

CENTRAL IRRIGATION TRUST

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19/07/2010

Ian Hayes
Water Market Section
Water Policy Branch
Department of the Environment, Water, Heritage and the Arts
GPO Box 787
CANBERRA ACT 2601

Dear Ian,

Thank you for the opportunity to respond to the "Water Infrastructure Charge Rules 2010." CIT believe that these rules are not warranted and should be abandoned.

I would like to comment more generally on the Rules before discussing specific issues in relation to the Rules.

We believe that the Water Market Reform and in particular the ACCC Rules are over regulating and imposing significant costs on our business. More importantly it is damaging the relationship we have with our customers, a relationship we have worked hard to develop since CIT was formed in 1997.

CIT employs 26 people in total to run the 10 Irrigation Trusts that comprise our group. Since water reform commenced we continually receive directives from the Bureau of Meteorology, the National Water Commission, and the ACCC to provide significant data and information which if not supplied will result in legislative penalties. No financial assistance has been provided to modify our systems or extract the data that these organisations require and it is generally not information that we require for the operation of our business. These costs are passed directly back to our irrigators.

We find it difficult to accept that the rules for Tier 2 and 3 operators requiring significant compliance are targeted at, and discriminate against 8 organisations throughout the Murray Darling Basin. In fact of the 40 Irrigation Trusts in South Australia, CIT is the only one that must undertake significant activities under the rules other than publish pricing schedules in a local paper. This will again add significant costs to our business which can only be recharged to our customers and are costs that no other Trusts incur. It is difficult to accept that as a progressive business that has modern infrastructure, actively pursues growth and inclusion of new members to obtain economies of scale, has some of the lowest water delivery prices in South Australia and makes provisions to replace infrastructure in perpetuity we are discriminated against by these Rules.

We are also concerned that these Rules will further damage our relationship with our customers who are also the infrastructure owners. We regularly communicate with our customers and know that if we send out a Network Services Plan as outlined in the Rules it will not be read by nearly all customers and in fact placed directly in the waste paper bin. Even worse our customers will be angry that we as Managers of their Trust have wasted their money on producing documents and plans they have not requested or in fact want.

Indications are that one of the reasons for the development of the Rules was to allow comparisons between the pricing schedules of the operators. Of the Tier 2 and Tier 3 operators CIT is the only one that manages pressurised pipeline systems exclusively. As a result this process will not provide any valid comparison between the operators nominated or even with Tier 1 operators as the construction of their pricing schedules is not published.

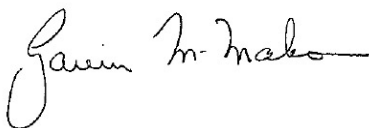
We also believe that these Rules were formulated to afford some protection to our customers, which in our case are also the owners, from CIT as the organisation managing their operations. CIT manage the 10 Trusts in the group on three year contracts with the current contract expiring in 2012. The customers/owners can change their infrastructure manager at the expiry of each contract and in fact at the relevant AGM must vote on a notice of motion to retain CIT as the manager of their infrastructure. Each year the Trusts also have to approve their price schedule at the AGM with all Trusts having to vote unanimously in favour of the pricing schedule for it to be enacted. These processes provide the customers and owners with the ultimate control of their assets and ensure the manager is very customer focussed. We believe that the Tier 2 process will not add any value to our customers or business but will impose a significant cost that our customers/owners will not appreciate.

With the impending introduction of SDL's and the Federal and State Government purchases of water it is also very difficult to determine what our business will look like over the next five years. It would be very difficult to develop a five year network services plan in such a rapidly changing environment.

As a result of the above discussion we would like to see the rules abandoned but if this does not occur we would like to see CIT reclassified to a Tier 1 operator in line with all other South Australian Trusts. We also believe that the threshold for a Tier 1 operator should be lifted to 200GL. Clarification is also sought on rule 17(2)(a) and 18 (2)(a)(i) to determine the date at which an infrastructure operator is classified as a Tier 2 operator.

If you would like any further information please feel free to contact me.

Yours Sincerely,

A handwritten signature in black ink that reads "Gavin McMahon". The signature is written in a cursive, flowing style.

Gavin McMahon
Chief Executive Officer

cc Senator Penny Wong
Danny O'Brien NIC