

Chairman's Report



Murray Irrigation Limited

443 Charlotte St
PO Box 528
DENILIKUIN NSW 2710
T. 03 5898 3300 F. 03 5898 3301
www.murrayirrigation.com.au

Friday 22 January 2010

This is the second edition of the monthly *Chairman's Report* from Murray Irrigation Chairman Stewart Ellis. This Report will be sent to *Talking Water* recipients on the day following the monthly meeting of the Board of Directors, and provides an update on strategic issues relevant to the Company's management.

Happy New Year - Our region welcomed 2010 with widespread thunderstorms which produced variable rainfall, with falls of 20 to 50mm not uncommon. Of greater interest to us were the widespread flooding rains experienced in northern NSW and southern Queensland in the path of Cyclone Laurence. This rainfall resulted in significant and beneficial inflows into the Darling River.

Water efficiency distribution – Murray Irrigation's water efficiency distribution remains at 4%.

Yesterday, the Board of Directors reviewed the resources available to Murray Irrigation as of the 15 January 2010. In response to the increased annual allocation Murray Irrigation has increased its expected volume of water sales for 2009/10. Increased water sales will require additional conveyance water to deliver this volume on-farm. The Board of Directors in deciding not to increase the water efficiency distribution is aiming to balance the important benefits of allocating additional water this year to customers with the importance of being able to provide a stock and domestic service next year as well as delivery of any carryover on-farm, in the event that inflows in 2010/11 remain low.

Menindee Lakes' management – The Darling River flood and the subsequent management of the Menindee Lakes' storages and releases from them are topical. Many stakeholders were seeking to benefit from the additional water flowing into the Menindee Lakes, some with no respect for the established sharing arrangements, which place the Menindee Lakes in NSW control until storage levels reach 640GL.

Murray Irrigation participated in a number of discussions with the NSW Government about proposed options for managing the storages and potential releases. Murray Irrigation stressed to the NSW Government, including the Premier: 1) the need for inflows to the River Murray from the Darling to be shared based on the established State sharing arrangements, and 2) the significant value to us of any improvement in NSW Murray General Security Entitlements as a result of the large increases in water availability in the Menindee Lakes.

The issues around management decisions of the Menindee Lakes are complex and made more difficult because there is uncertainty about the volume that will flow into the Lakes system as the flood progresses down the Darling River.

The decision announced on Wednesday 19 January 2010 by the NSW and South Australian Premiers to provide 148GL to the Lower Lakes from the NSW flood water is supported. The decision is a sensible water management decision and is based on respecting the agreed interstate sharing arrangements.

This decision will also result in the Lakes remaining in NSW control and avoids the water flowing into the less efficient Lakes Menindee and Cawndilla. Of the 148GL to enter the Lower Lakes, 48GL is available as "Living Murray" water. This water is available to the Living Murray as a result of construction of the Darling Anabranch water supply project. The water available to the Living Murray is subject to the same announced allocation as the Lower Darling General Security Entitlements.

The announcement of the additional 3% for NSW Murray General Security Entitlements on Friday 15 January 2010 is very welcome. However, Murray Irrigation expects additional improvements in NSW water availability as a result of forthcoming releases into the River Murray from the Lower Darling.

From a different perspective, the political co-operation between the States and the Commonwealth to reach an agreed solution on the Darling River flows demonstrates the political support and high priority for Governments of a fresh water solution to the problems confronting the Lower Lakes in South Australia, within the established State sharing arrangements.

Murray Irrigation along with NSW Irrigators' will continue to argue for evaluation of all options for future management of the Lower Lakes, where annual evaporation is in the order of 900GL.

Commonwealth water buyback - The first of three 20GL Commonwealth Government tenders for 2009/10 has just opened, with substantially more stringent conditions than last year's purchase program. A limitation on the volume purchased from NSW has the potential to have implications for sales. Key differences with the new Commonwealth tender are: 1) water entitlements with a Snowy Borrow will not be purchased, and 2) applicants apply, stating their price; they will be either accepted or rejected. This is different to the last tender where applicants could re-apply with a new price if their application was rejected. In addition, the guidelines clearly state that only one application per water entitlement holder is eligible ie no multiple tenders for the same parcel of water entitlements.

Offer to Sell II - Landmark Mills have been appointed as our buyer bid facilitator. They are expected to participate in the Commonwealth Tender and to also look for other potential buyers, particularly investors interested in retaining the Water Entitlements for use in irrigated agriculture.

Issues for 2010 – The Board of Directors is working on a number of issues in the coming months that will be important to Murray Irrigation and its customers' future prosperity. A snapshot of these issues is below:

Murray Irrigation Strategic Plan –The Board of Directors and management are working on the strategic initiatives that will drive change in Murray Irrigation over the next five years. In developing the Strategic Plan the Board of Directors has looked closely at the external influences impacting on the Company and our customer's businesses. I am confident the initiatives in the new Strategic Plan will result in Murray Irrigation being a more customer focussed organisation. Before the Strategic Plan is finalised customers will be asked to provide feedback on the draft Plan. A review of Murray Irrigation's charges policy is part of the new Strategic Plan, with work already underway on this project.

The Basin Plan and the Sustainable Diversion Limit – The Murray-Darling Basin Authority (MDBA) is working towards the release of the first draft of the Basin Plan by mid 2010. The Basin Plan will set a limit on the volume of water that can be extracted from the Murray Darling Basin, expressed as a catchment specific Sustainable Diversion Limit. This issue will consume significant time and resources. Customers can expect to hear a lot more about this issue from the MDBA, in the media and also from Murray Irrigation.

Taxation – This issue continues to be an outstanding one as Government works through their "due process."

ACCC – The full extent of the powers of the ACCC under the *Water Act 2007* (Cth) is being realized, with Murray Irrigation currently responding to the ACCC requests for information, and various papers the ACCC is seeking comment on, including the Water Trading Rules, for inclusion in the Basin Plan.

IPART – The NSW Office of Water (NOW) submission to the Independent Pricing and Regulatory Tribunal (IPART) is seeking significantly increased funding from irrigators for a range of activities. Proposed price increases are greater for unregulated and groundwater systems. Increased cost as a result of the MDBA is one of the main drivers for increased NSW Murray costs. Murray Irrigation does not support NOW's request to increase the recovery of MDBA costs from irrigators and will argue against this in our submission to IPART.

Autumn Irrigation Program – With larger volumes of water available on-farm at this point in time than we have had since January 2006, Murray Irrigation is looking forward to delivering more water and running an autumn irrigation program. I encourage anyone considering an autumn program to talk to their Planner and to respond to our requests in *Talking Water* to provide advance notice of your intentions. Through co-operation and communication with our operational staff we aim to deliver water on-farm as efficiently as possible. With some channels with significant weed and siltation issues, early communication is imperative.

I hope you find this Report interesting and of value and that 2010 brings a better season for all of us.



Stewart Ellis
Chairman