

# Chairman's report

Friday 22 May 2015

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

## Interim Chief Executive Officer Dr Stephen Gumley AO legacy

Dr Stephen (Steve) Gumley concluded his term as our Interim CEO last Friday. In Steve's seven months with Murray Irrigation he has made a profound impact on the company's approach to its future business operation. His drum beat of 'ensure you base your decisions on data and facts, not emotion' has resonated with the Board and also our people. On behalf of the Board I thank Steve for his contributions, in particular:

- Completion of a business health check which will provide a strong foundation for the new CEO.
- Providing additional resources and restructuring our Private Irrigation Infrastructure Operators Program (PIIOP) and most significantly working with our funding partner the Commonwealth Government to ensure we meet our Funding Agreement obligations.
- Providing advice to the Board on customer relations, financial sustainability, and the importance of recognising the skills of Murray Irrigation's people while continuing to invest in new skills.

## Appointment of new CEO

I am pleased to say that later today I will announce to shareholders and staff the appointment of the new CEO. The search for a CEO has consumed a lot of time and I thank my fellow Directors for their involvement and commitment to the recruitment process.

I encourage you to read our announcement and I look forward to introducing our new CEO to our shareholders in the not too distant future.

## Fees and prices 2015/16

The Board today agreed to 2015/16 fees and prices. In setting our fees and prices the Board has built on the business health check and financial modelling completed and set its fees and prices to move the company towards long-term financial sustainability. The work completed through the health check has shown that Murray Irrigation's revenue from current fees and prices at 600GL water sales results in a loss from water operations. Consequently the Board, in setting 2015/16 Fees and Prices, have made the following changes (effective from the first quarter billing in 2015/16):

- Added 50 cents to the delivery entitlement fee (noting \$1 dollar was removed from the delivery entitlement fee during the 2013 and 2014 financial years).
- Increased all other fees by 1.7 percent (CPI).
- Reduced the discount to five percent from 10 percent for on-time payment, this is linked to historically low interest rates.
- Restricted the discount to Murray Irrigation fees excluding the contribution per Delivery Entitlement to the Asset Management Renewal Reserve and the discount on Government water entitlement and usage charges.
- Government charges to reflect the Australian Competition and Consumer Commission (ACCC) and Independent Pricing and Regulatory Tribunal (IPART) determinations.

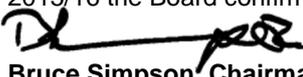
These changes start to move the company towards long-term commercial sustainability. In parallel ongoing rigour will be applied to all business expenditure. It is critical that ongoing fees and prices reflect cost efficiency to ensure Murray Irrigation's fees and prices are competitive and assist our customers' financial sustainability. The company has also started a detailed benchmarking assessment to ensure our fees and prices are to remain competitive with other irrigation regions.

The Board has also agreed to commercial terms for its debtor management, details of the fees and prices and debtor management will be provided to customers in June.

Important to customers' consideration of their outlets under PIIOP, the Board have agreed that from the next Network Service Plan outlet fees will be based on full cost recovery of the operation and maintenance of outlets. This means that outlet fees from 1 July 2017 will increase. The extent of the increase is currently being confirmed. However, the Board considered it was important information for customers to be aware of when discussing the outlets being upgraded through our PIIOP project.

## Water availability update

The Board considered at length the opportunities and risks involved in making a small efficiency allocation. Given the outlook for 2015/16 the Board confirmed there is not sufficient company water available to justify an efficiency allocation.



**Bruce Simpson, Chairman**