

Chairman's report

Wednesday 2 July 2014



Murray Irrigation

PIIOP messages from your Board

Our PIIOP investment is a once in a generation opportunity to re-shape our irrigation supply system for the benefit of all our irrigation customers.

This is a message from your Chairman which explains the principles driving our PIIOP decisions and updates you on current progress. It calls on our customers to consider how we can continue to work together to achieve success. Future PIIOP updates will provide more details of the progress with construction.

The principles driving your Board's decision-making about PIIOP is for our irrigation supply system to be:

- Low energy (gravity fed);
- Low cost;
- High flow capability;
- Flexible options for order length, start and finish times;
- Reliable with more consistent flows onto farm; and
- Water efficient.

Our initial project planning from 2010 to 2012 projected an investment in the order of \$185M. Our planning was targeting outlet reductions of 30 percent and this was validated by our Blighty Pilot Project where we achieved outlet reductions in excess of 40 percent driven by reconfiguration projects.

However our experience since the Blighty project is that our outlet reductions are lower than target and are currently running at 16 percent with only a few small scale reconfigurations being achieved. Achieving lower reductions has cost implications for the project and future costs for our business.

Based on the current rate of outlet reductions, the project cost is forecast to be \$206M. To assist the project, the company has extended the project timeline and now anticipates a finish date in 2017.

The Board is taking stock and implementing changes to ensure the reduction in outlets and regulators is optimised and expenditure managed. The recent decision to delay installation of outlets on landholdings with no or small volumes of use to avoid investments in unused or underutilised infrastructure is one example of this change. A PIIOP Steering Committee has also been formed which meets weekly with management to assist the streamlining of the project's successful roll-out.

Our changed approach has two key objectives:

1. Engaging earlier with our customers, particularly to encourage customers to start thinking about how they connect to our system; and
2. Providing confidence about the investment required so that PIIOP can be delivered across our footprint to all customers.

We want to have a conversation with all our irrigation customers about how their landholdings can connect to our irrigation supply system and our aim is to have commenced this with all customers by December 2014. We encourage all customers to start preparing for this conversation by considering the following questions:

1. How can I reduce company assets (outlets, regulators, bridges etc.) used to service my landholding?
2. What opportunities are there for me to take over sections of channel?

Our PIIOP project, which is delivered in partnership with the Australian Government, is your opportunity to improve the water efficiency and productivity of your farm businesses. The following testimonials, recorded as part of our 2013 Customer Survey conducted by Bartley Consulting, outlines the positive outcomes some of our customers are experiencing:

- "It's the best thing they have ever done as far as I can see – more so the flexibility with water ordering."
- "The difference compared to the old system is day and night! We love it."

I encourage you to embrace the opportunity that is in our joint hands to deliver PIIOP as a success story.

Murray Irrigation's PIIOP project has received funding of almost \$170 million from the Australian Government's Water for the Future program through the Private Irrigation Infrastructure Operators Program (PIIOP) in NSW.

Michael Hughes, Acting Chairman