

valuation process. It is believed that for many of the schemes there would have been few, if any, alternative buyers.

GLOSSARY

1. Description

This section describes the main features of the assets sold by the Crown that relate to the sale and purchase agreement. Two or more adjacent irrigation schemes constructed by the Crown as separate legal entities may have been combined for the purposes of sale.

2. Previous Gazette references

These are the Order or Orders in Council defining the Irrigation District(s) for the scheme(s) constructed by the Crown. These Orders were automatically revoked under the provisions of the Irrigation Schemes Act 1990 when the ownership of the assets transferred to the Purchaser.

3. Purchaser

The legal entity that purchased the assets. They are all irrigators.

4. Effective Date

The date from which the Purchaser accepted financial responsibility for the scheme.

5. Date of Purchase

The date on which the sale and purchase agreement for each sale became unconditional.

6. Date of Financial Settlement

The date on which the Purchaser legally became the owner of the assets. This date was agreed between the parties after the net settlement was finalised.

7. Purchase Price Paid for the Assets

The negotiated price for the assets.

8. Water Rates Revenue Refunded

Revenue collected by the Ministry of Agriculture and Fisheries for water supplied during the irrigation season or seasons prior to the effective date and paid to the Purchaser. If the Crown continued to operate the scheme after the effective date, the operating costs were deducted from the revenue due to be refunded to the Purchaser. This revenue was not included in the assets valued for sale.

The revenue was returned because of the cash flow effects of changing from a system of charging in arrears to current invoicing. In the past, irrigators were invoiced annually after the end of the irrigation season. This meant that in a year the irrigators took over responsibility for the scheme, water rates paid to the Crown for operating the scheme during the previous irrigation season occurred at the same time as the irrigators commenced payments for current operations under their own company structure.

9. Other Payments by the Crown

These are grants to complete the initial construction of new schemes or to cover the liabilities of completed schemes such as compensation for cancellation of water supply agreements, completion of dam investigations, provision of new works to improve or extend the water supply, refurbishment of water races.

10. Net Settlement

The amount of settlement had regard to the purchase price, water rates revenue refunded less any work done by the Crown for the Purchaser after the effective date, payments by the Crown and penalty interest. Financial settlement was concluded with a payment by either the Purchaser or the Crown. Late payments attracted penalty interest where there was an agreement to do so.

11. Debtors Transferred to the Purchaser

Revenue not collected by the Crown for water supplied during irrigation seasons prior to the *effective date*. The debtors ledger was transferred to the purchaser with the right to collect the debts.

12. Historic Capital Costs

These are the costs incurred by the Crown on the construction of the irrigation scheme and are reported in the dollars of the day. These costs include refurbishment of the old Central Otago schemes. The historic costs also include on-farm development for schemes approved between 1975 and 1983 plus any amounts unpaid by participating farmers for their 50% share of the cost.

Historic costs, in the main, represent the cost of the off-farm works prior to the commencement of the water supply as given in the description for each scheme.

13. Accumulated Liabilities

These comprise both operating losses and non-operating losses over the life of the scheme up to the *effective date*. The sums shown are in dollars of the day.

Operating losses are those day to day costs incurred in the operating and maintenance of the scheme. They include unpaid water rates levied on the users for payment of those activities.

Non-operating losses are those costs arising from the accumulation of capital charges. These apply only to schemes constructed after 1975 where the users were required to pay a portion of the capital spent on the construction of the scheme as a loan. The non-operating losses also include interest on a portion of the capital spent by the Crown and applies to all schemes but in different portions. Penalties on water rates are also included under this heading.

14. Liabilities Retained by the Crown

The Crown retained liabilities where the cost is uncertain and likely to be significant. These largely relate to unsettled compensation claims arising from scheme construction and possible liabilities pertaining to the irrigation dams.

REFERENCES

1. *Corporate Structure for Private Ownership of Community Irrigation Schemes in New Zealand*, Touche Ross, September 1988
2. *New Zealand Community Irrigation Schemes Historical Accounts up to the Completion of the 1987/88 Irrigation Season*; 2 volumes, Ministry of Agriculture, December 1989
3. *Irrigation Schemes Annual Accounts for the 1988/89, 1989/90, 1990/91 and 1991/92 Irrigation Seasons*, 4 volumes, Ministry of Agriculture
4. *The Process for Disposal of Crown-funded Irrigation Schemes*, Audit Office, July 1991
5. *Crown Irrigation Schemes Disposal, Accountants Statement*, Volumes 1 and 2, Ministry of Agriculture and Deloitte Ross Tohmatsu, October 1991 and August 1992
6. *Sale of Crown-funded Irrigation Schemes*, Report to Parliament, March 1992

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