

AN INFORMATION BULLETIN FROM HARVEY WATER

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DEALING WITH SHARES

Introduction:

In recent times some Collie River district irrigators have been exploring ways in which they can cope better with the poor quality water from Wellington Dam. The point of view of some people is that they cannot justify the expense of the fixed charges and they want to find out how this can be reduced for them.

Basis for Charges

The fixed charges are paid by all shareholders for the upkeep of the distribution system and for its improvement. This costs the same across the whole of the irrigation area so there is no justification for paying less in one district compared to another.

The consumption charge is directly related to the cost of delivering the water because we do not pay for water from the government. The cost of delivering water is the same in all areas so there is no basis for changing the consumption costs.

There has been cross subsidy with all irrigators funding pipelines in Waroona and Harvey but now those irrigators on the pipelines are still paying the same fixed charges which will subsidise others.

Water Trade

By far the best method of lowering water costs is to trade the water permanently or on a temporary basis. It is true that the market in Collie River district is not strong but water sales still occur each year. It often depends on the price the seller offers.

Not Possible to Surrender Shares

Some irrigators have wanted to explore the option of surrendering their shares saying they do not want part or all of them. Unfortunately voluntary surrender of shares is not permitted by our company rules or by the Companies or Cooperatives Acts.

The company has the option of requiring that shares be surrendered due to the member not being active or in default but shareholders themselves may not propose to surrender them.

Share Buy-Back

The company has the option of buying back shares but has decided that it will not do this for the following reasons.

Asset Maintenance

If the number of shares is reduced then the costs of asset maintenance are spread across fewer remaining shareholders meaning that their costs will be higher. The Board does not think this is an equitable situation for the cooperative.

Redistribution of Shares

If shares are bought back then they become the property of the cooperatives. The problem then arises on what is the best mechanism for the cooperatives to redistribute them ? How could the company redistribute the shares at anything other than a price which is closely related to the market ? And, if there is already a simple and successful trade mechanism in place, buyers who want shares should use that approach in the market place rather than rely on the cooperatives intervening.

Stranded Assets

There is also the problem of stranded assets, where if shares on a supply channel are bought-back or privately sold, the outcome might be that there are fewer irrigators on that channel which may then be uneconomic to run.

Conclusion

Harvey Water is fully aware of the problems faced by irrigators in the Collie River district but is bound to act in the best interests of the company. The project to reduce the salinity in the Wellington dam has received funding and is likely to be in place by next winter.

For further information contact:

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