

Landholder update

By Bruce Simpson, Chairman, on behalf of the Board

Friday 16 June 2017



Murray Irrigation

I am pleased to announce that Murray Irrigation water delivery charges **will remain unchanged** at current levels.

The Board met yesterday when a key outcome was the approval of a three-year budget which lays out a strategic roadmap for the company's approach to fees and pricing, capital and operational expenditure, as well cost saving measures to 2020.

2017/18 fees and prices

The new schedule of water delivery fees and charges will take effect from 1 July 2017. Full details will be available on Monday 19 June.

The Board acknowledged that after a lot of hard work, the company was now close to breakeven at the 650GL water delivery benchmark. The Board wants water delivery charges kept as low as possible to encourage the use of water in our system and ensure landholders can be competitive in the water market.

The Board also recognised that the company's capital reserve had been historically under-funded and that it was important to maintain prudent levels of capital reserves. In that context, a 15 percent increase will be applied to the fixed asset component of fees incorporating the AMRR portion of the DE fee and the outlet fee.

I am sure that the decision regarding the water delivery charges will be welcomed by customers which together with the Compliant Meter Credit and resource distribution decisions announced last month will give growers added confidence as we head into the 2017/18 irrigation season.

Company operating model

Murray Irrigation is entering a challenging and exciting phase of bringing one of the nation's largest agriculture infrastructure programs on-line from October. To ensure the company focuses on its water delivery role, the Board approved a change to its operating model.

More information on the change will be available in the coming months, but in summary, the changes will create a greater level of accountability and efficiency by separating the company's principal activities into three separate entities - *water delivery*, *asset management* and *investment*.

Finalisation of PIOP

As we enter the final and most critical stage of PIOP Round 2, a concurrent primary focus needs to be identifying steps that we can take to assist irrigators leverage the benefits of this new infrastructure.

The pricing changes to be presented Monday reflect a move towards encouraging the usage of water in our system and properly funding the condition of company assets through our capital reserves.

The Board acknowledged the ongoing and gradual reduction in full-time staff that has occurred in the past 18 months and recognises the challenges faced by management as we progress towards commissioning PIOP Round 2. The Board acknowledged the importance of having a contingency plan in place to ensure sufficient expertise is retained to drive a smooth transition to automation.

PIOP Round 2 audit

The Board also confirmed that an independent government audit will be conducted in March next year to assess both the introduction and financial performance of PIOP Round 2.

It is important to note that a recent company compliance audit by Ernst & Young found Murray Irrigation was tracking and operating in accordance with national accounting standards.

Executive Manager Corporate Affairs

Yesterday the Board welcomed new Executive Manager Corporate Affairs, Pete Smith. Pete started with the company on 13 June.