

# Rough estimates

## Analysis of Senate Estimates documents on Australia's most controversial water

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*Recently released documents show that the vendors in an \$80 million water sale had repeatedly offered far lower prices to the Commonwealth but these offers were rejected as 'not value for money'. The documents mention a company linked to Energy Minister Angus Taylor seven years after it says it ended work with the vendors. The company puts this down to government error.*

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# Summary

Controversy has surrounded the 2017 purchase of 29 gigalitres (GL) of overland flow water rights in the Condamine Balonne river system by the Commonwealth from vendor Eastern Australia Agriculture (EAA). The high price paid, the low reliability of the rights purchased and the links of EAA to Energy Minister Angus Taylor led to questions around the probity of the purchase, issues that became known in the Australian media as ‘watergate’.

The Commonwealth has repeatedly blocked the release of independent valuations of the EAA water rights. Documents recently released to the Senate show that EAA had offered similar water rights to the Commonwealth multiple times since 2008/09. These offers were rejected for the reason that they were “not value for money”.

All of EAA’s rejected offers of overland flow water were proposed at lower prices than the price negotiated in 2017. There has been very little variability in water prices in the Condamine-Balonne since 2008/09 and the price increase cannot be explained by increased market prices. After a year of controversy, the public seems no closer to knowing why so much was paid for water rights that are likely to bring so little environmental benefit.

A recently released ‘negotiation brief’ for the Condamine Balonne purchase mentions the involvement of Growth Farms Australia, a company Minister Taylor and his family have substantial interests in. The Director of Growth Farms Australia mentioned in the brief says he had consulted to EAA independently of Growth Farms Australia since 2010. He puts the mention of Growth Farms Australia in the negotiations down to error on the part of the Department of Agriculture and Water Resources.

Minister Taylor has divested from Growth Farms Australia, with his current Declaration of Interests now not mentioning the company. It is not clear when this change occurred as it does not appear in formal Notifications of Alterations of Interests.

The full documentation of this transaction should be released unredacted. This would improve public trust in the management of Australia’s water resources.

# Introduction

Controversy has surrounded the purchase of 29 gigalitres (GL) of water rights in the Condamine Balonne river system by the Commonwealth in 2017. Initially the controversy related to the extraordinarily bad deal the Commonwealth negotiated: a record price was paid, above the vendors original asking price; the water right purchased is an overland flow licence, which can be extracted by other water users once the water has flowed off the vendor's property and; the structures used to capture the water remain on the property and can still capture the water.<sup>1</sup>

Despite considerable public and parliamentary concern over this purchase, the details on why the public paid such a high price for low security water remain unclear. The Commonwealth had sought independent valuations for the purchase, which have been requested by the Senate, particularly by Senator Patrick. However, all information pertaining to those valuations was redacted in the documents produced. Ministers and bureaucrats have refused to make these valuations available to the Senate, despite requests to do so at subsequent Senate Estimates. The release of this information and transparency around the purchase would be an important step towards restoring public confidence in the management of the Murray Darling Basin.

Instead, controversy has intensified and focused on links between the company selling the water rights, Eastern Australia Agriculture (EAA), and Energy Minister Angus Taylor. Minister Taylor was a director EAA prior to entering parliament. EAA is owned by a parent company domiciled in the Cayman Islands, a renowned tax haven. This issue was widely, if unoriginally, referred to as 'Watergate'.<sup>2</sup>

This report examines recently released documents to Senate Questions on Notice that provide more details on the poor value for taxpayers purchase and mention a company then part-owned by Minister Taylor.

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<sup>1</sup> Slattery and Campbell (2018) *That's not how you haggle: Commonwealth water purchasing in the Condamine Balonne*,

<https://www.tai.org.au/sites/default/files/P502%20That%27s%20not%20how%20you%20haggle.pdf>

<sup>2</sup> Slattery and Campbell (2019) *#WaterMates: The buyers and sellers of Australia's most controversial water*, <https://www.tai.org.au/content/watergate-s-water-mates>; Slattery and Campbell (2019) *Debugging Watergate: interpreting official responses*, <https://www.tai.org.au/content/debugging-watergate-interpreting-official-responses>

# EAA water sale proposals

The price paid per megalitre for this purchase has been a key criticism of the deal. Documents obtained by Senator Rex Patrick through the Senate in 2018 show that whilst EAA originally asked for \$2,200 / megalitre, the final price paid by DAWR was \$2,745 / megalitre.<sup>3</sup>

A recent answer to Questions on Notice in the Senate in December 2019 shows that EAA had unsuccessfully offered water to the Commonwealth many times before this purchase, and the reasons why these offers were rejected by the Government. Those offers are shown in Table 1 below:

**Table 1: Offers to sell EAA water to the Commonwealth**

Year	Volume (megalitres)		Price, (\$/ML)	Reason offer declined
<b>2008/09</b>	6,241	Unsupplemented	1,495	Not value for money
	5,155	Unsupplemented		
	19,035	Overland flow		
	18,885	Overland flow		
	6,722	Unsupplemented		
<b>2008/09</b>	2,090	Unsupplemented	2,744	The open tender was fully subscribed. No further offers could be accepted at this time.
	9,840	Unsupplemented		
<b>2010/11</b>	9,765	Unsupplemented	2,550	Not value for money
	1,980	Unsupplemented		
<b>2010/11</b>	9,765	Unsupplemented	2,495	Not value for money
	1,980	Unsupplemented		
<b>2013/14</b>	14,190	Overland flow	1,565	Not value for money
<b>2014/15</b>	7,095	Overland flow	1,555	Not value for money
<b>2014/15</b>	976	Unsupplemented	2,305	Not value for money
<b>2014/15</b>	989	Unsupplemented	1,955	Not value for money

Source: Department of Agriculture (2019) *2019-2020 Supplementary Budget Estimates Friday 25 October 2019 Cross Portfolio Matters Portfolio Question Number 208*, [https://www.aph.gov.au/Parliamentary\\_Business/Senate\\_estimates/rrat/2019-20\\_Supplementary\\_Budget\\_estimates](https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/rrat/2019-20_Supplementary_Budget_estimates)

<sup>3</sup> Slattery and Campbell (2018) *That's not how you haggle: Commonwealth water purchasing in the Condamine Balonne*, <https://www.tai.org.au/sites/default/files/P502%20That%27s%20not%20how%20you%20haggle.pdf>

Table 1 shows that previous offers to sell EAA's overland flow licences were considered 'not value for money' at prices as low as \$1,495 / megalitre, yet the government later agreed to pay a price of \$2,745 / megalitre for the same type of water. That is higher than any previous offer by EAA and almost double (84% higher) the previous offers that DAWR (and its predecessors) considered too expensive. There has been very little variability in water prices in the Condamine-Balonne since 2008/09 and the price increase cannot be explained by increased market prices.<sup>4</sup>

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<sup>4</sup> Slattery and Campbell (2018) *That's not how you haggle: Commonwealth water purchasing in the Condamine Balonne*,  
<https://www.tai.org.au/sites/default/files/P502%20That%27s%20not%20how%20you%20haggle.pdf>

# Consultants to EAA

Answers to Senate Questions on Notice published in December 2019 make mention of a company linked to Minister Taylor being involved in the negotiations for the EAA water purchase. The Department of Agriculture and Water Resources (DAWR) released a 'negotiation brief' on its negotiations with EAA as part of a response to a question from Labor Senator Don Farrell. The brief describes a consultant for EAA as being from Growth Farms Australia:

**Figure 1: DAWR notes on EAA negotiations**

## **NEGOTIATION BRIEF MEETING WITH EASTERN AUSTRALIA AGRICULTURE (EAA), JANUARY 2017**

**Time and date:** Tuesday 10 January 2pm

**Location:** No.1 Bligh Street, Sydney (Level 17, Suite 1703)

**Participants:** Mr Matthew Bickford-Smith (Director, EAA), Mr Tony Reid (EAA consultant as Director, Growth Farms Australia), [Potential third EAA representative, details TBC], Mr Paul Morris (First Assistant Secretary), Ms Mary Colreavy (Assistant Secretary), Mr James Morschel (note taker).

Source: Department of Agriculture (2019) *2019-2020 Supplementary Budget Estimates Friday 25 October 2019 Cross Portfolio Matters Portfolio Question Number 185*,  
[https://www.aph.gov.au/Parliamentary\\_Business/Senate\\_estimates/rrat/2019-20\\_Supplementary\\_Budget\\_estimates](https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/rrat/2019-20_Supplementary_Budget_estimates)

Figure 1 shows that Mr Tony Reid met with DAWR officials, describing his role as “EAA consultant as Director, Growth Farms Australia. Mr Reid told Guardian Australia in 2019 that he worked for EAA directly, not as part of his role at Growth Farms Australia.<sup>5</sup> Mr Reid reiterated this in correspondence with The Australia Institute, outlining that Growth Farms Australia had worked for EAA until 2010, after which he worked for EAA via his personal company. He explained the mention of Growth Farms Australia in the negotiation brief seven years after its relationship with EAA had ended as “government entities getting their facts wrong.”<sup>6</sup>

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<sup>5</sup> Davies (2019) *Questions over companies chosen for \$200m of Murray-Darling water buybacks*, *Questions over companies chosen for \$200m of Murray-Darling water buybacks*,  
<https://www.theguardian.com/australia-news/2019/apr/17/questions-over-companies-chosen-for-200m-of-murray-darling-water-buybacks>

<sup>6</sup> Correspondence with Tony Reid dated 15 January 2020

The involvement of Growth Farms Australia in the Condamine Balonne purchase would appear to contradict claims made by Minister Taylor that he had no interest in, or advisory ties to, the EAA transaction.<sup>7, 8</sup>

Minister Taylor's interest in Growth Farms Australia Pty Ltd was declared in his register of interests in the 45<sup>th</sup> Parliament which was dissolved prior to the 2019 election.<sup>9</sup> While Minister Taylor updated his Declaration of Interests several times through the 45<sup>th</sup> Parliament, there was no change documented in relation to Growth Farms Australia. This means he owned a share in Growth Farms Australia throughout the negotiation period of the EAA water sale.

Minister Taylor no longer holds a share in Growth Farms Australia. His Declaration for the 46<sup>th</sup> Parliament shows an interest in a separate entity, Growth Farms Pty Ltd, but not Growth Farms Australia Pty Ltd.<sup>10</sup> It is unclear when the Minister's interest changed. This change does not appear in formal Notifications of Alterations of Interests. ASIC records confirm that Mr Taylor is no longer one of Growth Farms Australia's shareholders. The company has seven, equal shareholders, including Mr Taylor's brothers, Duncan and Richard, and Mr Reid, who is also a Director.<sup>11</sup>

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<sup>7</sup> Project staff (2019) *Did the Government Just Waste \$80-Million Buying Water?*, <https://10daily.com.au/shows/theproject/exclusive/a190418jmb/hamish-investigates-did-the-government-just-waste-80-million-buying-water-20190418>

<sup>8</sup> Sainty (2019) *Angus Taylor Has Threatened To Sue Journalists For Sharing A Twitter Thread*, <https://www.buzzfeed.com/lanesainty/angus-taylor-defamation-journalists>

<sup>9</sup> Taylor (2018) *Register of Members' Interests: Statement of Registerable Interests 45<sup>th</sup> Parliament*, [https://www.aph.gov.au/Senators\\_and\\_Members/Members/Register/Previous\\_Parliament\\_s/45P\\_Members\\_Interest\\_Statements#sz](https://www.aph.gov.au/Senators_and_Members/Members/Register/Previous_Parliament_s/45P_Members_Interest_Statements#sz)

<sup>10</sup> Taylor (2019) *Register of Members' Interests: Statement of registerable Interests 46<sup>th</sup> Parliament*, [https://www.aph.gov.au/Senators\\_and\\_Members/Members/Register#sz](https://www.aph.gov.au/Senators_and_Members/Members/Register#sz)

<sup>11</sup> ASIC (2020) *Current and historical company extract: Growth Farms Australia Pty Ltd*, <https://www.asic.gov.au/>



# Conclusion

Information released to the Senate shows that EAA had made many offers to sell water to the Commonwealth in the Condamine Balonne over many years, at prices well below the final price paid. All but one of those offers was rejected by the Commonwealth on the grounds they didn't represent 'value for money'. The independent valuations of this purchase should be released without delay to explain to the public why such high prices were paid.

The opacity around this transaction and apparent lack of value for taxpayers is simply the best known example of the wider mismanagement of the Murray Darling Basin. The continuing lack of transparency around the Condamine Balonne purchase highlights the need for a royal commission into the management of Australia's water resources.

The Australian National Audit Office (ANAO) is investigating this purchase in its audit of 'Procurement of Strategic Water Entitlements'. This report will be sent to the ANAO expanding on The Australia Institute's submission to that audit.<sup>12</sup>

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<sup>12</sup> Slattery and Campbell (2019) *Submission on procurement of strategic water entitlements*, <https://www.tai.org.au/content/submission-procurement-strategic-water-entitlements>