

**INQUIRY INTO THE CONTINUED PUBLIC OWNERSHIP  
OF SNOWY HYDRO LIMITED**

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**Theme:**

**Summary**

## NSW Parliamentary Inquiry into Snowy Hydro *Supplementary Submission*

### Introduction

*Privatisation of Energy and Water* (WSS) utilities globally has produced mixed results and increasingly, communities have demanded local ownership and control of water utilities in particular. The history of privatisation of public utilities is primarily, a post World War Two phenomenon, where publicly owned and maintained infrastructure required additional funding in order to cater for rapidly increasing populations and greater demands on services. Over time, the emergence of 'water barons' saw the water infrastructure and control of entire municipalities, cities and indeed, regional areas come under the 'ownership' of mega-corporations. The sequelae post-privatisation is almost always, a gradual declination in the standard of infrastructure investment and maintenance and particularly for poorer communities, failure to deliver clean drinking water and sanitation services. The trend is now strongly away from privatisation of water infrastructure in particular. Indeed, the World Bank, a primary funding body for building WSS in many cities and regions, has admitted that privatisation has essentially failed communities. Some countries including in the Netherlands have legislated to make private ownership of water illegal and around the globe, there are a myriad of cases cited where communities in the developed and developing world have fought strenuously to reverse privatisation and return ownership and control of water utilities into public hands.

Australia, a continent that is dry and mindful of its water resources, is nevertheless separate and distinct to the global trends in utilities management and has yet to fully engage with the international community, including, attending the *World Water Forums* (the fourth and most recent in Mexico in March this year). At the Mexico Water Forum for the first time, the Arab nations considered the legislative framework that would ensure appropriate water sharing regimes. This move was underscored by *consultation* with a large contingent of scientists, a trend that Australia also embraces both through consultation and legislation, including the *1998 Webster Inquiry* commissioned by the then Commonwealth Environment Minister, Sen. Robert Hill responding to the decision by the then industry Minister, Sen. Nick Minchin to 'corporatise' the Snowy Mountains Scheme, subsequently to adopt the Principles of Corporatisation and become Snowy Hydro. Now, the incumbent CEO supported by the Board of Directors of Snowy Hydro and in consultation with the three government 'shareholders' of the asset, continues to drive towards 'diversifying' Snowy in an attempt to 'raise capital' whereas the utility, since its inception and completion, was intended to be a *self-generating facility* returning good income (\$400 million p.a.) with more than sufficient for infrastructure maintenance and upgrades. The essential and core competency of the Snowy Scheme is as a *water storage and reticulation system* providing life-giving water to agriculture in the western regions. Increasingly, the environmental cost of the Scheme is visible and measured through poor flows in the major rivers – primarily the Snowy – and the impact of irrigation and cropping practices, including the transfer of rice from the Ord River Scheme to the Murray irrigation area along with apparently, the *wrong strain* of rice that is both thirsty and vulnerable to drought. The cotton industry similarly has been identified as a water thirsty crop however the change of industry practices and cropping takes time. Now, the strong evidence returned through the Webster Inquiry and subsequently written into the *Snowy Water Licence* is that the major rivers including the alpine or 'montane' systems require greater *environmental flows* and it is incumbent upon all players, governments and stakeholders whether in the energy industry or within agriculture, to honour and enable the appropriate flows including flushing flows and drought regimes, although reducing potential earnings from energy generation. This payoff during *drought* is also observed in the United States where energy generation must compromise to retain life and vitality in environmental flows that ultimately, supports riparian

health, mitigates soil erosion and underwrites agricultural earnings. That Australia is now debating nuclear energy as an option - along with a range of renewables – highlights the priority for water conservation and management for environmental flows and agriculture as opposed to derivatives income within the energy sector. Equally, the management of Snowy Hydro in particular, both at the Board, CEO and practical level, must reflect the *broad and diverse stakeholder interests* and demands upon the system. The *governance* of Snowy Hydro is seriously in question and must be addressed including relations with government where the shareholders as such, are the Ministers of the respective governments yet do not appear to have a strong strategic voice in terms of board and CEO decisions pertaining to the public utility. Whilst corporatisation may return significant management and cost savings benefits, indeed, the history of the organization returns the same answer, that this is ultimately *a public company and its management and governance as well as composition and background experience of board members, must reflect the public interest, including, a range of social, environmental and other benefits, traditional areas of activity of the company,*

Snowy Hydro reveals a close correlation of corporatisation / privatisation processes in the United Kingdom. There are lessons to be learnt from the United Kingdom's experience yet these lessons do not appear to be transferred to the Australian experiment with privatisation.

#### Privatisation not the way forwards

The supporting evidence offered to the inquiry clearly and comprehensively documents the failures of privatisation in both the water and energy sectors with most nations now attempting to return water utilities in particular into public ownership and control. There are many cases cited in both the developed and developing world, where post-privatisation regimes consistently show failure to maintain infrastructure and deliver quality water to poor communities. In the case of Australia, we have so far avoided conflict, violent confrontation and death where communities strive to maintain ownership of their water. In extreme cases, rioting and wars break out and the common belief is that future wars will be over water. The recommendation for Australia is that, along with Catchment Management Committees, to engage communities and educate through schools, citizens to understand their water rights. May I urgently ask the Inquiry to recommend to Mr Della Bosca that he establishes a community consultative committee for Snowy Hydro and, that the CEO and Board liaise with this committee on a regular basis for review of strategic direction and decisions. This committee may liaise also with the three government shareholders and form the basis of community ownership of a public utility. Additionally, we would like the position of CEO to be readvertised with a far broader range of competencies and experience as prerequisites including solid and comprehensive experience in water conservation, catchment management, consultation and liaison with for example, the MDBC and other government entities as well as competency in managing water utilities. Similarly, the Board must contain at least one community expert, a scientific expert and irrigation or farming community member along with a representative from the energy industry and financial sector. At present, the composition of the board is skewed and not representative of the role and significance of Snowy Hydro.

Privatisation is definitely not an option for Snowy Hydro and indeed, the NSW Government Department of Treasury must separate out its problems from Snowy Hydro and look elsewhere to resolve COAG problems and allocation of essential taxes and GST. These system problems arise from the conflict between the major political parties and disparity between State and Federal power resting in the hands of the Liberal-National Party Coalition and Labor Party respectively.

World Water Forums / Water Justice / International Experience

Australia, at both the Federal and States level, must engage more fully with the international community to understand scientific research and progress in water management as well as legislative encounters to ensure citizen rights and access to water. The current trend towards water trading is not advantageous in that, the emphasis shifts from an essential life giving resource to purely profiteering, compromising both the agricultural sector and environmental health of rivers as well as potentially, exposing land ownership to large baron takeovers and moving the culture of the smaller family farm into oblivion. Australia has many expert scientists who were unavailable for the Snowy Campaign including from the Wentworth Group and our suggestion is to increase the funding for the study of river ecology, wetlands ecology, riparian zone management, high country catchment management, estuarine health and other areas of water and environmental health and management. Australia must dedicate a group of scientists to attend international for a to build our body of knowledge and engage with and contribute to the emerging global understanding of climate change and the indicators that reflect on planetary water resources and their availability. That we were unable to secure an answer or recommendation of representative for the Fourth World Water Forum in Mexico does not augur well for Australia's position in the international community. Along with a more significant group of water scientists, technologists and ecologists, Australia would be wise to effect the terms of the Webster Inquiry more appropriately in terms of the behaviour of Snowy Hydro. This aspect has been covered in submissions relating to the failure of the NSW Government to establish the Scientific Committee under the Snowy Hydro Corporatisation legislation.

#### Stakeholder Interests and Board Representation

Indisputably, the Snowy Scheme has attracted and created a broad group of stakeholders including farmers, environmentalists, the tourism industry, the energy industry, scientists, technologists, construction engineers for example. Within the activities of Snowy Hydro is considerable and enduring potential for skills development for export including at the management level that better reflects a significant utility. It is vital that the NSW Government appoints Board members who better represent the diverse stakeholder group, including at least one community representative. It is equally important that each Board member liaise with their respective community to ensure better management practices and strategic direction of this public company and utility.

#### Governance

Governance of the Snowy Board and Senior Executive is an important and emerging issue, where strategic convergence must reflect a strong code of ethics as well as broad user groups of Snowy Hydro.

One of the major areas for reform of governance is to marry the personal experience, values, ethics and goals of individuals in the senior executive levels of management along with the Board to the strategic direction of the company, determined by the broad stakeholder groups and not by a handful of people, whether they be the Commonwealth Finance Minister and stockbroker associates or the CEO and his financial advisors. One of the major areas considered internationally in terms of water justice is the 'hierarchy of values', which appears to be missing in the practical implementation of a strategic vision and plan for Snowy Hydro. Issues of governance, consultation and accountability will be more fully addressed during representation at the Inquiry in Cooma.

#### Legislation

There are clearly areas of the Snowy Hydro Corporatisation legislation and the accompanying Snowy Water Licence that require review, including that, the Finance Ministers are the defacto shareholders and may hold and dispose of shares. We do submit that the legislation be reviewed to secure the facility against scurrilous management / government decisions to sell in order to fulfil private ambitions / budget shortfalls. On closer examination, the model for legislation appears similar to the

British model where the Finance Ministers were considered as the shareholders of public utilities. Perhaps, we could be a little more original and imaginative building in greater checks and balances including effecting the terms and conditions of the Water Licence for example, along with more comprehensive community consultation. There is a strong case to review the current legislation and that this be commissioned to an independent legal expert / body that is strenuously apolitical.

### Summary

The corporatisation process of the Snowy Scheme appears to have its origins from the Commonwealth Government, presumably arising from the then Industry Minister, Sen. Nick Minchin who later promised that he would not privatise the asset. The adoption of ostensibly, the British model of corporatisation and privatisation lacks imagination and does not reflect the international experience that counters the trend towards privatisation of energy and water utilities. The British experience in privatisation of the energy sector returned little net gain that was ultimately attributable to a major fall in fossil fuel prices and created major social dislocation and wholesale social losses to communities.

The fit of the CEO is clearly not comfortable and it would be wise and is incumbent upon the NSW Government to suggest to their appointed Board Directors to readvertise the position of the CEO with a much broader experience base including in water and environmental management, with agricultural expertise and strong community consultation and industry / government liaison skills.

An examination of corporate behaviour marries these attitudes and approach to the visible top end 'sociopathic' behaviour that has been identified as manifest in large corporations. It is unwise to support or ignore these tendencies and indeed, it would be kinder to both the CEO and the community, to consider an alternative location and job for the incumbent. The NSW Government equally, has failed to liaise including, respond in a timely manner to ongoing correspondence and requests for information from the community. Some development and training in governance within government including, strategic convergence between personal values, ethics, goals and skills with the internationally preferred hierarchy of values for public utilities is timely. This may include separating out the management and strategic direction of essential utilities (energy and water in this instance) from the political domain and entrusting their care to apolitical entities. All governments could benefit from greater community consultation including the Commonwealth. The recently formed Water Ministerial Council would be served better by representatives from the broad stakeholder groups connected with the Snowy Scheme, rather than a political composition with its inherent communication and strategic / policy problems evidenced by the first meeting convened by the Commonwealth representative, Malcolm Turnbull.

Finally, may I suggest that the Inquiry consider that the NSW Government engage in a formal and systematic manner with the community including, better liaison and consultation in order to collectively forge the strategic direction for the Snowy Scheme. This may include the broad range of issues; legislation, governance, effecting the Snowy Water Licence, scientific advice, allocation of resources for social capital and community projects for example. Snowy is and will remain essentially, an Australian heritage item with strong and indisputable iconic status as well as its engineering significance and critical importance to agriculture as well as environmental, social and regional economic health and well being.