

SNOWY HYDRO CORPORATISATION AMENDMENT (PARLIAMENTARY SCRUTINY OF SALE) BILL

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Second Reading

Mr IAN COHEN [11.21 a.m.]: I move:

That this bill be now read a second time.

The Snowy Mountains scheme commenced in 1949 after the proclamation of the Snowy Mountains Hydro-Electric Authority Act. Construction of the scheme was a mammoth task, spanning from 1949 until its completion in 1974. The construction of the scheme saw a major turning point in the multiculturalism of Australia, with about 100,000 workers from 30 countries working on the project. It remains the largest engineering project in Australia's history. The purpose of the scheme was to collect water from the east of the Great Dividing Range and divert it westward through the Snowy Mountains to the Murray and Murrumbidgee river systems. The scheme constructed gigantic reservoirs, swamped entire valleys and towns, and transformed the face of agriculture in Australia through the water it provided. It also became a major source of electricity. While the negative environmental impacts of such a scheme are well recognised, the fact is that it exists and there is no denying that it is a massive entity.

The scheme has a generating capacity of 3,756 megawatts and it generates an average of 4,500 gigawatt hours of energy per annum. The scheme cost \$800 million to build and was financed by the Commonwealth Government from consolidated revenue. The intention was that income from the sale of electricity generated by the scheme was to repay the Commonwealth Government over a period of 70 years. Prior to corporatisation the operation and maintenance of the scheme relating to water management and electricity production were subject to oversight by the Snowy Mountains Council, a tri-State body. The scheme's electricity production was shared 13 per cent Commonwealth, 29 per cent Victoria and 58 per cent New South Wales. The scheme was corporatised in June 2002 and commenced operation as a corporate entity in the national electricity market.

The outstanding debt to the Commonwealth was refinanced and repaid at the time of corporatisation. Shares in Snowy Hydro Limited were issued to the Commonwealth, Victoria and New South Wales governments in the same percentages as their previous share of electricity—namely, 13 per cent Commonwealth, 29 per cent Victoria and 58 per cent New South Wales. These shares were issued at no cost to those governments and the three governments have equal voting rights. It took around nine years to negotiate corporatisation of the scheme. The corporatisation documentation comprises 46 agreements, deeds, orders, leases and other documents. Given the complexity and the length of time it took for corporatisation, it is amazing that this Government attempted a fire sale in such a short space of time. Rushing a process as massive as this was bound to result in mistakes being made. It appears as though legal advice sought by the Greens about the legality of the Commonwealth's sale of shares might have precipitated that Government's withdrawal from the sale.

The object of the Snowy Hydro Corporatisation Amendment (Parliamentary Scrutiny of Sale)

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Bill is to require the approval of both Houses of Parliament before shares in the Snowy Hydro Company held by New South Wales may be sold or otherwise disposed of. It merely inserts a section into the Act that should have been there in the first place. It is entirely unacceptable that a national icon, a crucial source of water and a vital piece of renewable energy infrastructure should be sold without the approval of Parliament. It does not belong to the Executive Government; it belongs to the people of Australia and, as their representatives, it should be up to the Parliament to have a say if the scheme is to be disposed of. This bill inserts proposed section 5A into the principal Act, which provides:

Shares in the Snowy Hydro Company held by the State of NSW must not be sold or otherwise disposed of unless the disposal is approved by resolution of each House of Parliament.

That is self-explanatory. A public asset of this nature should not be sold without parliamentary scrutiny. The Minister, after public outcry about the lack of debate on the proposed sale, finally agreed to a debate, but that debate was a sham. Standing orders were used to bring on a debate that did not even end in a vote. Even the Commonwealth Government debated a motion over the sale of its 13 per cent share of the scheme. While in essence it was a farce, because the Commonwealth Government has control of both Houses, at least it had a debate and a vote. The legality of the Commonwealth Government selling its stake was questioned by senior legal advisers and led to the Prime Minister's back down on the sale.

I deal now with the important issue of water. The Snowy Hydro scheme collects an average of 2,500 gegalitres of water annually. The corporatisation document includes a 75-year water licence that grants Snowy Hydro Limited rights over the collection, storage and release of the scheme's water resource. In other words, by privatising Snowy Hydro, governments would be handing control of 2,500 gegalitres of the nation's scarcest natural resource_water_to private enterprise for the next 70 or more years. The terms and conditions of the 75-year water licence favour use of the water for electricity production and electricity market trading over the optimum water resource utilisation. The licence thus falls a long way short of optimising water utilisation.

The licence, for all practical purposes, cannot be varied or revoked. There are provisions to review the licence but any changes that have a potential to impact on Snowy Hydro's profitability are subject to compensation payments that are likely to be hundreds of millions of dollars. Water is the most vital resource that we have. The Snowy Hydro scheme was originally intended to ensure that water would be available for conservation and irrigation purposes, with energy sales a secondary concern that would help to pay for the scheme's maintenance. That situation has now been reversed and the Snowy Hydro Corporation is making a significant profit from both energy sales and its insurance arm.

A privatised entity that is beholden to maximising shareholder returns would be likely to move further into these profitable areas at the expense of the core areas of water quality and environmental flows. These environmental flows have taken years of negotiations to secure

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and are essential for maintaining the health of our major rivers and its fish population, and for the riparian vegetation habitat. Insufficient flows lead to degradation of vegetation and soil erosion. Precious topsoil is lost, leading to a decrease of native vegetation and loss of habitat for wildlife. Many unknown factors will impact on our water needs and use, such as climate change, population growth and distribution.

Due to the large storage capacity of Lake Eucumbene, many years of above target water can be stored. Currently, Snowy Hydro Limited has access to 1,000 gigalitres of above target water in storage. This kind of water security simply must not be put into private hands. The lack of water flow has had a massive impact on native species. Those species are dependent on water flowing into the Snowy and the rivers flowing to the west. Blackfish were a great part of the diet of Aborigines and helped local people feed themselves during the Great Depression. Today that species is confined to a single tributary of the Snowy—the Delegate River. Teams of scientists have caught only 50 of them.

The Department of Primary Industries, the Premier's Department and the Southern Rivers Catchment Management Authority initiated a captivity breeding program to stop the extinction of this species. Once the habitat is restored blackfish will be released in two parts of the Snowy River where they are now extinct. Privatisation of the scheme would threaten the restoration of environmental flows and jeopardise the project. There is concern among the farming community that private owners would not honour agreements to provide them with irrigation water. As a result, State costs for drought assistance to farmers would be likely to increase.

I emphasise that the sale of the scheme would be more than just a disaster for the environment and local farmers; it would also be a disaster for all New South Wales taxpayers. In the long term the budgetary effects of the sale of the Snowy would be negative rather than positive. The privatisation of water has been a debacle worldwide, leading to price increases, a slow down in maintenance and infrastructure work, insufficient distribution and a reduction in water quality. These negative effects are leading many countries to abandon their failed and costly privatisation policies. Last March Argentina announced a complete turnaround from the failed public-private partnership model of the last decade, which would have involved progressive public water reforms.

Over the past year water multinationals have been forced to withdraw from concessions in Bolivia, Argentina and Tanzania after failing to deliver promised improvements in water distribution. In El Alto, Bolivia the Government recently terminated concessions to French water giant Suez. This came only after citizens had protested for seven years, during which time many people lost access to the water supply due to exorbitant connection fees. Do we really want to go down the path of privatising one of our greatest water resources?

Debate adjourned on motion by Mr Ian Cohen.

Second Reading

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Debate resumed from an earlier hour.

Mr IAN COHEN [4.20 p.m.]: I will continue my remarks on the Snowy Hydro Corporatisation Amendment (Parliamentary Scrutiny of Sale) Bill from this morning. Under government control, Snowy Hydro is ultimately answerable to the people. A privatised Snowy Hydro would be answerable to no-one but its shareholders. The whole sorry history of privatisation in this country is littered with government promises that the public interest would not be compromised. Such promises generally crumble when the public interest is forced to compete with corporate interest. It is simply too great a risk to contemplate such a scenario involving our water supply.

Last month I co-hosted with my colleague Ms Sylvia Hale a forum in Parliament House that revealed the diversity of people in opposition to the sale. Public forums in Cooma and Griffith and a rally in Penrith showed that people were willing to mobilise to defend the Snowy staying in public hands. Further rallies in Jindabyne and Cooma had an impressive turnout, and a rally planned for Sydney before the sale was called off promised to be a massive event. I acknowledge Max Talbot, who worked as an engineer for Snowy Hydro for 25 years, for the information that he has given my office. I commend the tireless work of countless people who have helped to organise opposition to the sale. People power does work! I commend the bill to the House.