The Basin Files
The maladministration of the Murray-Darling Basin Plan: Volume 2

Former Australian Federal Police Commissioner Mick Keelty has published the first report of the Murray Darling Basin Inspector General/Northern Basin Commissioner. The report fails to mention major controversies that have been widely reported across all media outlets. There has been no engagement with most of the prominent critics of Basin management.

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Summary

Former Australian Federal Police (AFP) Commissioner Mick Keelty was appointed as the Northern Basin Commissioner in 2018, a position expanded to Basin (interim) Inspector General in 2019. In early December 2019 his first annual report was published. The report fails to even mention some of the most pressing issues in the northern Basin.

- The report makes no mention of floodplain harvesting, an issue described by the SA Royal Commission as “one of the most significant threats to water security in the Northern Murray-Darling Basin to both licence holders and downstream states.”
- The report contains no clear discussion of the water efficiency program despite billions spent, decades of controversy and the Department of Agriculture’s own auditor noting “instances where project documentation could not be located or was not readily available”.
- While some mention was made of water purchases that have cost taxpayers into the hundreds of millions, the report mainly notes that these deals have been referred to the Australian National Audit Office. There is no investigation of topics the Auditors will not examine, such as the links of vendors to politicians and other well-connected Basin stakeholders.

A major controversy facing the Murray Darling Basin Authority (MDBA) is the draining of Menindee Lakes in 2016-17. That decision has contributed to the 2018-19 fish kills, brought forward the end of irrigated horticulture in the Lower Darling/Baaka and denied water to irrigators in the Murray. The Keelty report appears to accept the MDBA’s justification without seeking alternate views. Instead the Keelty report concerns itself with the social media and PR strategies of water agencies at the time of the fish kills.

The report includes no discussion of the half-billion dollar Broken Hill Pipeline, with its long-hidden business case focused on benefits to northern cotton growers and mining companies.

The Keelty report gives a glowing review of the MDBA, seemingly because of their “ability to deliver succinct briefings on complex issues”. By contrast, the South Australian Royal Commission found the MDBA was “non-transparent”, has a “predilection for secrecy” and “has shown itself to be unwilling or incapable of acting lawfully.” The report does not attempt to reconcile these differences.
The Keelty report is critical of the Department of Agriculture, not because of its demonstrated failure in delivering programs like water efficiency, but because it does not get projects done and money out the door fast enough.

The shortcomings of the Keelty report are likely exacerbated by Mr Keelty’s lack of engagement with critics of Basin management. Mr Keelty and his team met extensively with water agencies in preparing their report, but appear not to have spoken to most of the most prominent critics of Basin management, such as Bret Walker (South Australian Royal Commissioner), Richard Beasley (Senior Counsel, South Australian Royal Commission), the Chair and members of the Northern Basin Advisory Committee), the landholder that alerted police to a $20m fraud, prominent academics and The Australia Institute.

It is unreasonable to expect Mr Keelty to have investigated the myriad of issues affecting the Northern Basin. He started with no experience in water, had no powers and was poorly resourced with a team of only two former AFP investigators. However, even with those limitations, it is extraordinary that Mr Keelty failed to even mention the most highly fraught issues in the Northern Basin, particularly as they have been covered in hundreds of media stories across the complete range of Australia’s media outlets. Many of these articles are compiled in this report.

The Inspector General role has been presented as an alternative to a Royal Commission. Governments and irrigation lobby groups that have opposed a Royal Commission now advocate for Mr Keelty to be given the powers of a Royal Commission. The support of these groups for Mr Keelty and his position, juxtaposed with Mr Keelty’s lack of engagement with their critics should gives little confidence that the Basin’s problems will be seriously addressed.

The Inspector General’s Terms of Reference and powers are being discussed at the Murray-Darling Basin Ministerial Council on 17 December 2019. An amendment to the Commonwealth Water Act is then required to create the powers.
Introduction

Former Australian Federal Police (AFP) Commissioner Mick Keelty was appointed as the Northern Basin Commissioner in 2018, a position expanded to Basin (interim) Inspector General in 2019. His terms of reference were vague and he had no experience in water, no powers and limited resources for his investigation. He recently published his first annual report on the northern Basin. He could not be expected to solve all the northern Basin’s problems in one report, given the environment he was working within. However, his failure to engage with critics of water agencies and the complete omission of major problematic topics, such as floodplain harvesting and the Commonwealth’s efficiency program, is difficult to understand. Particularly when media coverage of these topics has been so extensive.

This report reviews the Keelty report and lists more than 80 media reports that Mr Keelty could have used to alert him to the problems in the Northern Basin, but were somehow overlooked. It also serves partly as a sequel to the Basin Files - The Maladministration of the Basin Plan: Volume 1, published in June 2018. That report is a compilation of more than 100 media stories exposing the maladministration and malfeasance in the implementation of the Basin Plan.
Inspecting the Basin

The roles filled by Mr Keelty of Northern Basin Commissioner and later expanded to (interim) Inspector General for the whole basin, came about as part of a political deal to pass amendments to the Basin Plan in 2018, particularly the Northern Basin Review. The Northern Basin Review recommended increasing the amount of water that could be taken for irrigation in the northern Basin by 70 gigalitres. This recommendation was based on flawed analysis and appeared to be politically influenced.1,2

The Northern Basin Review amendment was initially blocked by the Senate. Later, the Labor opposition agreed to support the amendment in return for a package of measures, which included the appointment of a Northern Basin Commissioner. The Northern Basin Commissioner’s charter was to oversee the implementation of the Northern Basin Review recommendations and to monitor, audit and report annually on:

- implementing water-use compliance measures
- achieving Basin Plan environmental outcomes in the northern Basin
- scientific and technical information that will increase our understanding of northern Basin environmental needs
- environmental water activities in the northern Basin, including the Gwydir Wetlands, Macquarie Marshes and Narran Lakes
- involving Indigenous communities in managing and delivering water resources.3

Other than this, the position had limited powers. The Commissioner cannot compel agencies or witnesses, or subpoena documents. He relied completely on goodwill and co-operation from government agencies.

The Northern Basin Commissioner role has since expanded to cover the whole Basin and has been retitled as interim Inspector General. However, the role of Inspector

General still has these problems. Terms of reference still need to be agreed and powers enshrined in legislation.

Both roles report to the Water Minister. This is potentially problematic as this Minister that has oversight for the implementation of the Basin Plan in the first place.

Mick Keelty AO APM and former Commissioner of the AFP was appointed to the Commissioner role and then the interim Inspector General role. Mr Keelty is well regarded by the Basin stakeholders he has engaged with. However, he has no experience in water policy and recruited a team from the AFP which also lacked water policy experience. With a total team of Mr Keelty and just two investigators, and with only 18 months to work on the first annual report, the learning curve must have been steep.

Mr Keelty quickly became known for his frank assessment of the Murray-Darling Basin as being “ripe for corruption”. Headlines such as “Former AFP chief eyes water officials” appeared. However, the recently released first annual report of the Northern Basin Commissioner (the Keelty report) contains none of the hard-hitting findings or recommendations that these early stories suggested.4

While the Commissioner’s powers limited what Mr Keelty could access within water agencies, there was no limit on him talking to the many external critics of Basin management. He appears not to have engaged with any of the most prominent voices in the water debate, such as:

- Bret Walker (South Australian Royal Commissioner),
- Richard Beasley (Senior Counsel, South Australian Royal Commission),
- Mal Peters (former Chair Northern Basin Advisory Committee),
- John Clements, Ed Fessey and Geoff Wise (former committee members to the Northern Basin Advisory Committee),
- Chris Lamey (farmer that alerted police to a $20m fraud in Goondiwindi),
- Academics such as Professor Quentin Grafton, Professor John Williams (Natural Resource Commissioner) and Professor Richard Kingsford,
- The Australia Institute.

This group collectively has a large body of research and information that could have assisted Mr Keelty’s inquiry. This research has been extensively covered in the media, so the Keelty team cannot have been unaware of it.

The coverage of Basin mismanagement and the critics of water agencies has led to widespread calls for a Federal Royal Commission into the management of the Murray Darling Basin. The Inspector General role has been presented as an alternative to a Royal Commission, with reports suggesting it will have the powers of a Royal Commission. Mr Keelty has communicated this directly to several stakeholders.

This is curious, given the Government’s previous resistance to a Royal Commission. The Government and states have resisted calls to establish a Royal Commission and did not co-operate with the South Australian Royal Commission. This is explained further under the Royal Commission section below. The Government also blocked legislation proposed by Senator Sarah Hanson-Young to establish a Commission of Inquiry into the Murray-Darling Basin Plan, which would also have had powers like a Royal Commission.5

In the same vein, irrigation lobby groups (Cotton Australia, National Irrigators Council, NSW Irrigators Council and National Farmers Federation) have all advocated against the parliament conducting a Commission of Inquiry into the Murray-Darling Basin management.6,7,8,9 The National Irrigators Council advocated against a Royal Commission.10,11 However, the NSW Irrigators Council and National Farmers Federation have been advocating for Mr Keelty to be given the powers of a Royal

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Commission. The support of these groups for Mr Keelty and his position, juxtaposed with Mr Keelty’s lack of engagement with their critics should give the public little confidence that the Basin’s problems will be seriously addressed.

The Inspector General’s Terms of Reference and powers are being discussed at the Murray-Darling Basin Ministerial Council on 17 December 2019. An amendment to the Water Act is then required to create the powers.

Coverage of these issues includes:

**MURRAY-DARLING BASIN INSPECTOR-GENERAL ROLE DELAYED BY ONE STATE, MINISTER SAYS**
ABC Rural, Kath Sullivan, (27 November 2019)

**FORMER AFP CHIEF EYES WATER OFFICIALS**
The Saturday Paper, Karen Middleton, (2 November 2019)

**MURRAY-DARLING BASIN CORRUPTION UNDERMINING FAITH IN $13B PLAN, MICK KEELTY SAYS**
ABC Rural, Caitlyn Gribbin and Clint Jasper, (3 September 2019)

**MURRAY-DARLING BASIN PLAN ‘UNTENABLE’ SAYS NSW, AS INSPECTOR-GENERAL SAYS MORE CORRUPTION WOULDN'T SURPRISE**
ABC News, Kath Sullivan, (5 August 2019)

**WILL AN INSPECTOR-GENERAL FIX THE MURRAY-DARLING MESS?**
Crikey, Jennine Khalik, (2 August 2019)

**MURRAY-DARLING BASIN INSPECTOR-GENERAL TO OVERSEE WATER EFFICIENCY, COMPLIANCE AND ALLEGATIONS OF THEFT**
ABC Rural, Kath Sullivan, (1 August 2019)

**KEELTY WARNS RIVER ‘RIPE FOR CORRUPTION’**
The Saturday Paper, Karen Middleton, (27 April – 3 May 2019)

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MURRAY-DARLING WATER PLAN HAS ‘HIGH CHANCE OF FAILURE’: REPORT
The Sydney Morning Herald, Alexandra Smith, (16 December 2019)iii

REVEALED: HOW MUCH WATER WILL BE LOST IF NSW EXISTS BASIN PLAN
The Sydney Morning Herald, (Kylr Loussikian, (15 December 2019)x

WATER WARS ESCALATE AS VICTORIA SLAMS MURRAY-DARLING POWER SHIFT
The Sydney Morning Herald, Kylar Loussikian, (9 December 2019)k

THE TANGLED WEB OF THE MURRAY-DARLING BASIN PLAN
Radio National Breakfast, Hamish MacDonald, (5 December 2019)ii

NATIONALS’ PUSH TO RECLAIM ENVIRONMENTAL WATER FOR FARMERS
‘UNDERMINES’ BASIN PLAN
The Sydney Morning Herald, Mike Foley, (4 December 2019)xii

MURRAY-DARLING BASIN INVESTIGATION UNDER PRESSURE, AS LITTLEPROUD SAYS
NO EXTRA WATER FOR FARMERS
ABC News, Kath Sullivan and Clint Jasper, (4 December 2019)viii

MURRAY DARLING BASIN: FIGHT FOR WATER TRIGGERS INQUIRY
The Australian, Ean Higgins and Andrew Clennell, (4 December 2019)xiv

‘CAN THE PLAN’ PROTESTERS SAY THEY’VE BROKERED A DEAL WITH FEDERAL WATER
MINISTER AND MICK KEELTY
ABC News, Kath Sullivan and Clint Jasper, (3 December 2019)xv

PROTESTING IRRIGATORS REACH FRONT DOOR OF PARLIAMENT
The Land, Oliver Calver, (2 December 2019)xvi

MORRISON GOVERNMENT FORCED TO CONSIDER ABANDONING $1 BILLION WATER
PROJECTS
The Sydney Morning Herald, Kylar Loussikian, (26 November 2019)iv

WE WILL ‘RIP UP’ MURRAY DARLING BASIN PLAN: BARILARO
The Daily Telegraph, Alan Jones, (26 November 2019)viii

CALLS FOR CALM AMID NSW BASIN PLAN THREAT

SOUTHERN RIVERINA IRRIGATORS MAKES ITS CASE
The Land, Dan Pedersen, (21 October 2019)xx
ANGRY FARMERS THROW EFFIGY OF FEDERAL WATER MINISTER SITTING ON TOILET INTO MURRAY RIVER
ABC News, Rhiannon Tuffield and Warwick Long, (6 September 2019)"xxi

FARMERS' PROTEST IS A SIGN WATER POLITICS IS ABOUT TO GO INTO HYPERDRIVE
The Guardian, Gabrielle Chan, (9 April 2019)"xxii
The Department of Agriculture’s (DA) responsibilities include the water efficiency program and water buy-backs. The DA received the most criticism in Mr Keelty’s report, which includes:

- The DA does not enjoy a good reputation.
- The DA is thought to have developed a risk averse culture, which may derive from many years of failed or incomplete project delivery where it has had no control over implementation.
- The DA does not possess the skills to sit on panels to assess competitive bids, so it outsources or puts to tender a ‘buy in’ of the skills required to simply consider funding bids without any actual value add to the project to be delivered.

Mr Keelty is most likely referring to the administration of the water efficiency program and water buy backs, but readers cannot be sure as this is not stated clearly. The efficiency program was not mentioned anywhere in the Keelty report. Water purchases were referred to in the context that the Australian National Audit Office (ANAO) was reviewing some purchases. Both programs have received significant criticism and media attention, some of which is listed below.

**WATER EFFICIENCY PROGRAM**

The water efficiency program funds infrastructure for irrigation that is supposed to save water. 50% of the supposed saving is transferred to the Commonwealth as environmental water. The efficiency program is significantly more expensive than government buying water directly from irrigators. The increased cost is justified by government because it is supposed to have a much lower socio-economic impact than buy-backs. There has been considerable criticism of the program, both as a policy and its implementation.

As a policy, there is a 20-year body of academic literature that demonstrates that improvements in irrigation efficiency reduces water available to the environment. The South Australian Royal Commissioner explains:

> Concerns regarding the issue of return flows are not new. Professor Grafton told the Commission that the earliest published research he had found was
from 1964, but that the most considerable body of published work on the issue emerged in the 1990s.\textsuperscript{14}

Two Productivity Commission reports criticise the policy based on the unjustified cost and the reduction in water for the environment.\textsuperscript{15,16} There is also an academic body of work that disputes the socio-economic impacts of the water buy-backs (that is regional economic decline is a function of many factors and not buy-backs alone).\textsuperscript{17}

The implementation of the water efficiency program has also received extensive criticism. The Four Corners program \textit{Cash Splash} showed that the efficiency program has subsidised new dams and a significant expansion of irrigation properties. Water licences were transferred to the Commonwealth, but these were sourced by the irrigators from other valleys and were not from water saved through infrastructure. The Keelty report did not even mention \textit{Cash Splash}.

There is a body of academic work that identifies the strong political influence, rent-seeking and regulatory capture by the irrigation industry over water policy in the Murray-Darling Basin:

\begin{quote}
Given this history of an 'irrigation-first' approach to water policy in the MDB, it was inevitable that the provision of infrastructure subsidies for water-use efficiency would be delivered in ways that would prioritise the benefits to irrigators rather than the general public interest. Thus, the failure by the DAWR to undertake any cost–benefit analysis despite the public expenditure of some A$4 billion on irrigation infrastructure, or to even measure the individual hydrological outcomes of the subsidised projects, could be construed as a deliberate strategy which provided opportunities for public funds to be expended without necessarily generating any public benefits, and without proper due diligence.\textsuperscript{18}
\end{quote}

A former Cotton Grower of the Year has been charged with the fraud of $20 million made available through the efficiency program. The Keelty report refers to this case but with no further comment as it is being dealt with through the courts. While the Keelty report could not look in detail at individual cases such as this, it is important for Basin stakeholders to understand if DA has examined its internal controls to ensure that there are no other cases of fraud and that future attempts of fraud can be detected and prevented. This was not mentioned in the Keelty report.

DA did engage KPMG to undertake a review of the governance, risk and control processes for three sub-programs under the efficiency program: the Basin Pipe Project (NSW); the NSW Irrigated Farm Modernisation Project; and the Healthy Headwaters program (Queensland). KPMG was clear that the term review was not used consistently with the meaning of the term as used in Australian Auditing Standards. They explain that:

The procedures outlined in the approach do not constitute a statutory review nor a comprehensive review of operations. 19

KPMG found that NSW had missing documentation relating to projects under the Basin Pipe Project:

KPMG noted a number of instances where project documentation could not be located or was not readily available for the sample of schemes tested. 20

That is, it appears that neither DA or NSW departments even has the documentation for projects under the efficiency program paid for by taxpayers. Yet the Keelty report’s criticisms of DA were restricted to not getting enough money out the door, rather than its demonstrated failure in program delivery.

Relevant coverage of these issues includes:

**REPORT THROWS DOUBT ON VALUE OF MURRAY-DARLING BASIN DAMS**
Radio National, Hamish MacDonald, (8 October 2019)xxiii

**DAMS ARE BEING BUILT, BUT THEY ARE PRIVATE: THE AUSTRALIA INSTITUTE**
The Conversation, Michelle Grattan, (8 October 2019)xxiv

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THE LATEST MURRAY-DARLING BASIN SCANDAL EXPLAINED
Medium, Maryanne Slattery, (10 July 2019)xxv

‘LIKE PINK BATTs FOR FARMERS’: MINISTER DEFENDS QUESTIONABLE ‘IRRIGATION EFFICIENCY’ GRANTS
The Mandarin, Stephen Easton, (9 July 2019)xxvi

HOW TAXPAYERS ARE FUNDING A HUGE CORPORATE EXPANSION IN THE MURRAY-DARLING BASIN
ABC News, Sean Rubinstein, Mary Fallon, Lucy Carter and Michael Slezak, (8 July 2019)xxvii

CASH SPLASH
Four Corners, Sean Rubinstein-Dunlop, (8 July 2019)xxviii

MURRAY-DARLING BUYBACKS ‘TWICE AS CHEAP’ AS EFFICIENCY PROJECTS
The Guardian, Anne Davies, (15 March 2019)xxix

MURRAY-DARLING BASIN COULD BE MISSING BILLIONS OF LITRES OF WATER, STUDY CLAIMS
ABC News, Rachel Carbonell, Tom Iggulden and Jessie Davies, (6 March 2019)xxx

COTTON FARM EXECs ACCUSED OF $20M FRAUD OVER MURRAY-DARLING WATER FUNDING
ABC News, Lexy Hamilton-Smith, (9 January 2019)xxxi

QUEENSLAND FARMERS FACE $20M GOVT FRAUD CHARGES
The Examiner, Lucy Stone, (28 August 2018)xxxii

WATER PURCHASES AND POLITICIANS
DA is also responsible for water purchases, which have also been subject to regular public criticism.

The Keelty report acknowledges that the Australian National Audit Office (ANAO) is looking into the so called ‘strategic’ water purchases (which include water from Eastern Australian Agriculture, Tandou and the Warrego). However, ANAO’s review is limited to whether the purchases were conducted consistently with government policy, supported by appropriate program design, were planned and executed
appropriately, and, achieved value for money.\textsuperscript{21} The audit will not examine potential links to politicians. A ‘tough cop’ in the Basin would have looked into these issues.

Two strategic purchases were in the Northern Basin, an $80 million purchase in the Condamine-Balonne and a $17 million purchase in the Warrego. Both purchases have links to politicians. The Energy Minister, Angus Taylor, had links to the company that sold the water in the Condamine-Balonne and his close business associate, Tony Reid, had a leading role in the sales negotiation.\textsuperscript{22} Minister Littleproud is a long-time family friend to the Warrego vendor.\textsuperscript{23} The Keelty report did not mention any of these links.

Relevant coverage of these issues includes:

**BARNABY JOYCE APPROVED PLAN TO CHASE $80M WATER BUYBACK, DOCUMENTS SHOW**
The Guardian, Anne Davies (6 June 2019)\textsuperscript{xxxi}

**ANGUS TAYLOR’S OXFORD ROWING MATE’S COMPANY WAS A BENEFICIARY OF $80M WATER DEAL**
The Guardian, Anne Davies, (17 May 2019)\textsuperscript{xxiv}

**ANGUS TAYLOR SAYS HE DID NOT SET UP CAYMANS STRUCTURE ON $80M WATER BUYBACK**
The Guardian, Anne Davies, (2 May 2019)\textsuperscript{xxv}

**‘ALL HELL BROKE LOOSE’: THE STRANGE STORY BEHIND JOYCE, TAYLOR AND #WATERGATE**
The Sydney Morning Herald, Peter Fitzsimons, (28 April 2019)\textsuperscript{xxvi}

**‘LABOR, LABOR, LABOR, LABOR’: BARNABY JOYCE’S BIZARRE INTERVIEW ON RN DRIVE – VIDEO**
The Guardian, ABC RN Drive, (25 April 2019)\textsuperscript{xxvii}

**BARNABY JOYCE AND WATERGATE: THE WATER BUYBACKS SCANDAL EXPLAINED**
The Guardian, Maryanne Slattery (25 April 2019)\textsuperscript{xxviii}

**WATER BUYBACK CRITICISM ‘A JOKE’, SAYS COMPANY AT CENTRE OF SCANDAL**
The Sydney Morning Herald, Nicole Hasham (25 April 2019)\textsuperscript{xxix}

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\textsuperscript{23} Youtube Qldaah, (2018) David Littleproud reacts angrily to water buyback pricing question, https://www.youtube.com/watch?v=Tyaqq5sEhE0
NEW QUESTIONS RAISED OVER CALCULATIONS BEHIND $80M WATER BUYBACK
The Guardian, Anne Davies, (25 April 2019)\textsuperscript{xli}

AGRICULTURE DEPARTMENT STANDS BY WATER BUYBACKS, AMID CLAIMS OF SCANDAL AND CALLS FOR AN INQUIRY
ABC News, Jane Norman, Stephanie Dalzell and Dan Conifer, (21 April 2019)\textsuperscript{xlii}

HAMISH INVESTIGATES: DID THE GOVERNMENT JUST WASTE $80-MILLION BUYING WATER?
The Project, Hamish Macdonald, (18 April 2019)\textsuperscript{iii}
Murray-Darling Basin Authority

The Keelty report was very complimentary of the Murray-Darling Basin Authority:

The MDBA is singled out as being the most engaging and professional of all of the agencies in this first year of NBC operations. Their leadership, culture and ability to deliver succinct briefings on complex issues is well above the standard of other agencies.

This experience is at odds with many other Basin stakeholders, the most prominent example perhaps being the South Australian Royal Commissioner.

ROYAL COMMISSION


The Royal Commission final report was 756 pages. That Commissioner received 154 submissions, examined 53 witnesses, consulted with 9 communities and made 7 site visits. That is, the Commissioner was the recipient of a lot of information and evidence from experts and other stakeholders with a range of views.

The Royal Commissioner, Bret Walker, subpoenaed witnesses and documents from the MDBA in early 2018. The Commonwealth government mounted a High Court challenge to avoid participating in the Royal Commission. Mr Walker sought an extension from the new Liberal South Australian government to accommodate the High Court challenge. That was denied and Mr Walker had no choice but to withdraw the subpoenas. The matter therefore was never tested in the High Court.

Mr Walker was scathing of MDBA has having a culture of secrecy. In one of many references to MDBA’s “predilection for secrecy”, Mr Walker said:

the MDBA has succeeded in giving the word transparency an Orwellian twist when they use it. The Commissioner does not mean this as a compliment. The MDBA is a publicly funded authority that has been given environmental and scientific responsibilities to be implemented in the national interest. And yet it

keeps classified its modelling and other processes that should be publicly disclosed. It has no basis to claim it is the open and accountable organization it should be.25

The MDBA no doubt employs skilled and diligent scientists, but it is far from the only entity in Australia that does so. Many eminent scientists gave evidence at the Commission hearings and lodged submissions. Those submissions, and the transcript of their evidence, record that all of them have deep concerns about the failure of the MDBA to make available important matters of science. In short they say it is a non-transparent (or opaque) organization…..The MDBA claims otherwise. The record renders that claim insupportable.26

Mr Walker also accused the MDBA of gross maladministration, negligence and unlawful actions:

Regrettably, from prior to the time of the enactment of the basin plan, the MDBA has shown itself to be unwilling or incapable of acting lawfully.

That state of affairs exists today, and is the principal reason why there are serious doubts whether the current senior management, and board, of the MDBA are capable of fulfilling their statutory obligations and functions.27

Relevant coverage is shown below.

‘GROSS NEGLIGENCE’ ON MURRAY-DARLING
The Saturday Paper, Karen Middleton, (2 – 8 February 2019)xliii

THE FURY OF THE MURRAY-DARLING ROYAL COMMISSION FINDINGS HAS FALLEN ON DEAF EARS
ABC News, Laura Tingle, (2 February 2019)xliv

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WHY DOES WATER ADMINISTRATION REQUIRE ‘CLOAK AND DAGGER’ SECRECY AKIN TO ASIO?
The Mandarin, Harley Dennett, (1 February 2019)xlv

'PEOPLE HAVE TO BE NAMED': SCIENTISTS SAY BROKEN MURRAY-DARLING SYSTEM CAN BE FIXED
ABC News, Nick Kilvert, (1 February 2019)xlvii

MURRAY-DARLING BASIN ROYAL COMMISSION LAYS BARE THAT 'THE SYSTEM IS SICK', SAY THE PEOPLE IT AFFECTS
ABC News, Adam Connors and Rural reporters, (31 January 2019)xlviii

MURRAY-DARLING BASIN ROYAL COMMISSION REPORT FINDS GROSS MALADMINISTRATION
The Guardian, Anne Davies, (31 January 2019)xlviii

MURRAY-DARLING HIGH COURT CHALLENGE DROPPED; COMMISSION WON'T CROSS-EXAMINE FEDERAL BUREAUCRATS
ABC News, Rebecca Puddy and Claire Campbell (30 August 2018)xlix

MURRAY-DARLING WATER SCANDAL
The Saturday Paper, Karen Middleton, (11-17 August 2018)l

DRAINING MENINDEE LAKES

Mr Keelty was defensive of MDBA against significant public criticism it faced after the death of millions of fish at Menindee Lakes in January 2019.

In the summer of 2019 there were a series of mass fish deaths in the Lower Darling and Menindee Lakes. There was a public outcry and extensive media backlash against water resource managers at the State and Commonwealth levels. The MDBA was the focus of intense negative scrutiny...Misinformation about MDBA’s and NSW’s management actions flooded social and news media for much of the first quarter of the year, limiting the capacity of all organisations and communities to come together in a united approach.

Social media was not managed well by any agency to counter spurious claims about the causes of the fish deaths placing political pressure on providing answers to what were essentially operational and scientific causes.

The Keelty report does not make clear which of the MDBA and NSW’s “management actions” were the focus of such scrutiny. However, these actions must certainly include
the draining of Menindee Lakes in late 2016 and throughout 2017. The Australia Institute published a report in early 2019, which explained that MDBA made releases from Menindee Lakes outside its operating rules.\textsuperscript{28} Some of the releases were made while there was flooding at the South Australia border. There is no operational justification (or precedence) for this and it is a direct contradiction of MDBA’s operating rules. The Keelty report makes no effort to investigate these issues, instead focusing on the social media and PR strategies of the water agencies.

The South Australian Royal Commissioner asked the South Australian Attorney-General for an extension of time to review the cause of the Menindee fish kills, which was refused.\textsuperscript{29} That would have been an opportunity to address any ‘spurious’ claims. For example, the Royal Commission could have subpoenaed South Australian officials that were part of the decision making for the Menindee releases. Neither of the subsequent independent panels into the fish kills had access to that information.

The Keelty report highlights that explanations from politicians and bureaucrats about the releases were not communicated well.

\begin{quote}
Although there was a significant amount of community engagement undertaken, the communication strategies of the Commonwealth agencies and departments failed to disseminate the factual information.
\end{quote}

No politician or bureaucrat has explained why releases were made when there was flooding at the South Australian border. They have had extensive coverage in the media, including:

\begin{itemize}
\item **YOUR RIGHT TO KNOW: THE QUESTIONS THAT AREN’T BEING ANSWERED OUT IN THE BUSH**
  The Land, Mike Foley (30 October 2019)\textsuperscript{lii}
\item **THE DROUGHT**
  Q and A, Hamish Macdonald, (28 October 2019)\textsuperscript{liii}
\item **MENINDEE LAKES: THE SMALL COMMUNITY IN THE GRIP OF AN ECOLOGICAL DISASTER**
  Landline, (6 February 2019)\textsuperscript{liii}
\end{itemize}


BROKEN HILL PIPELINE

In The Australia Institute’s January 2019 report, *A Fish Kill QandA*, we suggested that a possible reason for the draining of Menindee Lakes was to justify the construction of the Broken Hill Pipeline. Since that report was published, documents relating to the Broken Hill Pipeline were made available through a Standing Order in the NSW parliament. However, the Business Case was not delivered through parliament, and instead a hard copy was given to Justen Field MP (Independent) by the NSW Water Minister, Melinda Pavey’s office.

The business case clearly states that the pipeline would benefit northern cotton growers (because they would no longer need to send water to Menindee Lakes for Broken Hill’s water supply). However, the impact that less water in Menindee Lakes would have on the Lower Darling irrigation sector, who rely solely on Menindee Lakes for their water, was considered out of scope. The documents add significant weight to the hypothesis that the Lakes were drained to facilitate the pipeline, but they do not prove it. Roy Butler MP (Shooters, Farmers and Fishers) is pursuing missing documents
from the standing order and the providence of the hard copy business case through the NSW parliamentary process.

The Keelty report makes no mention of these issues of major concern to northern Basin and Darling/Baaka stakeholders despite extensive media coverage:

**BRUTAL TRUTH REVEALED IN BUSINESS CASE**
Barrier Daily Truth, Craig Brealey, (16 August 2019)

**SQUEEZED DRY**
The Project (15 August 2019)

’DISDAIN’: ANGER AS BROKEN HILL PIPE BUSINESS CASE FINALLY RELEASED
The Sydney Morning Herald, Peter Hannam, (15 August 2019)

**NSW’S BROKEN HILL PIPELINE LEAVES MURRAY DARLING HIGH AND DRY**
Farmonline, Mike Foley, (15 August 2019)

**BROKEN HILL PIPELINE AN 'EXPENSIVE GIFT TO IRRIGATORS', MP SAYS**
AM, Penny Timms, (15 August 2019)

**DOCUMENTS REVEAL $500M BROKEN HILL PIPELINE BUILT FOR BENEFIT OF IRRIGATORS**
The Guardian, Anne Davies, (15 July 2019)

**DROUGHT-STRICKEN BROKEN HILL’S WATER SUPPLY SWITCHED TO MURRAY RIVER AS $500M PIPELINE TURNED ON**
ABC News, Sara Tomevkska and Declan Gooch, (26 February 2019)

**THE PIPELINE PLAN THAT WILL DRAIN THE LOWER DARLING RIVER DRY**
The Guardian, Anne Davies and Mike Bowers (23 January 2019)
Floodplain harvesting

Floodplain harvesting in the Northern Basin is unmeasured and unregulated. The Queensland and NSW governments are in the process of issuing floodplain licences to regulate take. MDBA and NSW have said in many public forums that the Sustainable Diversion Limit under the Basin Plan (the average annual amount of water that can be extracted for irrigation) will increase by the new floodplain harvesting licences. This is despite Bret Walker advising that this will be unlawful.

In NSW, the extractions by floodplain harvesting are required to be limited to the extraction that could have been taken using the 1993/94 level of development. In NSW, the extractions by floodplain harvesting are required to be limited to the extraction that could have been taken using the 1993/94 level of development. 30 Governments have acknowledged that extraction has increased markedly since then, but they have not provided any public data to date to demonstrate what the current take is. 31

The Basin Plan estimated that the total average annual take from floodplain harvesting was 210 gigalitres. 32 We estimated that the take from floodplain harvesting in 2016 could be as high as 3,000 gigalitres. 33

The ability to take more water through floodplain harvesting is likely to have been heavily subsidised through the Commonwealth’s efficiency program, which has funded the expansion of private dams. The floodplain harvesting licences are being distributed based on an irrigator’s capacity to take and store water.

Floodplain harvesting is a major concern among many Basin stakeholders. The Royal Commissioner said:

Not only do floodplain diversions deny economic opportunities across the Northern Basin, left unregulated they are ‘one of the most significant threats to

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water security in the Northern Murray-Darling Basin’ to both licence holders and downstream states.\(^{34}\)

A large group of unlikely allies signed an open letter to then NSW Water Minister Niall Blair calling for the halt of issuing floodplain harvesting licences until ‘a credible, modern and evidence-based system is in place.’ The signatories included Aboriginal Nations, floodplain graziers, local Councils, graziers, irrigators, environmental lobby groups and the former Commonwealth Environmental Water Holder.

The Royal Commission report also identified concerns that floodplain harvesting will increase water use.

Based on the evidence before the Commissioner, significant increases in floodplain diversions have resulted in large unaccounted volumes of water being extracted from flows over floodplains. This raises serious concerns about compliance with the long-term cap on diversions (Cap), the assessment of sustainable diversion limits (SDLs), and the achievement of environmental and community outcomes.\(^{35}\)

It is not clear why New South Wales proposes to assess only those works constructed on or before 3 July 2008. New South Wales risks breaching the Cap should the volume of floodplain diversions licensed be determined by reference to water resource development as of 3 July 2008 and not 30 June 1994. It is not clear how the New South Wales Government will confirm what works were in place as of 3 July 2008 as compared with how much water was capable of extraction by way of floodplain diversions as of 30 June 1994. Absent any information publicly available in this regard, community concerns that licensed floodplain diversions will breach the Cap and contribute to overallocation are well-founded.\(^{36}\)

Finally, Mr Walker also flagged the public distrust of government’s relationship with the irrigation industry:


Given the level of public scepticism about the relationship between the New South Wales Government and irrigation groups, it is remarkable that the policy proposes to remodel the long-term average level of take by consulting with irrigators only. This approach is contrary to the recommendations made by Mr Matthews. The same is true regarding the proposal not to advertise applications for supply works approval. The approval of large on-farm infrastructure is a matter of significant public interest. There is no justifiable reason why such applications should not be publicly known and, if necessary, subject to community objection, particularly having regard to the potential nuisance caused by these structures.37

Inexplicably, the Keelty report is silent on floodplain harvesting. Relevant coverage of this issue includes:

**NSW GOVERNMENT GRANTED 18-MONTH EXTENSION AND EXTRA $7.9M MILLION FOR FLOODPLAIN HARVESTING PLAN**  
The Daily Telegraph, Clare Armstrong, (September 27 2019)lxx

**COTTON FARMER DEFENDS WATER USE IN DROUGHT-HIT MURRAY-DARLING BASIN, AS ECOLOGISTS WARN OF 'TIPPING POINT'**  
ABC News, Rachel Carbonell, (12 May 2019)lxx

**TAKING WATER FROM THE TOP MEANS LESS AT THE BOTTOM, SAY IRRIGATORS**  
The Land, Dan Pedersen (27 March 2019)lxxi

**NSW WATER POLICY GIVEAWAY PROMISES MORE ECOLOGICAL DISASTER**  

**PERVERSE POLICY: DARLING IN ‘DEBT’**  
Barrier Daily Truth, Craig Brealey, (15 March 2019)lxxiii

**'RIVER DEBT' MEANS BARWON-DARLING RECOVERY LIKELY TO LAG RAIN'S RETURN**  
The Sydney Morning Herald, Peter Hannam, (15 March 2019)lxxiv

**'THE RIVER IS SICK': NSW URGED TO HALT FLOODPLAIN HARVESTING IN MURRAY-DARLING**  
The Guardian, Anne Davies, (7 March 2019)lxxv

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GROUPS UNITE AGAINST BASIN WATER HARVESTS
The Border Mail, Matt Coughlan, (7 March 2019)

MURRAY DARLING WATER ALLOCATION NEEDS TO BE RECONSIDERED, SAYS SENATOR
NITV, Nakari Thorpe (22 February 2019)

'DON'T EXPORT OUR RIVERS': PUSH FOR EXPORT BAN ON COTTON
The Sydney morning Herald, Peter Hannam (4 February 2019)

PHOTOS REVEAL QUEENSLAND COTTON FARMS FULL OF WATER WHILE DARLING RIVER RUNS DRY
The Guardian, Anne Davies, (31 January 2019)

DARLING RIVER FISH KILL: COTTON INDUSTRY SAYS IT WON'T BE 'THE WHIPPING BOY' FOR DISASTER
The Guardian, Lisa Cox (10 January 2019)

FLOOD WATER WILDCARD HITS THE TABLE
The Cooamabale Times, (31 May 2018)

ABC'S MURRAY DARLING BASIN FLOODPLAIN HARVESTING POLICY COVERAGE MISLEADING, GOVERNMENT SAYS
The Land, Alex Druce and Mike Foley, (30 May 2018)

MURRAY-DARLING: STATE PLAN TO GIVE IRRIGATORS WATER 'FREE-FOR-ALL' COULD THREATEN WETLANDS
ABC News, Michael Slezak, (28 May 2018)
Conclusion

The scandals that have plagued the implementation of the Basin Plan threaten the reform itself. Politicians, bureaucrats and rent seekers are consistent in their messaging to ‘save the plan’. However, there is little space to undertake an honest assessment of what has gone wrong with the implementation of the Basin Plan.

It is unreasonable to expect Mr Keelty to have investigated the myriad of issues affecting the Northern Basin. He started with no experience in water, had no powers and was poorly resourced.

However, even with those limitations, it is extraordinary that Mr Keelty failed to even mention the most highly fraught issues in the Northern Basin – floodplain harvesting and the Commonwealth’s efficiency program. It is also extraordinary that Mr Keelty accepted the MDBA’s justification of the draining of Menindee Lakes, when they are the party accused of wrongdoing.

It is implausible that Mr Keelty is unaware of the public criticism of aspects of the Basin Plan and its implementation. There have been hundreds of media reports across all forms of media: tabloid and broadsheet, AAP and long form, ABC and commercial television and radio. Many stories made international news. It is extraordinary that Mr Keelty did not speak to any of the key critics.

The Australia Institute has published many reports that are critical of the implementation of the Basin Plan. Our research themes include the maladministration of taxpayers’ money by water agencies; the shift of wealth, water and power under the water reforms; the demise of irrigation industries and subsequently communities. Responses from politicians, agencies and rent seekers are typically denial, accusations of a hidden agenda, or personal attacks. Never the issues we have raised.

Mr Keelty’s report does a disservice to every stakeholder in the Basin. The issues plaguing the Basin Plan will not disappear and they cannot be hidden forever. The truth will come out eventually. While some parties attempt to ‘hear no evil’, the social licence of the irrigation industry continues to be damaged; agricultural industries and communities will continue their decline; the crisis facing ecosystems will not be halted; and the opportunities to do anything about that are narrowed.
Links

https://www.theguardian.com/australia-news/2019/may/02/angus-taylor-says-he-did-not-set-up-caymans-structure-on-80m-water-buyback
https://www.theguardian.com/australia-news/2019/may/02/angus-taylor-says-he-did-not-set-up-caymans-structure-on-80m-water-buyback