

Chairman's report

Tuesday 17 February 2015

This is the Chairman's report, following a meeting of the Murray Irrigation Board of Directors yesterday.

Water availability update

The opportunity for an efficiency allocation was considered at yesterday's Board meeting. The company has sufficient conveyance water to deliver our forecast deliveries, however there is currently no surplus for an efficiency allocation. There are two key reasons for this:

1. limited access to supplementary water (3GL on-farm use) - supplementary water use, if announced by the NSW Office of Water because of unregulated flows in the River Murray, can substitute for the use of conveyance water for channel operations.
2. the volume of water in customer's on-farm allocation accounts is equivalent to an announced allocation of over 90 percent¹ but the allocation of water to our conveyance licence is based on the announced NSW Murray General Security of 59 percent. Therefore Murray Irrigation needs to manage its company water to deliver customer's allocation.

The Board appreciates the value efficiency allocations provide and I reiterate that the Board's policy is to distribute surplus conveyance water to customers as efficiency allocations when available.

Chief Executive Officer recruitment

I am pleased to report we are currently interviewing applicants for Chief Executive Officer (CEO) and we will keep you informed of progress with this appointment.

Other recruitment news

Shareholders will have noticed that Murray Irrigation has been recruiting for a number of positions in the last four months. The majority of the positions are funded either under our Private Irrigation Infrastructure Project (PIIOP) or through the On-Farm Irrigation Efficiency Program, with only three of the new positions funded by customer contributions.

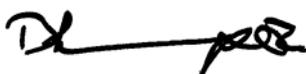
Steve Gumley as part of his business review of Murray Irrigation including PIIOP has driven the need for Murray Irrigation to increase its resources and their capability to ensure the success of PIIOP.

Our new appointments will bring expertise to our PIIOP project improving the capability of our organisation to implement this project. In particular, additional resources have been engaged to assist with reconfiguration projects. We have learnt from our first 18 months of PIIOP implementation that we need to make more resources available for working with our customers to consider the opportunities that PIIOP presents. We have also recently engaged Michael McBurnie, Deniliquin based irrigation survey and designer, as a contractor to assist with our PIIOP implementation.

Murray-Darling Basin Plan news

Murray Irrigation was invited to participate in the recent visit by the Hon. Bob Baldwin MP, Parliamentary Secretary to the Minister for the Environment and Mr Neil Andrew, recently appointed Chair of the Murray-Darling Basin Authority (MDBA). This visit was organised by the MDBA and Department of Environment. We were invited to participate in the morning by including a PIIOP and On-Farm Irrigation Efficiency project visit. At this meeting we emphasised the importance of Government legislating the 1,500GL cap on buyback, providing the Commonwealth Environmental Water Holder with more flexibility in the management of its water under the Water Act 2007 (Cth), ensuring the success of projects under the Sustainable Diversion Adjustment mechanism as well as ensuring the outcomes of environmental water use are measured and accounted. We also implored the MDBA to have a more pragmatic approach to the Constraints Management Strategy, including listening to the views and experience of local landholders who would be impacted by higher regulated flows.

The next day Murray Irrigation participated in a meeting convened by Southern Riverina Irrigators with Senator John Madigan (Victorian Independent Senator). Congratulations to John Bradford and SRI for convening this meeting. Murray Irrigation has provided these messages to Southern Riverina Irrigators as they prepare to meet with the cross benches in the Senate.



Bruce Simpson, Chairman

¹ Water available on farm as a percentage of entitlements is 92.2 percent made up of announced allocation, carryover and net trade in.