

List of Crown-funded Irrigation Schemes Sold

Purchased as	Crown Scheme	
Amuri Plains	Waiau Plains, Waiareka Downs, Balmoral	3
Arrow	Arrow River	1
Ashburton-Lyndhurst	Ashburton-Lyndhurst	1
Bannockburn	Bannockburn	1
Beggs	part of Ardgour	1
Blackstone	part of Omakau	1
Burn Cottage	Burn Cottage	1
Earnsclough	Earnsclough/Blackmans	1
Eiffelton	Eiffelton	1
Galloway	Galloway	1
Glenbrook	Glenbrook	1
Glenmark	Glenmark	1
Greenstreet	Greenstreet	1
Hawea	Hawea Flat	1
Hawkdun Idaburn	Hawkdun and Idaburn	2
Ida Valley	Ida Valley	1
Kerikeri	Kerikeri, Puketotara, and Kapiro Pungaere	3
Last Chance	Last Chance	1
Levels Plain	Levels Plain	1
Loburn	Loburn	1
Lower Waitaki	Lower Waitaki	1
Luggate Creek	(mining rights previously leased)	0
Maerewhenua	Maerewhenua Settlement	1
Maniototo	Maniototo	1
Manuherikia	Manuherikia	1
Maungatapere	Maungatapere	1
Mayfield-Hinds	Mayfield-Hinds	1
Morven Glenavy Ikawai	Morven Glenavy and Redcliffs	2
Omakau	Omakau	1
Pisa	Pisa	1
Pukerimu	Pukerimu	1
Rangitata Diversion Race	Rangitata Diversion Race	1
Ripponvale	Ripponvale	1
Tablelands	Tablelands	1
Tarras-Ardgour	Ardgour and Tarras	2
Te Kauwhata	Te Kauwhata	1
Tebbutts Road	Tebbutts Road	1
Teviot	Teviot	1
Upper Waitaki	Upper Waitaki and Upper Waitaki Extension	2
Valetta	Valetta Farm Settlement	1
Waiaua	Waiaua	1
Waimea East	Waimea East	1
Wolds	Wolds	1
41 Schemes sold	Total number of irrigation schemes constructed	50
2 Schemes not yet sold (Beggs, Pukerimu)		

Valuing the Irrigation Schemes

A valuation model was developed jointly by the Ministry of Agriculture and Fisheries and the Treasury. This model formed the basis for the Crown's negotiation with irrigators. In effect, values determined by using this model became upper bounds on the sale process.

The model first calculated the price that the irrigators could pay for water, based on the production differential between dry land and irrigated land. The expected operating and maintenance costs were then added into the model and pre-tax and post-tax cash flows were calculated. The post-tax cash flow was discounted at a 7.5% real, post-tax rate of return (approximately equivalent to 11% pre-tax) to produce an economic value for the scheme. The discount rate was based on expected rates of return for other rural investments.

The above value was then adjusted downwards in recognition that as a normal commercial product, water can be used as an input for a wide range of products on farm. Therefore, it cannot be sold to individuals at different prices reflecting different land uses. As the predominant water use was for pastoral irrigation for sheep farming, the valuation was recalculated assuming that the gross margins for sheep applied to the total area currently irrigated. In essence, the value calculated was the marginal value for sheep farming.

The values calculated by the model were dependent on a number of key assumptions. The most important of these was that all past costs incurred by both the Crown and irrigators were sunk, that a uniform water charge is applied across all the users of each scheme, and that the charge must be affordable to a substantial majority of those users.

It was also recognised that a scheme's value is related to past investment by both the Crown and the Irrigators. The Crown in the form of capital costs and accumulated liabilities; the Irrigators in the form of on-farm development costs and, in some cases, a share of the off-farm costs. It was also recognised that the two sets of investments are equivalent to shares in a partnership, with one partner having the opportunity to buy out the other.

A number of other factors could not be included in the valuation model but nonetheless played a role in determining sale prices. Through the negotiation process, these factors, for example the level of risk and historical debt, generally acted to reduce the estimated value of the schemes.

The sale process was also constrained by the absence of competitive bidders because the Government directed that schemes would be offered first to irrigators. While this undoubtedly had the effect of reducing sale prices, it also minimised monopoly and regulatory questions that would have arisen if schemes had been sold to a party other than the irrigators. The offers that were finally accepted from irrigators were below the Treasury's estimate of the irrigators' share of the commercial value of the scheme derived by the above 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 physical 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.