

# Chairman's Address

2017 Annual General Meeting



Murray Irrigation

Good evening Ladies and Gentlemen

Tonight we draw a line in the sand as the company moves into a new era underpinned by the reformation of the Board of Murray Irrigation and mirrored by a reinvigoration of Landholder associations and their representative body: the SRI.

Top of mind for many of you will be the decision of the Board to step down. Some of you will want to express your dissatisfaction with our decision making as well as your dissatisfaction with a lack of transparency and your frustration into what has become known as the Deloitte report. Apart from the legal privilege that comes with that report, the Board has been constrained by the fact that everyone – that's Board members, staff, CEO – who agreed to be interviewed for the report was given an assurance that its content would remain confidential.

It's equally important for you to note that in May this year, the entire Board – let me repeat – the entire board took the unanimous decision to get to the bottom of its systemic inability to leave our individual differences at the door and work in the best interests of the company. If you wanted me to give a summary of the report, it would be that the entire Board should be held responsible for allowing its failures to descend to a point that ultimately spilled into the public domain. Investing into this report has not been without its rewards and it has not been merely shelved. Instead, the experiences of the outgoing board and report recommendations are providing invaluable insights and guidance to the incoming interim board and will no doubt shape the attitudes and performance of the duly elected board when it takes office.

Despite the diminishing internal performance of the Board over the last decade, by any measure the performance of the company is the best it's been for some time. We successfully fought the Commonwealth on whether we were entitled to interest on capital invested from PIIOF funds and in doing so we banked \$3 million. We finalised our arguments with the Australian Tax Office and landed a favourable ruling from which we banked \$6 million. We further increased our reserves by restructuring our investments to generate better returns while reducing our exposure to unacceptable levels of risk. How much more could this board have done if it were not distracted by its internal tensions will be anyone's guess.

One thing that is beyond doubt, however is that the Board has overseen the strategic management of the largest and most complex piece of private irrigation infrastructure upgrade in Australia in the last 60 years. Despite its dysfunctional board, your company is held in the highest regard by the Commonwealth and by both the political and administrative arms of government.

PIIOF 2 – a \$144 million infrastructure upgrade - is on time and on budget and while I acknowledge critics who say there are some (80 to 100) outlets still outstanding there have been more than 2000 outlets and 1300 regulators completed to date. So, before you even ask the question, I am personally comfortable that the Commonwealth is happy to adopt the engineering definition of practical completion.

This year the CEO will report an operating surplus that has halted a decade of having to dip into cash reserves. So, despite its distractions, the Board has overseen the development of a cash positive position achieved by Michael and his team over the last two years. Our working capital went up by \$2 million and our water delivery business is now at break even. The company's immediate challenge is to create strategies and grasp opportunities that will contribute funds for capital upgrades.

Your outgoing Board has the confidence to suggest to our colleagues in the new board that at least one clear pathway to success has been developed should they wish to consider it.

You may well ask the question that if this Board is so confident of its performance, why have its Directors chosen to resign? The decision to resign was underpinned by the realisation that while we may well have won the war, the Board would never have won the peace. You don't have to be an insider to recognise that criticism of the Board would have been continued at every opportunity over matters ranging from the trivial to the bizarre.

For the Board to have stayed on would likely have further separated a shareholder base that had split into three camps....those who support the Board and its decisions; those who revel in criticising a Board in which they will never be happy; and the silent, long-suffering majority of shareholders who have had enough.

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When the open hostility of Directors towards each other and among some of you here tonight disappears, the Company, its customers and shareholders will start to enjoy the benefits that will come from an undertaking to reform by the five LHAs and SRI.

To derive maximum benefit from the reforms you will want to change your focus from this company and its board and management. Instead, you need to identify the enemy as those who seek to deny you the community licence to pursue your business as you have the right to do. Your enemy is not your new Board instead it is those who are ill-informed or misinformed as to the nature of your enterprise and the operations of a company like Murray Irrigation. Your enemies are every politician at every level who seeks to pursue votes in metropolitan Sydney, Melbourne and Adelaide at the expense of facts that relate to this part of the world and what we do to sustain our enterprises and our region.

Few communities have been hit from the effects of water reform as hard as those that exist within the Murray Irrigation footprint.

The reform planned for the LHAs and SRI will begin to focus attention out of the region and into the political offices where policy is developed and strategies hatched. Murray Irrigation has an important role to play supporting LHA, SRI and others in that advocacy.

Today, our region's number one challenge will be in shaping what strategies can be adopted in securing what has become the 605 GL SDL adjustment mechanism. After that, it will be the 450 gig upwater that our region will need to address and mitigate.

I encourage everyone in our footprint to cease the civil war and give Murray Irrigation's new Board, reinvigorated Landholder Groups and SRI the clear air to pursue policies and challenges that will add to our region's prosperity. And I say that if you can't make a positive contribution, then don't waste your time and effort distracting those who can.

Our company, and our region have come through a tough time....right now, perhaps more than ever before, our region needs a united front underpinned by committed, collaborative and cooperative leadership.

No better time exists to take a moment to recognise that while any despot can bomb a country – it takes genuine, sincere and driven leadership to build a nation.

Thank you.



**Bruce Simpson**