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Irrigating Carnarvon's Future

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Mick Geaney
Assistant Director Licensing
Economic Regulation Authority
Level 6 Governor Stirling Tower
197 St George's Terrace
Perth WA 6000

Friday, October 12, 2007

Dear Mr. Geaney

Re: submission by Mr. Ian Duggan, opposing the extension to the Operating Area of Licence IL/38

I have read both the emails and the formal submission to the Authority by Mr. Duggan and our response is set out below.

It may be best if we respond in the order of the points raised by Mr. Duggan in his formal submission.

- GWC is very proud of its record of providing services to members and we also do all that we can to keep our members informed about matters of interest and importance. However, I am sure Mr. Duggan would agree, we cannot detail the minutiae of running a cooperative in a monthly, four page newsletter. As editor, I try to keep a balance of what is interesting and relevant without being too boring or mundane.
- Both GWC and GWAMCO have tried on many occasions to hold formal and informal gatherings of members in order to provide broader detail on the happenings and the direction taken by their cooperative. At the last gathering where we wanted to take the opportunity to welcome and influx of new members to the cooperative, and to which all members were individually invited, we had two growers out 170 actually attend.
- The Board of Directors is elected by the members and that Board is elected to set the direction of the cooperative and oversee its success on behalf of the members. The Board, in turn sets the policies and "riding instructions" for the CEO who is tasked with ensuring the financial viability and growth of the cooperative whilst ensuring that services to members are of the standard expected and acceptable to the members.
- In Mr. Duggan's submissions, he asks questions that are strictly matters for the management of the cooperative. They are of a commercial nature and would not under any normal circumstances be communicated to the shareholders/members in the normal course of business. The cooperative does not make commercial decisions by committee. That is why a board is elected to run the business on behalf of the members.

To take Mr. Duggan's issues as laid out in his submission:

- 1 .
 - (a) Initially seven customers have signed up for stock and garden services in the William Street area. No applications have yet been received from existing plantations located in this area.
 - (b) Each customer will be provided with a 25mm metered service. They do not hold water entitlements.
 - (c) As these customers do not hold water entitlements, they are not members of the cooperative. They are customers of Coral Coast Water, a subsidiary company of GWC. They are restricted in the volume of water they can take and similar conditions as would be imposed on a 'domestic' consumer are applied.
 - (d) The extensions are of such a minor nature, that they will have no effect on pressures or flows Within the existing area. Note: the total consumption of all commercial and stock and garden customers is < 1% of the total irrigation consumptions while at the same time, contributing >6% of revenue.
 - (e) Stock and Garden customers are charged an annual meter service fee of \$144 and \$0.55 per KL consumed. The fees and charges are reviewed annually and adjusted, if necessary to maintain cost recovery.
 - (f) I cannot respond to this question in terms of climate as it is not relevant to this particular matter. The extension of the supply mains has no effect on aquifers in that the water is already held as an entitlements and is included in existing extraction allocations. I can say however that the total extraction licence in Carnarvon for Basins B-L is super conservative at 6.8 GL per annum when the total sustainable yield is accepted by the Department of Water to be in excess of 14.4 GL.
- 2 As Mr. Duggan points out further in his submission, support for the expansion of the industry is divided . This does not mean that the growers of Carnarvon are opposed to expansion, but rather, they have a healthy range of opinions. The point is somewhat moot in this particular case as the services that are planned in the William Street area are not new irrigation plantations that will compete with existing growers, but lifestyle blocks where the water will be used to green properties. The only irrigation services that may be supplied are well established, existing plantations who have never had the luxury of access to the scheme and have been forced to try to survive on Basin A water in an area greatly affected by salinity. In this respect, we could be seen as very much helping the Basin A salinity problem by allowing existing growers to access an alternate source and take pressure of this Basin.
- 3 It is not within the scope of either our application for an extension to our operating area or the objection to the application to undertake climate forecasting or aquifer modeling. The best we can do

at present is rely on the regulators climate and water resource managers to do the science and to keep us all informed. Apart from that, I see no point in belabouring this question as I have also addressed it in other areas of our response.

- 4 To write to ERA requesting that they, in turn instruct the cooperative to provide detailed information to every grower, when only a very small minority (only one grower objection that we are aware of) are unhappy with the process is an exercise in waste of time, money and other resources. The whole set of questions could have been answered in a simple and fairly short conversation between Mr. Duggan and the CEO of GWC. Mr. Duggan regularly visits these offices to pay his accounts, he is more than welcome to ask to speak to me at any time to discuss these and any other matters that are not commercially sensitive or in breach of privacy rules.
- (a) 7
 - (b) 15 (includes only blocks greater than ¼ acre domestic lots)
 - (c) These figures are estimated only but budgeted to be less than 7,500 KL per annum in total
 - (d) Cost of construction is fully funded by proponents. No expenses incurred by GWC. In fact as the contractor commissioned to do the construction, GWC will make a commercially acceptable surplus from the job.
 - (e) As outlined earlier Stock and Garden customers are currently charged \$144.00 annual meter service fee and \$0.55 (55 cents) per KL for all water consumed
 - (f) I cannot provide this data and to do so would cost more than this cooperative or its members could afford. To express my opinion would be a pointless exercise as at the end, it would be just that, an opinion. Instead, I would suggest that we have little choice but to accept the advice we are given in the public arena regarding global warming. As for the question in our recent survey on expansion of the industry, opinions are divided on the effects of global warming on many regions with some becoming wetter and some becoming drier. GWC will continue to heed the advice of those charged managing the resources of the region in which we all have to live.
 - (g) Again, as stated earlier, no additional water will be accessed to provide these services any more than Mr. Duggan planting more crop and watering it from his existing entitlements would draw 'extra water' from the aquifers. The water is already allocated and accounted for.
 - (h) This question has also be answered and the answer is NO. The total annual draw of water to these properties is less than 1% of the irrigation draw. To model the flow rates with and without these customers, no difference can be discerned in hourly or daily instantaneous flow rates. A single grower on South River Rd would have more effect on the flow rates than all of the Stock and Garden customers combined.
 - (i) GWC is happy for members to consult with GWC, but we would also contend that as a cooperative, the members/shareholders elected the board to manage the cooperative on behalf of the members. If every business decision of the cooperative had to be by consensus of the

members, the cooperative would fail. As Mr. Duggan quite rightly points out, opinions are divided on a lot of issues and if left to the opinions of 170 growers, no effective decision would ever be made on any issue.

Consequently in recognition of the responsibility of the Directors to ensuring that they have employed due diligence good corporate governance in representing the best interests of the cooperative as a whole, the Board will continue to make commercially viable and responsible decisions in the interests of the cooperative and its members. This may sometimes conflict with interests of individual members, but that is democracy at work. Ultimately all Directors are held accountable to the membership at General Meetings and to the Regulators. The CEO is accountable to the members through the Board and also to the Regulators.

With regard to the remaining paragraphs, they seem to be a series of opinions and observations that do not relate directly to either our application or Mr Duggan's submission. However, I shall try to provide some information to put him at ease. Again, a simple email, phone call or a chat in my office could have served the same purpose without the formality of going through this convoluted process.

If the change of Chairman was not published in the July newsletter, then I take full responsibility. The article was written for inclusion but I have no idea why it was not printed with the newsletter. Gascoyne Water Cooperative adopted a policy from incorporation that after each Annual General Meeting, if a director wished to challenge for the position of Chairman, he had every right to so do. This is again a democratic process. Mr. Domenico Condo had, on a previous occasion, signaled that he intended challenging the incumbent, however at the time the cooperative had its hands full dealing with a group of

disgruntled, disaffected growers and it was agreed in discussions that to change the leadership of the cooperative at this time would be counter productive and could possibly lead to innuendo and rumours running rife regardless of the real reasons for the change. Mr. Condo decided in the interests of the cooperative to withdraw his challenge until a later date.

As was his democratic right, he again challenged for the position after the 2007 AGM and was successful.

It was my responsibility to communicate this to members and I have obviously failed to do so. For this I apologise. There was no The change had no relationship to this current application for an extension to the Operating Area. That was application was and is seen by the Board as a minor administrative matter to be left in the hands of the CEO as an operational issue.

I would defer to the Chairman to provide further reasons for his challenge for the leadership, but it was the understanding of the Board that Mr Condo felt he had a different approach to bring to the table and a set of skills that were appropriate to the evolving cooperative and its future direction.

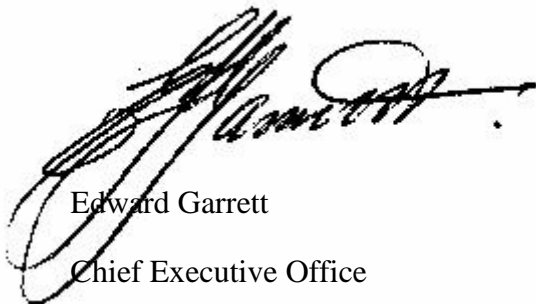
The paragraph regarding providing detailed information to the members regarding this application has been dealt with elsewhere in this response, but I would draw Mr. Duggan's attention to Volume 3 Issue 6 August Newsletter, page 3 where, under the heading "Useful and Informative Websites", there was a list of some eight websites that were thought to be relevant to members and the second URL on the list was the site of the Economic Regulation authority. I have attached a copy to this response for your information.

The next paragraph suggests that the ERA and other regulators and stakeholders should somehow communicate with Carnarvon farmers as a special case, when members do not read documentation sent out to them, do not attend information sessions to honour their obligation to keep themselves informed, why should that be the excuse to have delays incurred after the closing dates of submissions. Under all normal contact procedures, an organisation such as the ERA has vastly more technological capacity and access to resources than a cooperative such as GWC. If interested stakeholders do not avail themselves of those resources, how can that be held as the fault of the ERA or the Cooperative.

In conclusion, GWC is of the opinion that Mr. Duggan has written much more into the application for an extension to our operating area than was warranted or would have been warranted if he had bothered to take the time to contact the cooperative before putting pen to paper. The extension is really nothing more than cleaning up the arbitrarily set boundaries that were put in place by the Water Corporation at the time the business was transferred and allows GWC to conduct its business in a manner that complies with the conditions of its licence and its charter to its members.

If Mr. Duggan wishes to discuss this matter with me or any member of the board, he only has to make contact and it will be arranged.

Yours sincerely



Edward Garrett
Chief Executive Office