

Theodore Channel System Local Management Arrangements

Newsletter May 2014

Update from the Chair

It's likely this will be the last regular newsletter from the Interim Board as we submit the Theodore Business Proposal in less than a month.

When the Interim Board was instigated in June 2013, Phase 2 was ambitiously targeted to conclude by the end of November. Our specific task for Phase 2 was to develop a business proposal, describing how the transfer of ownership of the Theodore scheme assets to a new corporate entity owned and controlled by the customers will result in long term sustainability for the Scheme.

I don't believe anyone suspected the enormity of the task ahead! Certainly everyone – Directors and LMA Project team members alike – have done an unspeakable amount of work over the last 11 months. The extension of the timeline, while creating its own pressures, has allowed the Board to undertake additional due diligence and review. We can say with confidence that we have developed a robust and considered Business Proposal that is:

- **Sustainable over the long term**
- In the **best interests of both Theodore customers and the State of Queensland**, and
- Aligns with the Government's commitments of growing a four pillar economy and doubling the value of agricultural production by 2040.

The Theodore Interim Board appreciates the overwhelming support received from local irrigators for the Business Proposal on 29 April, 2014. The message was clear: Theodore is an 80-year-old scheme which urgently needs investment and irrigators believe that local ownership is the only way to ensure that assets are modernised and operated efficiently.

As per our Charter for Phase 2, the Board will wind up at the end of the due diligence (June 2014) unless otherwise agreed with government. All of our Interim Directors have indicated that they would again commit their time should the process proceed to a "Phase 3".

In the event that Government supports the Business Proposal, this would include preparing detailed arrangements for the execution of the transfer of assets, the establishment of legal entities and transitional arrangements.

Throughout Phase 2, the Board has demonstrated best practice governance standards and communicated genuinely and openly with all of our stakeholders and customers. Directors Peter French, Greg Austin, Kirk Anderson, Mike Murray and JP Van Moort also managed to make the process enjoyable - thank you.

We all strongly believe that this is a once in a lifetime chance to secure the future for irrigation in Theodore. For now, the group awaits a response from Government. We will update you when we receive news.

Liz Alexander



Theodore customers attend the community support meeting 29 April, 2014



Banana Shire Councillor David Snell & wife Margaret enjoying the evening

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Just in Case You Missed It....

Theodore Voted Yes.

Around 40 water users attended the 29 April meeting in Theodore in an overwhelming show of support for the proposal to transfer SunWater's irrigation channel scheme to locals.

With one abstention, all remaining irrigation customers representing 99.82% of total allocation voted to support local management arrangements on the basis that:

- Their existing rights and access to water are preserved
- A company limited by shares is established to own and manage the scheme
- They are entitled to own shares on the basis of their water entitlement (1 share per megalitre)
- The company established to own and manage the Scheme will be provided with an adequate separation payment for the sustainability of the channel irrigation scheme including the modernisation of ageing, inefficient infrastructure.

Chair Liz Alexander welcomed the response from customers and said: "We are grateful for the trust water users have placed in us and this plan. Some customers have expressed uncertainty about what the future holds, but all have expressed greater confidence in a future under local management."

Local irrigator Fleur Anderson interviewed those who attended the evening. If you'd like to catch up on what local customers said about LMA, view her video at www.lmairrigation.com.au/theodore/news. A summary of the Business Proposal is also available at this web address.

Meeting with the Hon. Jeff Seeney

Theodore's Business Proposal came under the spotlight when interim board Chair, Liz Alexander and directors Peter French and Kirk Anderson met with the Deputy Premier Jeff Seeney in Baralaba on 9 May.

Liz, Peter and Kirk discussed the progress of local management and were able to present the Member for Callide with the final full draft of the Business Proposal. Some key messages raised during the afternoon were the strong support from local irrigators, the robustness of the Proposal and local management's significant financial benefit to the State when compared to SunWater ownership and management. Also discussed was the resolution of issues around the introduction of treated CGS

or "beneficial" water to the Dawson system, in addition to the commencement of the Regional Planning Interests Act in June 2014, and how that will guide the assessment of applications from resource companies to carry out activities with relevance to the Theodore Irrigation Scheme.

The Deputy Premier has maintained a keen interest in the progress of local management for Theodore. Please note the personal message of support provided from the Member for Callide on the final page of this newsletter.

SKM Engineering Due Diligence (EDD) Now Available

At the Community Meeting held 29 April the Theodore Interim Board communicated their understanding that the SKM Engineering Report would be able to be shared publicly once finalised. The objective of the EDD was to provide independent expert advice regarding forecast capital costs to the interim boards and to government.

The SKM Report is now complete. As promised, we have one printed copy that will be available to view at the DCCA Office in Theodore during their opening hours from Friday 30 May onwards. This is the most comprehensive review ever to be done of the Scheme assets, so we encourage anyone interested to drop in and have a read. Note the document will not include the appendices (mini-reports on individual assets) as these include confidential SunWater information.

As it is a very lengthy document and expensive to print, we ask that you pick up a coffee or tea and take the time to have a look while in the Office (yes we know - just like an encyclopaedia at the library). The staff at DCCA are often on the road, so we recommend ringing ahead on (07) 4993 1004 to check on opening hours.

Where to from here?

Now Theodore has achieved a strong majority customer support for our Business Proposal to own and operate the channel scheme we are continuing, wherever possible, to actively participate in government's processes.

The Theodore Interim Board received some early feedback from the state government's investment arm, the Queensland Treasury Corporation (QTC), on the robustness of our financial case last Friday.

This high level, pre-submission review of two draft proposals was designed to assist all Boards. We were pleased with the response and are considering the comments prior to lodging our finalised submission in June.

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QTC will undertake the full assessment for government on whether the proposal demonstrates that the scheme can be financially viable subsequent to submission of the final document.

In the meantime, interim boards representing SunWater's other seven channel irrigation schemes have been progressing their business proposals. Strong majority customer support was received by St George, Eton and Emerald interim boards. Mareeba customers have provided conditional support to their board, based on gaining certainty around bulk water and an adequate separation payment.

The remaining three schemes, Bundaberg, Burdekin and the Lower Mary will be seeking support from customers for their business proposals over the next six weeks.

Following the receipt of the business proposals, a report will be provided to government by the Independent Chair, Leith Bouilly. The report will make recommendations as to whether local management should proceed and what will need to be done in the implementation phase in 2015.

Ms Bouilly's report will be presented to the Minister for Energy and Water Supply, Mr Mark McArdle and it is anticipated that Cabinet will consider local management in October or November this year.

Thank You to Theodore Supporters

As Phase 2 draws to a close, the support from a number of our contractors also comes to an end. The Board would like to thank Bron Christensen particularly who has helped us since July 2013 with highly professional secretarial, administration, web and event management services. Bron was recently awarded a scholarship to undertake the iconic Australian Rural Leadership Program (ARLP) and we wish her the best.

The other very, very important thank you that the Board would like to make is to Claire Rodgers from Gidyea Group consultants, based in Rockhampton. In close partnership with the Board, Claire has provided her skill and expertise to write our Business Proposal. As a result we have a robust, well written document that currently totals 90 pages without appendices; no mean feat.

The LMA Project team, based in Brisbane, has provided assistance to enable the board

to develop its proposal. On behalf of the board I would like to thank them all, and in particular, Angus McDonald, who was assigned as the Board's key contact. Angus has worked tirelessly to excite Board members with innumerable runs of the model and has provided critical support for our team. We would also like to make a special mention of Independent Chair Leith Bouilly, and team members Maria Ceresa, John Orange, Phil Miller and Rob Speed who took the time to visit Theodore during the year.

Most of our Board members did not accept their stipend, instead requesting the money be put aside to secure the advice required during Phase 2. This advice has supported us to craft a robust, well-considered Business Proposal on behalf of Theodore customers.

We would like to recognise the following businesses that provided the timely, very high quality advice and reports to support the Board during the process – many at significantly reduced rates to help the cause:

- Andrew Perkins, Williams Hall Chadwick
- Julie Keane, GHD
- Geoff Kavanagh, C&R Consulting
- Damien Erbacher, Dawson Ag Consulting
- Dr. Lance Pendergast, DAFF Qld
- Pat Lyons and Athol Backhouse, Lane Infrastructure
- Ruth Haydon, Ruthless Art
- Douglas Rodgers, www.spectrumimages.net

We are also very grateful to the businesses contracted by the Project Team who provided Due Diligence advice for all the Schemes, including Theodore. And last but not least, the local SunWater staff.

Our sincere thanks to all who have taken an interest in LMA.



Attending the community support meeting were (Left) Bron Christensen; (Right) Ross Harch, Qld Cotton, and Glen Perkins

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JEFF SEENEY

Deputy Premier
Minister for State Development, Infrastructure & Planning

Member for Callide



Spotted at dinner were Eugene & Jenny Sauer (Above) and Rob Van Bael and Lester Anderson, DVCGA President (Below)

Interim Board makes Good Progress

Our government's proposal to have local management arrangement bodies investigate transferring irrigation infrastructure from SunWater to locals is a once in an 80-year opportunity, so it turns out.

1933 was the year of the first State-lead inquiry and resulting plan which recognised deficiencies of the Theodore Irrigation Scheme. Plans were devised again in 1949/50, 2001, 2004, 2010 and 2012. Eighty-one years and six plans later, Theodore irrigators are on the cusp of realising a real opportunity to gain control of their irrigation infrastructure and upgrade and modernise it.

I've been regularly briefed by the Theodore Channel Local Management Arrangement body and interim board chair Liz Alexander on the progress of their investigation and can say the six-member interim board has come a long way over the past nine months.

This pilot initiative of our government is aimed at testing the feasibility of transferring irrigation distribution assets from the government to entities owned and managed by the water users supplied by the scheme.

It is part of the government's broader agenda to work from the ground up, empowering local communities and councils to deliver solutions to local planning and development challenges. We acknowledge services are delivered best when the local community is involved.

I wish the interim board the best of luck with completing their business proposal which is due to government mid-year.



Board Contacts

You can email the Board on theodore@lmairrigation.com.au or ring on the numbers below.

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Mike Murray	0427 707 868
Jan Paul van Moort	0404 650 219

Upcoming Dates

10 June 2014

Theodore LMA Board meeting, Emerald

14 June 2014

Final Business Proposal to the Project Team

17 June 2014

Presentation to Banana Shire Council, Biloela

30 June 2014

Presentation of all Scheme Proposals to Government