

**PUBLIC ACCOUNTS COMMITTEE**

*Ninth Report — “Where to From Here? The status of the Ord–East Kimberley Development Plan” — Tabling*

**DR A.D. BUTI (Armadale)** [10.14 am]: I present for tabling the ninth report of the Public Accounts Committee titled “Where to From Here? The status of the Ord–East Kimberley Development Plan”.

[See paper 2320.]

**Dr A.D. BUTI:** 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 the Public Accounts Committee undertakes agency follow-ups, usually after a minimum of 12 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 report, the committee’s fourth agency follow-up report since the 2017 state election, the committee focused on the Auditor General’s twentieth report dated September 2016 which examined the “Ord East–Kimberley Development Plan”, an infrastructure initiative comprising two elements—the Ord irrigation expansion project and the East Kimberley development package. In other words, the Auditor General’s 2016 audit report assessed how effectively the then Department of State Development implemented the Ord–East Kimberley development plan and whether the intended socioeconomic benefits to the community were achieved.

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 “Ord–East Kimberley Development Plan” in December 2009 as a co-funded \$415 million stimulus package. The OEKD plan reflected the longstanding desire of both levels of government to expand the Ord River irrigation area, which had been operating since the early 1970s. When the state government initially allocated \$220 million for the Ord irrigation expansion project in 2009, then Premier Hon Colin Barnett, MLA, and the Minister for Housing; Racing and Gaming, Brendon Grylls, MLA, said the funding was made with a view to doubling the Ord irrigation area to 28 000 hectares of land for agriculture.

As the Auditor General noted, the 2009 OEKD plan also aimed to —

... develop a sustainable and stronger economy and improve the socio-economic outcomes for Aboriginal people in the East Kimberley.

Brendon Grylls, as the Minister for Regional Development, also stated in 2009 —

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.

The Auditor General’s September 2016 audit report assessed how effectively the then Department of Regional Development implemented the Ord–East Kimberley development plan and whether the intended socioeconomic benefits to the community were achieved. The Auditor General remarked that the Ord–East Kimberley development plan had delivered mixed results. Of the 11 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. Although the 27 projects linked to the commonwealth-funded East Kimberley development plan were delivered to budget, some of these were delayed by up to three years.

The results for the Ord irrigation expansion project, 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 for the OIEP amounted to an additional \$114 million. The largest increase in terms of total dollars was for irrigation construction activities, which were \$59 million over budget, while the largest increase in percentage terms was for the 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 land development. The fact that no specific business case or detailed costings were undertaken for the entire project also contributed to the overruns. The former

**Extract from Hansard**

[ASSEMBLY — Thursday, 21 March 2019]

p1692b-1697a

Dr Tony Buti; Mr Dean Nalder; Mr Vincent Catania; Mr Ian Blayney

---

Department of Regional Development also did not 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. These recommendations were aimed at improving both the outcomes from the Ord–East Kimberley development plan and the future development of the Ord and were to be implemented by the department by December 2016. The first recommendation was finalisation and execution of the development lease for Goomig. The second was development of formal progress reporting requirements to ensure the steering committee is fully apprised of project status, including appropriate project closure processes following the completion of the Goomig development lease. The third was to review the state's objectives and role for the future development of the Ord, and make recommendations to government, including future governance arrangements. The fourth was establishment of key indicators and measures of success for the Ord–East Kimberley development plan and any future government investment in development of the Ord, including a formal review and reporting framework.

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.

The implementation deadline was to be December 2016, in accordance with the recommendations from the Auditor General's audit report. Unfortunately, the former minister's undertaking has not been fully realised. The results around the Department of Primary Industry and Regional Development's subsequent response to the audit recommendations have been mixed. We feel that although 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; however, even here, the department completed the required actions almost a year later than the time frame put forward by the Auditor General.

In its initial response to the audit report, the former Department of Regional Development made the ambitious forecast that by 2021, the potential area of land under irrigation would be 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, this forecast appears 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 Ord–East Kimberley development plan. We recommend that the department ensure its new reporting tool applies to all outstanding aspects of the Ord–East Kimberley development plan and that it promptly advises the minister of any further variations to timelines and costs.

We are concerned with the department'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 the department'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 Ord–East Kimberley development plan, or any future government investment in the Ord region, including a formal review and reporting framework. It is encouraging to see the work that the department has put into 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 Ord–East Kimberley development plan appear far more limited. There is a paucity of data around the socioeconomic benefits from the Ord–East Kimberley development plan, largely due to a failure to establish baselines for relevant criteria when the plan was launched. In addition, the department was unable to provide the latest crop yield data from the Goomig landholding due to commercial-in-confidence issues within the development lease. Although little can be done now regarding the failure to establish baseline data, it is incumbent on the department to ensure that 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 Ord–East Kimberley development plan is a laudable and ambitious undertaking, but to a large extent it has been a 10-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. There are some positive responses to 2016 recommendations from the Auditor General, but much more needs to be done and concerns remain. To fully realise the vision of the Ord–East Kimberley development plan, the Department of Primary Industries and Regional Development, under the stewardship of the current Minister

for Regional Development, Hon Alannah MacTiernan, must more fully enact the Auditor General's recommendations and also, we respectfully say, the recommendations contained within this report that I table today.

**MR D.C. NALDER (Bateman)** [10.27 am]: I also wish to make comment on the ninth report of the Public Accounts Committee, "Where to From Here? The Status of the Ord East Kimberley Development Plan." I would like to make a couple of points in addition to the comments that have been made by the chair of the committee in his foreword to the report. The Kimberley has been an aspiration since the 1970s when the state government created the first dam around Kununurra. It has been a challenge ever since that time to realise the full benefit that the Kimberley agricultural opportunity represents. I do not fully concur with the comment of the chair in his foreword that this has been a 10-year failure. I believe this has been an aspirational development of infrastructure in the north west to fully realise and put Western Australia at the forefront of the urbanisation and changing socioeconomic conditions of the people of South-East Asia and China.

I know from my previous experience as Minister for Agriculture and Food that a lot of work has been undertaken on the agricultural opportunities that exist in the East Kimberley, specifically around the different types of soils. Historically, the Ord River irrigation has been focused on the black soils of the Kimberley basin. However, research by the department has identified that the cockatoo sands can be at least as productive as the black soils, which more than doubles the opportunities for agricultural expansion within that area. In my view, the challenge for successive governments over many decades around the ultimate success of the Kimberley has been not a lack of aspiration, ambition and focus on developing infrastructure there to support intensive-irrigation agriculture, but a lack of understanding of the complete value chain of agriculture products. I say that because we have seen the creation of a massive water resource opportunity in our north west and the creation of many agricultural pursuits around Kununurra. Some have not been as successful as others. A part of that is having a go. It is the Western Australian or Australian nature to have a go. I applaud the people who have taken the opportunity around Kununurra to have a crack, to have a go, to see what they can do, but I believe that successive governments have not provided the right level of support across that complete value chain.

When looking at the complete value chain, one needs to stop and actually ask some pretty basic questions: Who is the market? What is the market? Where is the market? If we understand the market, we understand the customer. If we understand the customer, we know what they are looking for, which leads to talking about the products we can develop and how to get them to that market. I know that the runway in Kununurra is too short to take freight directly out of Kununurra and into South-East Asia. I think we have been too narrow in our thinking on this project, by focusing only on how to get the infrastructure in to develop agriculture. We have the infrastructure in there, but we have not looked at the complete value chain and understood what products we could deliver to what markets, or how we could get them there. For me, one aspect that needs to occur—I was raising this in my time as Minister for Agriculture and Food—is to ask why on earth we have not considered lengthening the runway to look at what products could be developed or grown and then delivered to South-East Asia in a timely fashion. I was told many years ago that Japan would take all the cantaloupes that Kununurra could produce, but that those cantaloupes needed to be in the marketplace within 24 hours of being picked. Therefore, the supply and logistics side needs to be established to ensure that this can be realised.

Whilst this audit report looked at how the government focused on a project and identified some shortcomings that could be improved upon, I think there is a broader issue here for future governments to consider; that is, the complete value chain of any project, particularly in the agricultural sector, and to understand the gaps in those chains and what other support needs to be supplied, created or invested in by future governments to ensure that we can realise the full potential value. Successive governments have failed to realise the full potential of the East Kimberley. I challenge anybody to go up there. I have been up there and I think it is a wonderful place. I can feel the opportunity, but I believe we are still not quite realising that opportunity—we are not realising the benefit that the East Kimberley could provide for Western Australia. I believe that successive governments, from either side of politics, can do more and do it smarter than we have done to date. I am taking my conversation here a little more broadly than just commenting specifically on the findings of an audit report on a specific project, because I think the shortcomings have been in how governments from either side have thought about the complete picture of the Ord-East Kimberley. I think there is a great opportunity for us to do more and to do it a lot better, and to better support those farmers up there who are really making an effort.

I will share with members what made me think of this. When I was Minister for Agriculture and Food, I found that the Department of Agriculture and Food had been working on a derivative of the Kensington Pride mango, which is the most popular mango in Australia.

**Mr V.A. Catania:** It is the best tasting.

**Mr D.C. NALDER:** It is the best-tasting mango in Australia; I thank the member for North West Central. It had been working on a derivative of this mango. On average, Kensington Pride mangoes yield around

six to eight tonnes per hectare. The department found, through trials across the north west of Western Australia, the Northern Territory and Queensland, that this derivative of the Kensington Pride was yielding between 30 and 35 tonnes per hectare. This product actually ripens a couple of weeks earlier than the Kensington Pride. I sat down with the department and said, “This is fantastic! What do you do now?” I was told, “We’ve done our bit.” It was basically put to the farmers to work out the rest. That was when I identified that we have to ask: What is the market? Is the Australian market full? If it is, is there an international market opportunity? If so, how do we actually supply that? That is how the whole supply logistics aspect comes in.

I am reinforcing that I think there are huge opportunities for Western Australia in continuing to work with the Ord–East Kimberley. I plead with successive governments to not walk away from it and to not see any failings that previous governments have had as reasons we should be cautious with the opportunity that exists there. I believe that the opportunity in our north west is massive. We just need to think about the broader picture of what we need to do to really ensure that we support the efforts of farmers up there to really drive success in the Ord–East Kimberley.

**MR V.A. CATANIA (North West Central)** [10.36 am]: I rise as a member of the Public Accounts Committee to give my opinion on our ninth report. When we consider the infrastructure that is being or has been built in Perth, whether it be the Mandurah railway line, the Perth Arena, the stadium and now Metronet, a figure is put on a project to say how much it is going to cost. Going back to Perth Arena, that figure was \$150 million, but it ended up costing roughly \$700 million. The Mandurah railway line blew out by hundreds of millions of dollars as well. With Metronet, we still do not have a price tag of how much it will actually cost.

**Dr D.J. Honey:** It will cost \$10 billion.

**Mr V.A. CATANIA:** The rough estimate is \$10 billion, yet only \$3.6 billion has been budgeted.

**Ms J.J. Shaw** interjected.

**Mr V.A. CATANIA:** Hang on a sec!

**The ACTING SPEAKER:** Member!

**Mr V.A. CATANIA:** Everyone has an opportunity to get up and speak in this place.

The point I am trying to make is that we are happy to invest in infrastructure that will take a long time to build or may never reach a balance between the amount of money put in and the return.

**Mr D.T. Punch:** Without a business case.

**Mr V.A. CATANIA:** We can talk about Carnegie.

When it comes to putting infrastructure into Perth, we often do not blink an eye because we are set on the idea that we need to build this infrastructure to be able to grow our state and the metropolitan region. The Ord–East Kimberley is no different: we are setting up the infrastructure so that Western Australia is able to realise its potential to be the food bowl of the world and, as the member for Bateman said, to reach what is happening in Asia. We can do that with the investment that the previous government made and governments prior to that have made, in trying to ensure that we can realise the potential of the food bowl that sits there—the abundance of water and land in close proximity to Asia.

As the member for Bateman said, the infrastructure that is put in is one very small aspect of actually developing what is needed so that we can look at markets and what they want in terms of supply, and for farmers and growers to be able to grow to those markets. We need infrastructure and land to be available to do so. The government has the right to invest, much like with a railway line. Railway lines open up the opportunity for land development, and for people to purchase houses and so forth. There is no difference here. We do not blink an eye about public infrastructure such as railway lines, stadiums, hospitals and so forth. Generally, we have cost blowouts on the major, visionary infrastructure projects in this state. It is a vast state with a growing population and we are catering for future growth when it comes to railway lines, hospitals and so forth in the city. We are catering for future growth when it comes to the regions and the part they will play in supplying food for the rest of the world. It is doing the same thing—creating that vision. One day, we will realise the potential the Ord has, maybe not now, but into the future. It is absolutely integral to have the diversity we need in our economy and for us to play our role in feeding the population of the world. We can do that in the Ord–East Kimberley. The investment occurred back in 2009. The member for Armadale read out some statements by the former Premier and the former Minister for Regional Development, Brendon Grylls, who invested a huge amount of not only royalties for regions money into the project, but also his time, his passion and his vision to make Kununurra—the Ord—the food bowl for Western Australia and the world. We should not simply walk away from that project. The audit report was done in 2016 and remember that the election was in March 2017. The recommendations in the report were to be dealt with by December 2016. We all know in this place that we go into caretaker mode in the lead-up to an election but I want to highlight that the director general in charge of the Ord–East Kimberley project is the same director general as we have today in the Department of Primary Industries and Regional Development. It has now been over two years and still some of those recommendations have

not been dealt with by the government. I am sure that the previous government, under the former minister, Terry Redman, would have dealt with it if he had time, especially in the lead-up to the election. If we had won the election, I am sure we would have dealt with these recommendations. If members read the Public Accounts Committee's ninth report, it clearly identifies that the same director general who was in the chair under the previous government is still in the chair with this government and still those recommendations have not been tackled by the current Minister for Regional Development, Hon Alannah MacTiernan.

I want to highlight that we should not throw the baby out with the bathwater on this project, but continue the vision that was set out by the previous government, by former Premier Colin Barnett and former Minister for Regional Development and Leader of the National Party Brendon Grylls. Brendon Grylls invested like Ministers for Transport and former Premiers into railway lines like Metronet, and like Perth Arena, Perth Stadium and the Perth–Mandurah railway line; this is no different. Every time a project for regional Western Australia comes up, if the business case does not stack up, we just do not do it. If we were to apply that same principle in the metropolitan area, we would not build anything in Perth. It takes time for an investment to occur and time to recoup the benefits. We are now recouping the benefits of Perth Stadium, Perth Children's Hospital and the Perth–Mandurah railway line. One day, we will find out how much Metronet is going to cost—potentially, \$10 billion—and remember there will be an extra \$1 billion on the subsidy that we already have on public transport here in Perth, which could go up to \$2 billion, yet do we say, “No, we won't run the trains because it doesn't stack up”? Of course not. Give it time, and hopefully we can build those areas of population along the railway line to be able to make it pay for itself. That may happen in 10, 20 or 30 years, much like the Ord project. Hopefully, in time, the investment will occur, the markets will be developed and the runway will be extended so produce can be flown out directly to the Asian markets. We will realise the potential of Kununurra—the Ord—being a huge food bowl for the world and a huge economic boost for Western Australia. We talk about the diversification of the economy; this is it. This is part of that diversification and growing our agriculture sector. The previous government talked about it but it seems to have been shut down by the current government. It is important that we follow through on the vision. The report has some issues but I want to highlight that the new government has been in for two years and has not addressed these issues. Do not lose sight of the fantastic vision set out by the previous government. As I said, if we want to compare infrastructure in regional Western Australia with infrastructure in Perth, let us take the same approach when it comes to Metronet.

**MR I.C. BLAYNEY (Geraldton)** [10.46 am] — by leave: I have visited the Ord River quite a few times. The first time was in 1982, and I considered farming there in the early 1990s but I could not sell out in Geraldton, so I never did. I have also been there a couple of times as a shadow minister. It is a fascinating area farming-wise. It is one of the most interesting parts of the world to farm in. It is also one of the most challenging places in the world to farm. On the index of climates, it has arguably the most uncomfortable climate to live in of anywhere in Australia, so it is a very challenging place, not just for the person doing the farming but also the people who go with them. The isolation makes it very difficult to operate because anything we can get anywhere else is harder and more expensive to get in Kununurra.

Fairly early in my first term as a member of Parliament, I visited the Ord River when the expansion project had started. I spent a morning with the contractor—I think it might have been Thiess, but I cannot remember—looking at what it was doing. It was very interesting. I found the committee's report quite interesting. The other day, a friend of one of my relations called in to see us. His family had had an earthmoving business in Kununurra and they had only just sold out. He said that the Ord River expansion plan was really trying to do too much, too quickly and that if they had tried to do what they had done over a couple of years over 10 years, for someone like him with a local earthmoving business, it would have meant a good stream of continuous work. However, unfortunately, because of the time lines—they wanted to do it so quickly—it made it very attractive for companies from outside to come in, which meant they had the situation that people get in the regions. For regional operators, if there is a lot of work to do, do they gear up to do it because they might know that, in two or three years, there will be very little work? If they gear themselves up for the boom it may run out straight away. Also, they might gear up and find that they lose the tenders and do not get the work anyway. He said that as an operator, it was very hard for them. The project did not bring people in the local community the sort of work that they thought they would get. When they sold their operation, a company from Queensland came over and bought everything—all the earthmoving equipment. I remember his wife saying to us some time back that the best thing about selling and getting rid of the equipment was that she would never again have to ring up the Department of Transport in Perth to try to sort out a driver's licence or a car licence. They had 140 licences on all these pieces of earthmoving equipment. From the way she spoke, just about every one of them was a nightmare and she would always spend hours on the phone to some bureaucrat trying to get a problem fixed. That is just a comment that I wanted to make about it.

This report strengthens the case for a body like Infrastructure Western Australia. Not long after we came to government, Western Australia was, as the former Premier used to say, about to go into its third major economic expansion period with the investments in gas and iron ore. If a project like is put into the system, it will further bid-up prices for contractors, wages and all those sorts of things. The last thing we really want is for the state to go into that situation and bid-up the price of resources, because companies like BHP, Rio Tinto, Woodside and Chevron are already in there competing for those resources. There is no way that we would get anything other than

**Extract from *Hansard***

[ASSEMBLY — Thursday, 21 March 2019]

p1692b-1697a

Dr Tony Buti; Mr Dean Nalder; Mr Vincent Catania; Mr Ian Blayney

---

a budget blowout in that circumstance; we could not avoid it. It is like adding more fuel onto a fire that is already burning very well.

My most recent visit up north was to look at the results of the GM-cotton trials being run by Kimberley Agricultural Investment Pty Ltd. I have to say that the GM-cotton industry in the Ord River could be potentially enormous. The circumstances that normally make the Ord River a very difficult area in which to farm seem to cause GM-cotton crops to thrive. There are all kinds of other interesting spin-offs from that. A decision has been made go ahead and put in a cotton gin, which will mean that cotton seed will be available to feed cattle. That will potentially prove a big bonus for the development of the cattle industry. But, as always in areas like this, patient capital is needed. Money has to be invested and it takes quite a while to develop the farming systems that will work in an area like that. If we have made any mistake in the past, it was to hype up and expect too much out of the Ord River too soon. I give credit to Kimberley Agricultural Investments, the Chinese company that has taken over those new pieces of land. It has done an exceptional job and become a major investor in the area—it is patient money. The next challenge for those of us who are interested in agriculture in the north is the further expansion and development of the considerable land that exists around the Ord River. I note that the government held a meeting last Friday at Fitzroy Crossing to discuss what type of development we should do. I hope that we do some agricultural development in the Fitzroy River valley, but obviously in a very different way from what has been done in Kununurra. With that, I commend the report.