

MEMBERS' STATEMENT OF EXPECTATION

June 2017

TASMANIAN IRRIGATION PTY LTD

This Members' Statement of Expectation is jointly approved by:



Member and Minister for Primary
Industries and Water

Date: 3-8-17



Member and Treasurer

Date: 29-6-17

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I. INTRODUCTION

- This Members' Statement of Expectation has been prepared by the Minister for Primary Industries and Water and the Treasurer (the Members), following consultation with Tasmanian Irrigation Pty Ltd (Tasmanian Irrigation), in accordance with Section 24 of the *Irrigation Company Act 2011*.
- The Statement sets out the Tasmanian Government's broad policy expectations and requirements for Tasmanian Irrigation, as the owner of the business.
- The *Corporations Act 2001* and the Constitution of Tasmanian Irrigation Pty Ltd govern the operation of the Company.
- This Statement is to be read in conjunction with the following Acts:
 - *Irrigation Company Act 2011*;
 - *Government Business Enterprises Act 1995*;
 - *Water Management Act 1999*;
 - *Irrigation Clauses Act 1973*; and
 - any other legislation as may be advised by the Members from time to time.
- This Statement should also be read in conjunction with the Project Agreement for Tasmanian Irrigation Tranche II between the Commonwealth of Australia and Tasmania (the Project Agreement).
- In addition, Tasmanian Irrigation must comply with all other applicable legislative, policy and/or other requirements including, but not limited to, work health and safety, environmental and industrial relations obligation.
- This Statement takes effect from the date it is signed and remains in effect until it is amended or revoked. This Statement is to be tabled in Parliament by the Minister for Primary Industries and Water and published on the website of Tasmanian Irrigation.

2. COMPLIANCE WITH GOVERNMENT POLICIES

- In pursuing the strategic objectives in the context of the Tasmanian Government's directions, and undertaking its functions and exercising its powers, Tasmanian Irrigation shall act in accordance with:
 - the governance framework for Government businesses;
 - Treasurer's Instructions and guidelines that are applicable to Tasmanian Irrigation;
 - the Tasmanian Water Infrastructure Fund Protocol; and

- Government policies specifically applying to Tasmanian Irrigation as advised by the Members.
- When developing and constructing irrigation projects, Tasmanian Irrigation must ensure that it complies with the Project Agreement or any other relevant project agreement.

3. PURPOSE AND STRATEGIC EXPECTATIONS

3.1 Principal Purpose

- The principal purpose of Tasmanian Irrigation is to develop, own and operate irrigation schemes in Tasmania, in accordance with sound commercial practice, for the purposes of facilitating the expansion of agricultural production in the State.

3.2 Strategic Expectations

- In undertaking its core business, the Members expect Tasmanian Irrigation to:
 - support the Tasmanian Government’s AgriVision 2050 goals through the provision of new irrigation schemes and interconnectivity or enhancement of existing schemes, facilitating increased agricultural productivity and agricultural production options;
 - transition the business to a self-sustainable, customer-focused and cost-efficient irrigation operation business ensuring that the business is able to operate on a stand-alone basis following the completion of all irrigation developments in accordance with Clause 4.2;
 - have regard to the Tasmanian Government’s obligations under the Council of Australian Governments (COAG) agreements concerning the water industry;
 - ensure activities are consistent with the Tasmanian Government’s obligations under the National Water Initiative; and
 - ensure that relevant processes and practices are in place to facilitate a market for trading water rights.

4. NATURE AND SCOPE OF OPERATIONS

4.1 Core Business

- The core business of Tasmanian Irrigation is to:
 - prudently, efficiently and responsibly manage existing irrigation schemes as well as river improvement and drainage schemes on a commercial basis, including identifying appropriate long-term management structures;
 - retain ownership of irrigation scheme infrastructure;

- manage irrigation scheme infrastructure appropriately and provide, on a commercial basis, administrative and management support to schemes owned by Tasmanian Irrigation and managed by local communities;
- subject to Clause 4.2, investigate and report on the viability of potential irrigation projects, to ensure that the Tasmanian Government makes the best use of limited financial and water resources;
- maintain water rights registers for each scheme and maintain and report relevant water use information in accordance with legislative and policy requirements;
- own and operate according to sound commercial practice mini hydro power stations where approved as part of an irrigation scheme business plan;
- monitor and manage compliance with the licences and permits that apply to Tasmanian Irrigation schemes;
- monitor, manage and enforce the by-laws created for the irrigation districts;
- assist the development of privately funded irrigation schemes, on a commercial basis, as directed by the Tasmanian Government, and, where applicable, in accordance with National Competition Policy Competitive Neutrality Principles;
- ensure that TI can meet its ongoing financial commitments on a scheme specific basis, in a self-sustaining manner, having regard to the social and economic objectives of the State , as agreed in writing with the Portfolio Minister and Treasurer; and
- prudently and responsibly manage liabilities associated with the fixed repayment plan offered to some irrigators in the Greater Meander scheme.

4.2 Development of Irrigation Projects

- Tasmanian Irrigation is to progress the irrigation development projects as detailed in the Project Agreement from the feasibility stage to the construction and operational stages subject to:
 - the terms and conditions of the Agreement;
 - Tasmanian Irrigation presenting a business case to the Members consistent with the *Business Case Guidelines for Water Infrastructure Applications*;
 - the State approving the relevant business case; and
 - the Australian Government completing its due diligence and approving the business case.

- Tasmanian Irrigation is to undertake other irrigation related development as directed by the Tasmanian Government.

4.3 Business Activities outside the State

- Tasmanian Irrigation must seek the written approval of the Members before establishing a business presence outside Tasmania. Any such proposal is to be based on the grounds of risk mitigation. Any request must be accompanied by a compelling business case.

4.4 Non-commercial Activities

- Tasmanian Irrigation's non-commercial activities are:
 - any activity that has been declared a community service obligation by the Treasurer; and
 - any activity that the Members agree would be non-commercial and direct Tasmanian Irrigation to perform.
- Non-commercial activities are listed in Schedule I of this Statement.
- Where Tasmanian Irrigation is required to perform non-commercial activities, these activities are to be:
 - performed in an effective and efficient manner;
 - costed and funded in accordance with arrangements as agreed with the Treasurer. If no arrangement is in place, the non-commercial activity is to be funded by the business; and
 - reported in the Tasmanian Irrigation Annual Report.

5. PERFORMANCE, OPERATING AND REPORTING EXPECTATIONS

5.1 Performance Expectations

- The Members expect Tasmanian Irrigation to:
 - meet its key performance targets as set out in the annual Statement of Corporate Intent;
 - implement the business strategies contained in the Corporate Plan, which have been endorsed by the Members, in order to meet the agreed long term performance targets for the organisation, consistent with the Tasmanian Government's expectations; and
 - be proactive in identifying and implementing operational efficiencies and productivity measures to enhance financial performance.

5.2 Reporting

- The Members expect Tasmanian Irrigation to comply with any relevant reporting requirements specified in any guidelines issued by Treasury.

5.3 Significant Developments

- The Members are to be kept informed of any matters of significance. Specifically, the Members expect to be notified of any significant developments which may:
 - prevent the achievement of financial performance objectives;
 - significantly affect the financial viability or operating ability of Tasmanian Irrigation; or
 - significantly impact on Government policy, client relations and environmental issues.

5.4 Borrowings and Investment Activities

- The Members expect Tasmanian Irrigation's borrowings to be consistent with any borrowing guidelines issued by the Government and direction given under the *Tasmanian Public Finance Corporation Act 1985*.
- When investing any surplus funds, Tasmanian Irrigation should provide the Tasmanian Public Finance Corporation with the opportunity to offer its services.
- Capital structure and debt levels should be maintained at a level that is consistent with the overall strategic portfolio objectives of the Tasmanian Government, as advised by the Members from time to time.

5.5 Capital Asset Management

- The Members expect Tasmanian Irrigation is to:
 - develop Asset Management Plans reflecting prudent commercial practice;
 - regularly review its asset holdings with the aim of identifying surplus non-performing and non-core assets; and
 - subject any capital investment proposal to rigorous and considered analysis prior to any decision to commit resources.
- Consistent with the Capital Investment Guidelines, the Members and Treasury, as the principal financial advisor, are to be notified of any proposed major new capital investments.

5.6 Employee and Industrial Relations

- The Members expect Tasmanian Irrigation to:
 - adhere to any Government policy guidelines in regard to senior executive remuneration including performance pay or other forms of rewards; and
 - be cognisant of any Government policy in regard to employee remuneration, consistent with contemporary public sector wages policy.
- The Members are to be notified of any significant changes to the employee relations policy of Tasmanian Irrigation, including the finalisation of any workplace or enterprise agreements.

5.7 Risk Management

- The Members expect Tasmanian Irrigation to have in place risk mitigation strategies that recognise the Government is a long-term risk-averse investor, identify business and financial risks, and provide for their ongoing management in a manner that is commensurate with the risk profile of the Government.

SCHEDULE I

NON-COMMERCIAL ACTIVITIES

Tasmanian Irrigation does not perform any non-commercial activities as defined under Clause 4.4.