



New South Wales
TREASURY

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25 AUG 2006

SELECT COMMITTEE

SNOWY HYDRO

Mr Stephen Frappell
A/Director, Legislative Council Committees
Parliament House
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Sydney NSW 2000

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25 AUG 2006

Dear Mr Frappell

Inquiry into the continued public ownership of Snowy Hydro Limited

I refer to my recent letter responding to the Committee's questions in relation to Snowy Hydro Limited. In that letter I indicated that I anticipated being able to provide further information regarding the costs of the transaction in a couple of weeks or so.

A number of advisers and service providers were engaged to assist in the sale process. These included financial, legal, probity, accounting, tax and communications advisers. Service providers included share registry, call centre, prospectus and form design and printing, advertising, mail house and market research.

At the time the sale was cancelled, preparations for the transaction were well advanced. Members of the public had already commenced pre-registering to receive a prospectus.

Treasury commenced terminating the contracts with these advisers and service providers immediately the sale was cancelled. This was to ensure that costs were kept to a minimum. The contracts provided for the vendor Governments to pay only for the work undertaken up to the date of termination. Treasury has been negotiating with a number of the advisers and service providers in order to finalise their costs.

In accordance with the sale management arrangements between the New South Wales, Victorian and Australian Governments the transaction costs are to be shared in proportion to the respective equity holdings of the three Governments in Snowy Hydro. The NSW Government's share of the transaction costs is around \$12.1 million (58% of the total transaction costs of around \$21 million). These figures include GST. In the few instances where costs have not yet been finalised, the maximum likely cost has been included in the following table which summarises the total transaction costs.

Type of Service	Service Provider	NSW cost	Total cost
Financial and Sales Advisers	Joint Lead Managers (Goldman Sachs JB Were, UBS, Macquarie Bank) Co-Lead Managers (Deutsche Bank, ABN AMRO) JP Morgan	\$5,656,740	\$9,753,000
Probity Adviser	Procure Consulting	\$51,306	\$88,459
Accounting & Tax Adviser	Deloitte	\$841,000	\$1,450,000
Australian Legal Adviser	Baker & McKenzie	\$1,664,567	\$2,869,943
	Crown Solicitor	\$13,340	\$23,000
US Legal Adviser	Sullivan & Cromwell	\$253,516	\$437,096
Communications Adviser	Third Person	\$213,046	\$367,322
Due Diligence Adviser	Business Catalyst	\$95,795	\$165,164
Regulatory Adviser	Firecone	\$86,677	\$149,443
Advertising	Mediacom + Optimedia (Vict) + NESB Services	\$1,624,274	\$2,800,472
Advertising Agency	IDEAssociates	\$85,823	\$147,971
Banker to the Issue	ANZ Bank	\$29,000	\$50,000
Call Centre	Computershare	\$102,742	\$177,141
Market Research	DBM	\$125,814	\$216,920
Share Registry	Computershare	\$165,941	\$286,105
Mail House	Hermes Precisa (HPA)	\$58,695	\$101,199
Prospectus Design & Printing	IDEAssociates	\$254,103	\$438,109
Web Services	@www	\$152,240	\$262,483
Snowy Hydro Taskforce	NSW & Victorian Treasuries	\$580,000	\$1,000,000
	Total	\$12,054,620	\$20,783,827

The above costs include travel related expenses. Treasury is seeking a breakdown of travel related costs from several of the sale advisers before it is able to approve payment. In addition, it is understood that the Co-Lead Managers also incurred some travel expenses, however, at this stage specific details of these costs have not been provided to Treasury. Based on the information which Treasury currently has I am able to provide the following information on the travel related expenses.

The total travel related costs submitted to Treasury to date amount to \$112,700, including GST. The main travel expenses were for Snowy Hydro Scheme site tours and the domestic / international roadshow. The New South Wales Government's 58% share of the total travel costs received to date is \$65,000.

The total costs associated with the Snowy Hydro Scheme site visits was \$33,480. The size and scope of the Snowy Hydro Scheme means the most cost effective way to view the scheme is from the air. Two charter flights were used to show the Scheme to a number of financial analysts from the various advisory firms engaged on the sale and six financial journalists. This was part of providing these groups with background information on Snowy Hydro's business and physical assets and to give them an appreciation of the scale and scope of the Scheme.

The size of Snowy Hydro's business together with the strategy to maximise price competition necessitated that the shares be offered both domestically and to international institutions. Consequently, a domestic and international marketing roadshow was under way when the sale was cancelled. Total roadshow costs which have been submitted to Treasury to date are \$74,400.

These costs include six financial analysts representing the Joint Lead Managers travelling within Australia and to financial centres in Europe, America and Asia. The five international flights cost around \$60,000 and accommodation, meals, taxis and similar expenses in London, New York, Boston, Hong Kong and Singapore amounted to \$10,200. Domestic air travel and other expenses incurred as part of the roadshow to Melbourne and Brisbane amounted to \$4,200.

I trust this information is of assistance.

Yours sincerely



Kevin Cosgriff
Deputy Secretary