

Chairman's Communiqué

Friday 18 January 2013



Murray Irrigation

This Communiqué provides customers with more information about the Board's decision yesterday to retain the fundamentals of its current fees and prices structure.

Background

The Board introduced a new fees and prices structure effective 1 January 2011 that featured the following key components:

- A landholding fee – a fee paid by all customers for connection to the irrigation supply infrastructure.
- An outlet fee – levied against each outlet on a landholding.
- A delivery entitlement fee – paid per delivery entitlement on a landholding (the majority of Murray Irrigation's fixed fees are collected by delivery entitlement fees).
- Tiered variable water usage fees – with the variable fee paid per ML reducing as more water is used. Included in the tiered water usage fee is the recovery of government's fixed and variable fees for Murray Irrigation's conveyance licence.

The new fees and prices structure increased the fixed fees and also total fees paid by some customers, particularly customers with a domestic only supply and smaller irrigation landholdings.

In response to concerns raised by these customers, the Board has considered an extensive list of options for changing the structure of our fees and prices to provide lower fees for smaller irrigation customers.

We have explored, amongst other options, altering and/or removing the tiered variable water usage fees, introducing a landholding fee based on area, and defining (within legal constraints) a different level of service and with it a different charging regime.

We have also sought customer feedback, the results of which were:

- There are no obvious solutions that meet the objectives of our Fees and Prices Policy that also provide reduced fees of any significant scale to small irrigation customers.
- Providing fee relief to some customers increases fees to other customers, in some cases significantly.
 - For example, one option the Board considered would provide a \$1,000 fee reduction for small irrigators, and a \$20,000 fee increase or more for some customers.
- Our customers' views are diverse with very few customers willing to pay more to provide a benefit to another customer.
- Changing our current fees and prices structure reduces incentives for customers to either use water or to consider rationalisation of infrastructure, which are both important incentives to the future of the company and all its customers.

In looking for solutions, the Board determined that any changes to the current fees and prices structure must be revenue neutral (i.e. the same income collected but from a different structure) and that any change is equitable to all customers. Under all modelled options considered by the Board, a reduction in fees and prices for one group of customers means an increase for another.

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The conclusion

After considering the results of our analysis of alternative structures and feedback from customers, the Board has concluded that the fees and prices structure that started in 2011 is sound and there is insufficient justification for change.

The 2011 structure:

- Recognises that being connected to our water supply infrastructure (irrespective of size) should be paid for.
- Provides incentives to customers to consider reducing outlets.
- Provides incentives to customers to use water.

I realise that some customers will be significantly disappointed by this decision.

Murray Irrigation is committed to exploring opportunities to control our costs in order to reduce fees to customers. The roll out of our Private Irrigation Infrastructure Operators Program, including the Outlet and Meter Strategy, is central to achieving this in the long term.

Our decision in December to reduce the delivery entitlement fee for the third and fourth quarters of 2012/13 will collect \$500,000 less in fixed fee revenue in 2012/13 and is a further example of this focus.

The recent review of our Fees and Prices Policy has confirmed that our current structure is equitable across our diverse customer base and continues to provide sound incentives to customers that will contribute to the on-going affordability of Murray Irrigation's services.

I also wish to encourage all Murray Irrigation customers to attend the round of information meetings we will host in the week starting Monday 11 February. These meetings will deal with a range of information useful for all Murray Irrigation customers. Details will be communicated in *Talking Water* on Tuesday 29 January.



Noel Graham
Chairman