

15th December, 2017

Dear Customer

RE: Lower Mary Distribution scheme to remain with SunWater

I am writing as Chair of the Lower Mary Investigation Board to formally advise you of the outcome of the Board's further detailed investigation as to whether a proposal to transfer SunWater's distribution scheme to local irrigators should proceed.

You will recall that at the end of last year the government appointed the Board to further investigate Local Management Arrangements (LMA) and update the Business Proposal submitted to government in 2014. The other investigation board members appointed were Allen Birt, Bernie Wilson, Stewart Norton, Trevor Dean and Warwick Yates.

This investigation phase focussed on the future sustainability of the scheme, allowed further scrutiny of the capital and operating costs, analysed anticipated revenue from irrigators, and their capacity to pay.

After reviewing engineering due diligence conducted of the scheme assets and undertaking financial modelling, the Board has concluded that the scheme would not be viable under local management unless a significant separation payment was made by the government.

The Board concluded that a request of the magnitude required would not meet the first principle governing the LMA project, namely that the long term benefits to the State of introducing LMA should outweigh the costs of implementation. Based on this conclusion the Board were not in a position to recommend to irrigators that they proceed to local management. As a result, the Board advised government of its intention to withdraw from the local management process, meaning the scheme will continue to be owned and managed by SunWater.

Notwithstanding our conclusion, the Board's investigations have proved extremely valuable in charting a possible long-term future of the scheme. Improving water security has been identified as the number one priority for the scheme.

Over the past few weeks we have been working with SunWater on an enhanced process for continued co-operation that recognises the scheme importance to the regional area. The Board has been instrumental in instigating discussions with SunWater to ensure that the findings of the Board are transferred to SunWater to provide every opportunity for the ongoing sustainability of the scheme. It has been identified through the LMA process that there is a need for a pathway for SunWater and their customers in the irrigation scheme to be able to interact on key industry matters and knowledge. As a result the Board has given in principle support to a proposal to establish a customer advisory board. Details of this pilot are yet to be finalised and SunWater will provide an update to all customers in the scheme in the New Year.

This week the Board has addressed three irrigator meetings in relation to its findings. If you were unable to attend one of these forums or would further information about the investigation please don't hesitate to give me a call directly on 0428 657 624 or email admin@lmairrigation.com.au.

The Investigation Board completes its term at the end of this month and I would like to take this opportunity to thank the Board, the LMA support staff and SunWater for their input and dedicated work that has made this investigation possible. In particular, I would like to acknowledge the co-operation from the staff in the Bundaberg SunWater office.

Yours sincerely,

Geoff Wormwell

Chair – Lower Mary Investigation Board.