it.

Mr ADDIS: Okay; you are probably more familiar.

Mr D.C. NALDER: The thing here for me is when I know how much water is being put out into the ocean, and because of the hydro plant and so forth, are we making our processes efficient? Obviously we need scales.

Mr ADDIS: The tail water system requirements are absolutely—not absolutely, but primarily an environmental management requirement imposed under the commonwealth approvals and have become, might I say, pretty much the standard across the irrigation sector across the country. I do not think —

Mr D.C. NALDER: It is not state-based—it is federal-based?

Mr ADDIS: No; that is right, and I think quite reasonable.

Mr D.C. NALDER: Again, to me it is about efficient delivery. When I am seeing the amount of water that is being pushed out to the ocean anyway, which is not for environmental purposes, and then we are putting these conditions in over the top, which is adding cost —

Mr ADDIS: But it is about run-off and chemicals and so on —

Mr D.C. NALDER: It is more about what is in the water.

Mr ADDIS: That is right; it is not about water efficiency.

Mr D.C. NALDER: Saving the water.

Mr ADDIS: That is right. I would say, though, that in the long term, the objective obviously is to move towards a system that is developed to the extent that the water can support it and water efficiency

becomes increasingly important. As we go down that path, we do need to encourage existing users to become more efficient with water use. It is not an efficient water use system at the moment.

Mr D.C. NALDER: I know it is a bit of a digression, but has that High Court challenge been resolved on the water allocation of the farmers—that 100 gig that they were trying to get back?

Mr ADDIS: You should have asked the last bloke—it was his thing! My understanding—I have had only a brief update recently, as in the last few weeks—is that the High Court essentially put it back to SAT on the basis that there were some procedural matters that had not been attended to appropriately. It has gone back to SAT. I am not sure how it is intended to be dealt with between the parties.

[11.10 am]

The CHAIR: You know when you mentioned, in response to one of Dean’s questions, about holistic approach —

Mr ADDIS: Yes.

The CHAIR: You can say he had a holistic approach, but it is the better coordination between the various arms of government, is it not, more than just saying “holistic approach”?

Mr ADDIS: I agree.

The CHAIR: Are you confident that that has now been achieved through the change in the machinery of government?

Mr ADDIS: No, I am not confident it has been achieved. I think it has been made easier. On various fronts—not particularly this one—we are doing more initiatives in collaboration and close cooperation where we are not having to coordinate in retrospect, so that is becoming much more possible. At the point at which the state gets to the end of this stage of Ord and says, “Okay, we now want to do the next stage”, I think that is where we would need to regroup and make sure we have our act well organised.

Mr D.C. NALDER: Should there be a broader government strategy—this is not political; this is just a state strategy—on the Kimberley to bring in those supply chain elements like the transport and infrastructure that underpin it, especially as you are exploring Cockatoo Sands, which doubles the size of the area?

Mr ADDIS: There is significant opportunity in the West Kimberley at La Grange. There are proposals in the Fitzroy Valley and the broader cattle sector has lots of upside potential if they can mature the way that we collectively go about it. Yes, in my view there should be an overarching strategy for new land and water and horticulture, intensification around irrigated ag across the state so that we are clear about whether the Ord offers our best opportunities and impacts or is it the Myalup–Wellington precinct or is it Carnarvon? At the moment I do not think there has been thoughtful consideration given to that. In my view that would be an improvement.

Mr D.C. NALDER: Everything is a bit ad hoc; it is piecemeal.

Mr ADDIS: Yes. We do what pops up.

Mr D.C. NALDER: We are looking at this in isolation. We are doing our best job around it.

Mr ADDIS: We are doing good work; it is great. I think that would be a step forward.

The CHAIR: You mentioned that on a general statewide basis you think that we are moving to a better coordinated approach, but you said not necessarily this project. I presume you are talking about the —

Mr ADDIS: At this stage the requirements of what we are doing in this project at the moment are pretty constrained; pretty focused on getting this first piece closed out, done and dusted, and then we will take stock and say, “What now?” If “what now” is something of significance, I think we would need to get our governance arrangements well defined.

The CHAIR: Let us say if we moved to the next stage, as of tomorrow, are you confident that we would be at that stage?

Mr ADDIS: I think the conditions now for that to be done well and constructively, and with focus and accountability, are much, much better. I know that Mike Rowe, Gail McGowan and myself—who else would be key to it now?—would be a much smaller, more aligned group. I am confident of that.

The CHAIR: More of a natural fit than Water, the Waste Authority and the department.

Mr ADDIS: Yes, and going back to some of your questions, I think better able to take a pragmatic approach to managing our opportunities and risk and getting the balance right.

Mr D.C. NALDER: And looking at the whole supply chain, the value chain.

Mr ADDIS: Certainly my department has a lot of work to do to get to a point where we are effective at that sort of approach, and that is probably consistent with your experience as the minister I would guess.

[11.15 am]

Mr S.A. MILLMAN: You do not just mean the supply chain, though, do you? You mean downstream processing as well.

Mr ADDIS: Yes.

Mr D.C. NALDER: It is harder. I will just use an example, just for your benefit. Obviously, there is cattle. We can look at China’s requirements around beef. All the beef that goes out of the Kimberley live goes to Indonesia at around 280 kilograms. Yet in China, they want them slaughter-ready, which means between 500 and 800 kilograms, which means that you have to have a feedlotting system. If you are going to have a feedlotting system, then you have got to have the feed. At the moment we do not allow leucaena—they do in the Northern Territory and Queensland. But the 50 per cent waste, which is the cottonseed, can be utilised.

Mr S.A. MILLMAN: Yes, it can go straight into the feed.

Mr D.C. NALDER: It has a high protein and high oil content. Those sorts of things can start to feed into this. But if we are going to get them there, how are we getting them there, and where do we get them out of?

Mr S.A. MILLMAN: It is a strategic approach that is engendered by machinery of government changes, which makes your job easier.

Mr ADDIS: That would be good.

Mr D.C. NALDER: What worries me is the cost and the time it is taking to do this. Goomig is an inhibitor on opening up others, because others are sitting there looking at the conditions, looking at the requirements, looking at the process and going, “Far out! If it’s going to take me seven years, would I do it?” The cost of developing at Goomig I believe is making it harder for them to consider Knox—Knox is less efficient.

Mr ADDIS: But also Carlton came into play. Carlton is an easier prospect than going across the border, where you have to play with the territory and you have to deal with the gravity —

Mr D.C. NALDER: And they pick up 15 000 hectares of freehold.

Mr ADDIS: And they have much lower requirements to deal with business because it is a freehold. I can see why they have done that. That only came into play subsequent to the initial plan.

Mr S.A. MILLMAN: In terms of capital sources, part of the problem in negotiating the lease with KAI is that you need the parent company guarantee out of Shanghai and all the rest of it. But that is going to be the most likely capital source for us anyway, is it not?

Mr ADDIS: China?

Mr S.A. MILLMAN: Yes.

Mr ADDIS: For these sorts of projects, yes. I think there are some pretty substantial other players who have probably not the same as that —

Mr D.C. NALDER: One experiment is out of Broome. I think that is Japanese.

Mr ADDIS: But there are players in the Fitzroy Valley, right across the Kimberley and Pilbara, who are buying land with a view to trying to create that sort of more integrated, intensive fodder production and feedlotting.

Mr D.C. NALDER: It is the integration of it all.

Mr ADDIS: Yes, I think it is the integration. I think it is a legitimate role for government to work with industry to get a picture that says, “Guys, we can actually join the dots and do something better.”

The CHAIR: Lisa, do you have a question?

Mrs L.M. O’MALLEY: I guess it comes back to measuring the benefits, the outcomes or the impacts. Again, those always come back to that sustainable footing. Just finishing off with recommendation 4, are those now being measured, and how are they being reported?

Mr ADDIS: On the document that we looked at before? Is that the question? That is a new document that we prepared post OAG to say that that is the sort of evaluation of the targets.

Mrs L.M. O’MALLEY: Is that published? Is it public?

Mr ADDIS: No, that is not public.

Mrs L.M. O’MALLEY: It is not public; okay.

Mr ADDIS: This is the sort of thing we think in retrospect should have been in place from the start. It is kind of academic to try to put it in place once it has been done, so this is more a case of let’s make sure that we have our thinking straight and are ready to do it better next time we need to.

Mrs L.M. O’MALLEY: When is that likely to be?

Mr ADDIS: We do not intend to do any more than what has been done.

Mrs L.M. O’MALLEY: I meant the publishing of it.

Mr ADDIS: We do not intend to publish that. It would be confusing at best, I think. If there is a new, substantial project of a similar ilk pretty much anywhere, this is the sort of thing where we would expect to have started from the start.

The CHAIR: But for any prospective player in the market post the next stage, obviously you will indicate what you are looking for as part of the business case.

Mr ADDIS: It is not significantly different to the sorts of messages we have given to proponents in the past.

The CHAIR: Thank you for the evidence that you have provided for the committee today. We will forward a copy of this hearing to you for correction of transcription errors. Please make these corrections and return the transcript within 10 working days of receipt. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be introduced via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Once again, thank you very much.

Hearing concluded at 11.19 am

Appendix Four

Department's response to further questions

Aud Gen 64

 Department of
Primary Industries and
Regional Development

Your ref: A990589
Our ref: DG-2018-428 R00756-18
Enquiries:

Public Accounts Committee
Parliament House
4 Harvest Terrace
WEST PERTH WA 6005

Dear Dr Buti

Committee hearing concerning the implementation of recommendations made by the Auditor General in Report No. 20 of 2016

Further questions following public hearing

Thank you for your letter dated 29 June 2018 with follow up questions from the committee.

The Department of Primary Industries and Regional Development's responses to the questions is provided in Attachment 1.

For further enquiries please contact Mr Niegel Grazia, Deputy Director General, Industry and Economic Development, Department of Primary Industries and Regional Development on telephone f

Yours sincerely

Ralph Addis
DIRECTOR GENERAL

18 July 2018

Att

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**PUBLIC ACCOUNTS COMMITTEE
RESPONSE TO ADDITIONAL QUESTIONS**

1. *What is the current status of development on the Goomig Lease?*
 - a. *For example, how many of the 8,000 ha of land is under crop?*
 - b. *What crops are being grown?*
 - c. *What are the crop yields?*

The Goomig Development includes:

- Kimberley Agricultural Investment Pty Ltd (KAI) Goomig Development Lease (executed) - 6,665 hectares
 - 6,665 hectares cleared, 4,000 hectares developed 2,200 hectares cropped in 2018
 - 2018 crops: 350 hectare commercial cotton trial, chick peas and maize
 - Previous crops include chia, quinoa, sorghum and hay
- KAI Deferred Clearing Lots (draft lease not executed) 419 hectares
- KAI Vegetation Management Lot (draft lease not executed) 368 hectares
- MG Corporation (to be transferred freehold) 675 hectares.

DPIRD understands crop yields are good however given the commercial nature of this information, it is best sourced direct from KAI if required.

2. *Are the crop types and yields consistent with what the State originally envisaged from the Goomig development?*

Yes. The Ord-East Kimberley Development Plan described existing cropping types and at Appendix 2 modelled three possible cropping mixes and anticipated returns for the 8,000 hectares of new land. Crop types to date have been consistent with the modelling however not at the scale anticipated due to land available for and in production.

3. *Has the long-term Agricultural Lease for Goomig been finalised? If so, when does it finish (and is there an option)?*

No. The Goomig Irrigated Agriculture Lease comes into effect when all development under the Goomig Development Lease is achieved. The term of the Goomig Development Lease is four year commencing on 2 November 2017. The Development Agreement (DA) between the State and KAI provides for a 50 year Goomig Irrigated Agriculture Lease with an extension of 25 years upon the achievement of agreed commercial in confidence milestones.

- a. *Has the State finalised its position/process on converting Mantinea and Ord West Bank to freehold?*

The State position on freehold has been finalised through the existing executed Option to Lease for Mantinea and Option to Lease for Ord West Bank which include provisions to convert the land, once fully developed, to freehold. The process of conversion to

freehold is contingent on the developer meeting all conditions included in the Option to Lease.

b. Has the MG Corporation been granted freehold of the 675 Ha on Goomig?

No. The DA has conditions precedent to the transfer of the 675 hectares of freehold land to MG Corporation to ensure the environmental management requirements of the development are appropriately managed. These conditions precedent include the Goomig Buffer Lease, Goomig Environmental Management Infrastructure Agreement and Special Purpose Vehicle.

c. Has the MG Corporation received payments from the developer envisaged in the Plan?

Partially. The payments to MG Corporation envisaged by the Plan are those benefits set out in the Ord Final Agreement (OFA). In addition to the percentage of land entitlements, the OFA requires an Aboriginal Development Package (ADP) to be agreed prior to commencement of any ground disturbing activities on the M2 Maximum Farm Area (Goomig and Knox Creek Plain), Ord West Bank and Mantinea. Benefits are negotiated between MG Corporation and the developer during the planning and approvals stage of a development and flow when development commences. MG Corporation received \$12.5 million from the State and is entitled to 675 hectares in Goomig for the Goomig Development.

Ord West Bank, Mantinea, and Knox Creek Plain are in the planning and approvals stages. KAI and MG Corporation agreed an ADP for Knox Creek Plain and Mantinea that included the development of the 675 hectares of MG Corporation land in Goomig. While Knox Creek Plain and Mantinea have not commenced land development phases, KAI is currently developing the MG land in Goomig.

The ADP for Ord West Bank has not been negotiated due to the matters surrounding the current developer who has the Option to Lease Ord West Bank.

4. Your written response to the committee indicates that developers have now been appointed to develop and farm over 18,000 hectares across six landholdings (Goomig, Knox Creek, Packsaddle, Ord West Bank, Ord East Bank, and Mantinea). Of this total amount of land available for development, how much is now under crop?

2,200 hectares of developed land in Goomig is under crop in 2018.

Knox Creek, Packsaddle, Ord West Bank, Ord East Bank, and Mantinea are all in planning and approvals stages of development.

a. What crops are being grown across each of these landholdings?

Please refer to answer to question 1.

b. How do the crop types and yield volumes across these developments compare with the department's original estimates?

The developments are not at full cropping stage to enable this to be determined.

5. DRD initially advised the Auditor General that it expected the total area under irrigation in the East Kimberley would be 'at least 30,000 ha by 2021' [p. 11]. Does this forecast remain a realistic estimate?

The expectation in 2016 regarding timeframes for development has been moderated over the past two years with the experience of KAI in achieving environmental approvals for Carlton Plain. While the estimate of 30,000 hectares under irrigation is still achievable it will potentially not be met by 2021 unless there are significant changes in approvals timelines, noting that similar issues have been faced by farmers in the West Kimberley and Pilbara.

a. How much East Kimberley land is currently under irrigation?

Land under irrigation in the East Kimberley comprises Ord Stage One at 15,000 hectares and 2,200 hectares in Goomig, as detailed in question 1 above.

6. What formal protocols were in place to ensure that advice or recommendations from the Director General's Steering Committee were sought before the State Cabinet and the Ord Ministerial Council made significant decisions relating to the irrigation extension project?

The Ord Directors General Steering Committee (DGSC) served a number of functions including decision making at a cross agency operational level, project status updates and providing advice and recommendations to the Ord Ministerial Council relating to strategic project decisions. All matters where advice was provided and recommendations were made to the Ord Ministerial Council were discussed in detail and considered by the DGSC prior to the convening of the Ord Ministerial Council.

Due process was followed in relation to agency consultation in the development of Cabinet submissions related to Ord. In addition, the DGSC was involved in the formulation of advice and recommendations to Cabinet relating to Ord.

7. Why did the Steering Committee not receive 'detailed or consistent updates on financial or contract performance' during the main irrigation construction period [as noted by the Auditor General on page 22 of the audit report]?

LandCorp was appointed as project manager of the infrastructure and land release components of the Ord-East Kimberley Expansion Project and managed these responsibilities within their project management expertise. There was an approved budget apportionment between LandCorp and the then Department of Regional Development. The DGSC reviewed the funding allocations and disbursements of funding from the Department of State Development to these two agencies. LandCorp provided construction updates to the DGSC. Comments relating to regular reporting of financial and contract performance are noted.

8. *In light of the critical findings made on page 23 of the audit report, what has DPIRD done to establish 'clear and robust financial management, with routine and detailed [financial] reporting' on future projects?*

The Ord-East Kimberley Expansion Project financial and project management role was unique in the newly established Department of Regional Development and Lands. The project was required to report financial and project milestone information on a quarterly basis against the Royalties for Regions funding. This enabled the project team to adequately track financial performance and achievement of milestones however there was no formalised reporting requirements beyond this.

A quarterly dashboard report was developed following the Auditor General's report that includes monitoring of both financial and performance targets. This dashboard report is a template for reporting on future projects that are project managed within DPIRD.

9. *Have measures and baselines been established to assess social, economic and business outcomes from the project? If so, are these monitored and do they include:*

- a. *agricultural output from land development*
- b. *employment (focusing on local employment)*
- c. *educational benefits*
- d. *health and well-being of Aboriginal people*
- e. *uptake, use and impact of the social infrastructure component of the Ord-East Kimberley Development Plan? (Acknowledging that these were funded by the Commonwealth, but that use and benefit was intended at local level.)*

The Ord East Kimberley Development Plan was essentially about delivering infrastructure to:

- areas of social and community use that targets economic and social disadvantage; and
- to enable the release of additional irrigated agricultural land.

Yes, these deliverables have been measured.

While social issues, economic sustainability and business opportunity were used as justification for the project it is difficult to measure what the project contributed to these as it was not running in a controlled environment and factors outside the scope and control of the project will most certainly have impacted any such measures.

To be effective the measures and baseline data would have needed to be established prior to the commencement of the project to enable data to be collected and reported across the duration of the project. At the hearing on 20 June 2018 DPIRD tabled a draft report titled "Ord-East Kimberley Expansion Project – Monitoring and Evaluation Plan", this remains in draft however it will be used as a template for the development of future project reporting and evaluation.

Appendix Four

Aud Gen 04
Attachment 1

DPIRD is currently testing an internally developed measurement and reporting tool that can be utilised to report agricultural output from a paddock, farm, district or across the Kimberley and Pilbara. Field officers are in the process of cross checking data to ensure the correct cropping mixes are in the model to generate reliable results.

Employment and training project statistics, in particular relating to Aboriginal participation, were kept and reported during the construction phase of the project. KAI employee numbers are known and easily tracked and attributed to the land development outcomes.

Employment and education statistics in relation to the East Kimberley Development Plan outcomes are more difficult to track as a large percentage of this investment went into improving existing infrastructure.

10. Have objectives for the future development of the Ord been formally articulated?

a. If so, what are they and what role will the State play in meeting them?

While the construction of infrastructure in the Goornig Development and land releases at Mantinea, Ord West Bank, Ord East Bank and Packsaddle is complete, there remains a focus within DPIRD on ensuring these lands in the hands of developers continue to progress to development and productivity and that the State obligations relating to native title benefits contained in the OFA are met.

A key focus of DPIRD is the strategic development of land and water assets across the Kimberley and Pilbara. DPIRD is exploring opportunities for mosaic development of agricultural precincts within this landscape that extends across 92 million hectares. The future development of the Ord, including the Concepts for Future Development of Agricultural Land in the East Kimberley (ie Cockatoo Sands and Northern Territory) will be considered in the context of this strategic land development framework within the Department.

Appendix Five

The Ord-East Kimberley Project - Outcomes as at January 2014







The Ord-East Kimberley Expansion Project

The Ord-East Kimberley Expansion Project was a \$322.5million investment by the State of Western Australia, largely through its Royalties for Regions program. The Project was implemented over the 2010 - 2013 years and represented a key component of implementing the Ord Final Agreement, a native title agreement signed in 2005 between the State and the Miruwing and Gajerrong (MG) People.

The Strategic Alliance Leadership Team (SALT) was created to provide governance and leadership for the Phase 2 contract of the Ord-East Kimberley Expansion Project (2012 - 2013) between LandCorp acting for the State and Leighton Contractors.

SALT brought together Traditional Owners, the Contractor, and Government to drive and monitor agreed targets and strategies to achieve outcomes related to Aboriginal business, training and employment.

The members of SALT were committed to the delivery of Aboriginal outcomes and worked in a collaborative and collegial way to recalibrate strategies as needed to ensure the best possible outcome for Aboriginal people.

Key Aboriginal business, training and employment outcomes achieved by the Project under the leadership of SALT:

Employment Outcomes (2010-2013)

- 22,055 Aboriginal man-days worked
- 204 Aboriginal people employed
- 104 were MG people
- Peak Aboriginal workforce of 97 (September 2012)
- 21.4% construction man days worked by Aboriginal people (target 20%)
- 88% average attendance (target 80%)



Training Outcomes (2010-2013)

- 286 nationally accredited certifications
- 190 mobile plant machinery
- 38 traffic control
- 22 first aid
- 12 high risk
- 24 other nationally accredited
- 125 Aboriginal people accredited
- 94 in mobile plant machinery



Business Outcomes (2010-2013)

- \$6.3m spend in Aboriginal owned businesses (target \$4.4m 2012-13)
- 14 Aboriginal owned businesses engaged (Target minimum of 4)
- \$130m spend through local content in over 82 local businesses
- A fund has been set up to incubate a future MG legacy business




 Don Hill
 MG Corporation


 Edna O'Malley
 MG Corporation


 John Pethica
 MG Corporation


 Peter Stubbs
 Department of Regional Development


 Mike McInerney
 LandCorp


 Peter Brackel
 Leighton Contractors

Other Outcomes (2010-2013)

- 94 Aboriginal people were placed into alternative employment outside of the Ord Project
- 30 Aboriginal people have been placed in FIFO/DIDO employment
- 554 people have participated in cross-cultural awareness training, culturally specific to MG people

20 January 2014



Appendix Six

Committee's functions and powers

The Public Accounts Committee inquires into and reports to the Legislative Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund. Standing Order 286 of the Legislative Assembly states that:

The Committee may -

- 1 Examine the financial affairs and accounts of government agencies of the State which includes any statutory board, commission, authority, committee, or trust established or appointed pursuant to any rule, regulation, by-law, order, order in Council, proclamation, ministerial direction or any other like means.
- 2 Inquire into and report to the Assembly on any question which -
 - a) it deems necessary to investigate;
 - b) (Deleted V. & P. p. 225, 18 June 2008);
 - c) is referred to it by a Minister; or
 - d) is referred to it by the Auditor General.
- 3 Consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine.
- 4 Consider whether the objectives of public expenditure are being achieved, or may be achieved more economically.
- 5 The Committee will investigate any matter which is referred to it by resolution of the Legislative Assembly.



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