

# NEWSLETTER

## FEB 17

### *From the Chair*

Welcome to Theodore Water's first newsletter for the year. Unfortunately I have to start with the sad news that Liz Alexander has stepped down from the Board due to work commitments. Liz's tremendous efforts on your behalf will be greatly missed but she remains an active supporter of the LMA process and will continue to watch its progression with interest. On behalf of the Board and yourselves, I wish Liz every success in her role in as Agribusiness Development Coordinator with Central Highlands Development Corporation based in Emerald. I am sure we will still hear from Liz regularly.

As a replacement for Liz the Board has recommended Sarah Cox to the Department of Energy and Water Supply. Sarah is a local from Cracow and has a strong background in strategic communications and business management. We look forward to Sarah's involvement with the Board.

The board is continuing to progress the transition. There was a board meeting on 20<sup>th</sup> January and this was followed by a public information session where I was delighted to meet many of the community customers and answer your questions. A summary of the discussions from the session are included in the newsletter.

One of the chief items covered in the meeting was the announcement from the government that \$15.1m has been approved as the transition payment to establish Theodore Water, subject to support from the customers. This is a strong commitment from the government to ensure that Theodore Water has sufficient resources to meet its large obligations into the future. The Board has commenced due diligence into the transition process and will report back to you on progress. It is an exciting time for everyone and as always the people involved in the transition remain focused on a better scheme for all users.

Malcolm Finlayson



**Sarah Cox – incoming Director of Theodore Water**

### **The Government Announcement**

On 12<sup>th</sup> December 2016 the Minister for Energy, Biofuels and Water Supply, Mark Bailey formally announced the offer to the local community via a press release.

The offer included \$15.1 million and the transfer of all non-bulk water assets to the Theodore Water at no cost.

The existing non-bulk water staff will be transferred to Theodore Water.

Plans are for due diligence to commence shortly after by all of the transition schemes.

The support by the local customers remains a requirement for the successful transition with a deadline of 1 July 2018.

Although the amount was less than requested by the Stage 2 business plan, the offer is attractive nonetheless.

## Theodore Water Pty Ltd Board Meetings

Theodore Water met once in December and once in January. In addition to the meetings the directors are in regular communication amongst themselves and also with LMA Support Services who are assisting all of the transition board with their tasks.

The December meeting was held in Rockhampton in order to allow some engineering parties easier travel to present their suggestions to the board. The January meeting was in Theodore and was followed with the public information session.

## Meeting with Banana Shire Council Representative

The board met with Mayor Neville Ferrier at the Board meeting in January. The Board appreciated the council making the Mayor available for the meeting despite his tightly committed schedule. Given his recent appointment as Mayor, he was interested in being updated on the progress of the transition. Discussions were held to examine if there were areas of mutual benefit that should be included in the planning and strategy of the Board.

The council will continue to assist Theodore Water as it progresses towards transition and expects Theodore Water to comply with the usual planning process with council. The Board intends to fully comply with local council requirements as well as other legal and regulatory requirements.

Neville remained in Theodore after the meeting and was able to attend the information session and liaise with the community.



## The Public Information Evening

On 20 January 2017 the local community, customer and interested parties were invited to an information session about the transition process. The meeting was provided with the key elements of the offer and further information about the transition.

A review of the history and age of the existing infrastructure was also provided. Some of the equipment dates back to 1924 and other key elements were recognised as approaching the end of their effective life. This was a primary reason why the offer was large, as a great deal of asset renewal is need to be funded.

A comparison of water prices was given that showed Theodore water delivery costs are significantly higher than other distribution systems. These costs are expected to increase as Government subsidies reduce over time.

The key principles of the LMA process were restated; these being:

- The long term benefits must outweigh the costs.
- A strong majority of irrigators must support.
- The venture must viable over the long term.
- The assets will be maintained and refurbished in line with agreed service levels.
- The statutory planning, regulatory and environmental obligations must be met.

The modernisation that was highlighted at the meeting covered replacement of the Theodore and Gibber Gunyah pump stations, decommissioning of the Fork Farmers Pump, replacement of the Rising Main, repairs to the Bench Flume and overall improvement of operating efficiency.

The presentation was followed by a general question and answer session. Some of the key concerns of the attendees were:

**Is the funding sufficient?** The Board explained that it was lower than the requested amount and we will be preparing financial modelling to determine whether it can meet the business needs. Theodore Water will be investigating asset replacement options and system efficiencies such as power and repairs and maintenance in order to reduce long term water delivery costs.

**Will there be a negotiation?** The Board explained that this was the final offer from the Government and not subject to negotiation. The alternatives to accepting the offer would most likely be considerably higher water costs in future.

**Are the funds going to be spent immediately?** There was some concern that the transition funds would be spent too quickly and that there would not be funds available for future needs. The Board explained that there were modernisation requirements needed promptly but the business model had to be sustainable long term and that the aim of the due diligence process was to ensure that the business model was sustainable for future generations.

**Do we really need expensive replacement assets?** The Board explained that there were efficiencies to be gained by utilising modern equipment to reduce the cost of water delivery. There is a real risk to the system in the event of equipment failure during peak demand and the existing equipment needs purpose built spares to be provided. A cost benefit analysis will be utilised to ensure that assets deliver a net benefit to the company and customers.

**Will expenditure be sourced from the local community?** Local sources would be used wherever possible. However if it proves uneconomical or impossible to obtain then business efficiency demands that services be sourced elsewhere. It is expected that large items such as pumping equipment would not be sourced locally.

**What would the board and governance of the company be like and how will the customers be involved in decisions?** The Board explained that the company is a proprietary limited company with the sole current

shareholder being a government representative. The Board answers to the shareholder. When transition occurs the existing shareholder will be replaced by customers and they will create a revised company constitution and Board. The Board would normally prepare a business plan that the shareholders would approve but it is unusual for the shareholders to be involved in running the business. They delegate to the board. The proposal will be for the rights of minority shareholders to be protected by key voting activities in the constitution and a committee to allow community issues to be raised with the Board.



## Board Contacts

You can email the Board on [admin@theodorewater.com.au](mailto:admin@theodorewater.com.au) or contact individual members on the numbers below.

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Kirk Anderson	Director	0429 181 079
Greg Austin	Director	0409 931 614
Ed Donohue	Director	0418 154 914
Peter French	Deputy Chair	0428 166 634

## Upcoming Dates

- Board meeting 16 February 2017
- Board meeting 29 March 2017
- Board meeting 26 April 2017
- Board meeting 17 May 2017
- Board meeting 15 June 2017
- Board meeting 22 August 2017