

**Submission
No 77**

INQUIRY INTO THE CONTINUED PUBLIC OWNERSHIP OF SNOWY HYDRO LIMITED

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Date Received: 26/06/2006

Theme:

Summary

From: "Glenice and RM White"
To: <snowyhydro@parliament.nsw.gov.au>
Date: 25/06/2006 9:44 pm
Subject: Inquiry into the Continued Public Ownership of Snowy Hydro Limited.

The Director, Inquiry into the Continued Public Ownership of Snowy Hydro Limited, Legislative Council, Parliament House, Macquarie Street, Sydney NSW 2000.

Submission from the Snowy River Alliance
Vice Chairperson Gilbert Richardson
Glenice White Asst.Secretary

Dear Sir.

The Snowy River Alliance makes this submission on the basis of the following terms of reference as set out by the Select Committee and which will attract comment in chronological order:-

(a) 'IMPACTS on the Short and Long Term Financial Position of the Government including Revenue and Recurrent Costs:-

The corporatisation of Snowy Hydro Limited in the year 2002 and the subsequent repayment of the debt the states owed to the Commonwealth Government and which was paid back from the entity of Snowy Hydro Limited resulted in the "Gifting" of the shares in the company to the states of Victoria (29%) and NSW(58%) leaving the Commonwealth holding 13% of the shares.

During the years since the Snowy Mountains Hydro Electric Scheme became operational the three governments have enjoyed excellent dividends not only from the profits of the scheme providing 'peak power' electricity to those states, but also, and more importantly, from the taxes on the wealth that has been created from the use of the irrigation water the scheme has provided to the farming communities along the Murrumbidgee River and River Murray Valleys. The Snowy Hydro Electric Scheme during all this time has paid for all its maintenance costs out of revenue and has not been a financial burden on any of the governments. The state of NSW has enjoyed the lion's share of the water and dividends(58%) to the detriment of the State of Victoria and in particular the people and environment below the Jindabyne Dam wall. This is still the untenable situation.

The parlous state of the sustainable fresh water replenishment(rain and snow) events in this country, and we are speaking specifically of the Eastern states in this submission, coupled with the increasing demand for fresh water both from rural and urban areas, along with the forecast climate change, demand that a huge storage of pristine water such as is contained in the collection of the Snowy Hydro dams in the Snowy Mountains is maintained in public ownership. This to preserve the inalienable right and political ability of the people to determine in the future how they wish to access/use this commodity.

Fresh water must never become the prerogative of private enterprise so that in the pursuit of profit rather than public benefit it controls the very existence of the people. The electricity generation of this company has become the means to an end for the provision of water for agriculture and environment to the west of the Great Divide, and now to the environmental and ecological needs of the Snowy River and people below Jindabyne Dam. No compensation has ever been paid to those below the dam wall who had their riparian rights to fresh water from the Snowy River removed when Jindabyne Dam became operational in 1967.

RECOMMENDATION:- That the NSW government continues to receive dividends from Snowy Hydro at the same time recognising that as it has been 'gifted' the larger share of an essential public utility which was paid for by the people of Australia, not just those from NSW, it accepts its intrinsic responsibility to the maintenance of the organisation as an entity and also accepts its responsibilities to pay for its share of recurrent costs if it is required to do so. Snowy Mountains Hydro is not a commodity to be flogged off to fill a black hole in a state budget particularly as the shares were a gift from the Australian taxpayer and its sale would also have implications for the privatisation of fresh water across Australia..

(b) 'FUTURE Capital Expenditure Requirements of Snowy Hydro Ltd in order to Remain Competitive in the National Energy Market:-

It was not the original charter of the Snowy Mountains Hydro Electric Scheme, nor as far as the general public was made aware, was it to be the charter of the corporatised Snowy Hydro Limited to be making excursions outside of the designated Snowy Mountains operations into other electricity generating and distribution businesses in other states. This requirement to expand Snowy Hydro's generating capacity was never mentioned publicly. Indeed, the state of Victoria implemented the construction of the Bass Straight electricity cable from Tasmania in order to help maintain its future electricity needs.

During the last recent years Snowy Hydro has bought, while still in public hands, two gas fired power stations and an energy retail company. It is to be hoped the managerial team of Snowy Hydro Limited and the three governments had not assumed they would be paying for these interstate forays after they had sold the company, without consultation or debate with the parliaments or people. If that was the case they should have known that even the best horse can fall thirty metres from the winning post even if it has been given a powerful stimulant.

Snowy Hydro Limited has a net operating profit of around \$200 million a year and can remain competitive in the national energy market just as any other competitor must if it/they are to survive. The other competitors will have to finance their expansions out of their own profits or borrowings just the same as anybody else in business. So why not Snowy Hydro? The difference being that the three governments are the shareholders which until of recent years suited them. It would appear therefore they will have to share the costs of expansion if that is the decided course of action.

The governments must have thought a privatised Snowy Hydro would be a goer and great dividend yielder for the proposed new shareholders. The large merchant banks were very keen to underwrite the sale with the certainty of making millions of dollars in the process. Surely, if this was not the case those very same governments would never have contemplated selling the company for fear of 'ripping all the punters off'. Those governments therefore will have nothing to fear or lose now by accepting the future capital expenditure requirements which may be deemed necessary to keep Snowy Hydro on a competitive footing with other electricity generators and distributors; they will make the same sort of profit from their capital expenditure as they were intimating the new shareholders would do and that will be good for the taxpayers. **RECOMMENDATION:-** The NSW government should be prepared to provide the capital expenditure requirements for its share of that required in order to keep Snowy Hydro on a profitable basis and competitive, as was promulgated in the advertising as to how privatisation would do so for those who bought the shares in the proposed sale of the company.

(c) CONTROL of WATER REGULATION:-

There is no difficulty in the decision making process regarding the 'control' of water regulation' within the day to day, week to week, month to month and year to year operations of Snowy Hydro Limited. The legislated directions for hydro electric generation, water for irrigators and the environment are all clearly set out in 'The Snowy Corporatisation Act' 2002 which included the 'Snowy Water Inquiry Implementation Deed'. The biggest problem to date has been the intransigence of Snowy Hydro and the NSW Government in not complying with the Act. eg 1:- Snowy Hydro redirected the environmental flow which had been instigated three years earlier by Premiers Carr and Bracks, which was part of the corporatisation agreement to rehabilitate the Snowy River in August 2002, from the Mowamba Weir back into Lake Jindabyne. This arrogant action has destroyed the great ecological improvements that had occurred to the top end of the Snowy River during that three year period.

Snowy Hydro says it was able to do this(which was not in the spirit of the act) but fails to mention the alterations to the Jindabyne Dam Wall that were meant to be finished (according to the'Deed') three years after Corporatisation, ie 2005, are still not finished. That particular headwaters of the Snowy River has again been ruined along with an expensive business enterprise which was set up at the confluence of the Mowamba River and the Snowy River on the strength of the misleading words uttered by the Victorian and NSW Premiers when the Mowamba River Aqueduct was decommissioned in 2002. Snowy Hydro plays by

it's own rules it would seem and we regard it as a poor corporate citizen.

2:- At Corporatisation the NSW Government was meant to set up a 'Scientific Panel'(again according to legislation) to advise on environmental flows for the Snowy River below Jindabyne Dam and the Montane rivers. The 'Panel' still has not been formed. Snowy Hydro should have varied the flows for the Snowy River below Jindabyne only on the recommendation of the independent Scientific Panel. To date Snowy Hydro has acted unilaterally and irresponsibly in regard to the cutting off of increased flows via the Mowamba Aqueduct to the Snowy River. It would appear the public will have to resort to the courts if the Acts are not complied with; this is an expense which the people should not have to bear and it will be brought about by the flouting of the legislated requirements and the dereliction of duty by the NSW Government and Snowy Hydro.

RECOMMENDATION:- That the NSW Government and Snowy Hydro Limited be forced/encouraged to follow the legislated prompts FOR THE CONTROL of WATER REGULATION as set out in the Snowy Hydro Corporatisation Act 2002 which includes the 'Snowy Water Inquiry Implementation Deed' and the pertinent requirements of the Act of the Licensee which is Snowy Hydro Limited.

(d) ACCESS TO LANDS CONTROLLED BY SNOWY HYDRO LTD:-

Thousands of Australians and thousands of international tourists already have access to the lands and waters controlled by Snowy Hydro Limited for fishing, climbing, skiing etc. There are designated areas where people and livestock are not allowed and it seems the present restrictions and allowances are enjoyed and very well accepted by the community. We see no reason for any further restrictions unless it is to strictly limit further residential development around the shores of the lakes because of the difficulties involved with the adequate treatment and disposal of sewerage and other 'compostable' wastes in such a cold climate. We are not too sure just what else is required by this part (d) of the 'Terms of Reference'

(e) REMOVAL of DISUSED SNOWY HYDRO INFRASTRUCTURE IN NATIONAL PARKS:- We cannot make relevant comment on this part of the 'Terms of Reference' (e) as we do not know enough about the subject. However as you mention it, suffice to say we hope Snowy Hydro is a better corporate citizen than at the moment we believe it to be;

RECOMMENDATION:- That Snowy Hydro fulfils its environmental responsibilities within the area of it's jurisdiction and removes any disused hydro infrastructure which it may have left lying around its construction sites either in or outside the National Parks.

(f) 'HERITAGE ISSUES:-

It has been our experience during the many years that we have been campaigning for the rehabilitation of the Snowy River below Jindabyne Dam that Governments in general and Snowy Hydro in particular pay very little heed to those who lobby to preserve natural assets or constructions which may display heritage or environmental value. Particularly when the values are in a juxtaposition with those bodies in their quest after money, power or political expediency.

The Snowy River was a magnificent natural asset which was destroyed by politicians who had a grand plan to use it's waters for something else, regardless of the hardships perpetrated on their own people when the water downstream of Jindabyne Dam was cut off to 1% of it's original flow in 1967. That 1% of flow was allowed only to wash the sewage away from Jindabyne not to lessen the hardship of the community downstream of the dam. The government of the day was also interested in currying political kudos in the eyes of other nations following World War 2 by accepting the thousands of displaced persons from Europe whom they would employ to build the Snowy Mountains Hydro Electric Scheme. So the millions of years of irreplaceable Heritage of the Snowy River was lost without a second thought in the time it took to build the 'Scheme'.

The Snowy Mountains Hydro Electric Scheme is the eastern seaboard's largest source of fresh, clean water and it's largest generator of renewable energy. It has now become a Heritage asset in it's own right or to use that much favoured American word an 'Icon'. So much so that the people of the land do not want to sell it, or the water contained in the'scheme', into private ownership, especially not into foreign private

ownership. However none of us are so naive as to assume it would not have been sold if the pressures brought about by the people and a set of questionable circumstances had not altered the whole political scenario which culminated in the withdrawal of the sale.

Besides, had the company been sold the community would have had no chance to check on or debate the important issues such as the delivery of environmental flows, the security of water licences or any other area pertaining to due diligence. It has to be recognised by all of the three government shareholders (the electorate) and management of Snowy Hydro that in the present political climate which governs the ownership of this company, HERITAGE ISSUES and public, managerial financial and operational accountability are now rolled into one.

RECOMMENDATION:- The community expects all the managerial and operational arms to recognise the HERITAGE value of this company as the people see it and to now get on with the business of keeping Snowy Hydro profitable and relevant and to ensure that it complies with the Snowy Hydro Corporatisation Act 2002 including the Snowy Water Inquiry Outcomes Implementation Deed dated 3rd June 2002.

(g) 'AND OTHER RELATED ISSUES':- The terms of reference have not mentioned anywhere the word 'Environment' This is an omission which we think should be rectified.

When the Snowy Mountains Scheme was being planned and built no thought was given to the negative environmental ramifications the taking of the Snowy River water would have on the environment of the river immediately down stream or along its length all the way to the sea in Victoria.

Many people living along the river below Jindabyne warned the Commonwealth Government and related authorities about what the long term undesirable effects would be on the lower end of the waterway. Fifty years later this degradation is in full swing and would you believe, we still have politicians and other financial stakeholders in the scheme stating that "The Snowy River water is wasted flowing to the sea". The ignorance of that statement is mind boggling especially as the coastal fisheries, particularly along the east coast of southern Australia are in obvious decline. Most of the large and not so large rivers around the coast from the River Murray mouth in South Australia, including the Snowy River, to those north of Sydney have been dammed/diverted for multiple uses and their nutrient rich waters no longer replenish the wetlands and fish nurseries in the estuaries as they once did.

The rich farming land on the Victorian end of the Snowy River is being inundated and ruined by brackish water which now flows over the flats because there is not enough flow in the Snowy River to keep the mouth of it open and so the estuarine salty water banks up behind the sand dune that forms there.

The people of South Eastern NSW were also in a political backwater in those times when the authorities were planning and building the 'Scheme' and nobody took any notice of their pleas to let a third of the river run naturally. It would appear that politicians of all persuasions have cared little that the residents living along the river below Jindabyne Dam had their livelihoods wiped out and or mortally wounded when the Snowy River was cut off in 1967. They were never paid any compensation for the loss of their fishing and tourist industry or their farming enterprises which are in rain shadow country and needed the Snowy River waters to be profitable.

The environment west of the Great Dividing Range which receives the water from the 'Scheme' now has salinity problems which are costing millions of dollars to try and reverse. Everybody is aware of the enormous environmental degradation the River Murray is undergoing. Never mind the Murrumbidgee River and the Montane rivers within the Scheme. It is anybody's guess as to how much it will eventually cost the nation to return the River Murray and the Murrumbidgee River to ecological sustainability.

The above mentioned are the immediate downsides to what is recognised west of the divide as the benefits provided by the operations of the Snowy Mountains Hydro Electric Scheme in the interests of Agriculture and its associated social cohesion and stability which comes with those successes. The tourism industry within the Snowy Hydro designated area is also a most important part of the economy and environment of south eastern Australia as are the financial rewards provided to the NSW and Victorian

government coffers by the sale of peak power electricity.

Recommendation:- Neither the social nor the natural environments will be served by selling this company to private enterprise. The risks of disintegration in the areas of social stability to the west of 'The Divide', the same social cohesion and stability brought about by the financial benefits of a vigorous tourism and allied industries within the Snowy Mountains, and further disintegration of the environment below and West of the 'Scheme' are far too great. No benefits will accrue to the community if the control of distribution of this huge amount of fresh clean water in the Snowy Hydro's collection of storages passes out of the influence of public ownership. The electricity generation facet of the business is profitable and with competent and expert management will be more so in the future. That profit should remain with the people.

Snowy Hydro has a licence to collect store, divert and use for it's business operations the waters of the 'Scheme'; any monetary compensation which may need to be paid to it in the future for any change to that licence should remain in the hands of the people (ie government/taxpayer) and not become a liability on the public purse as would be the case if the company was privatised.

The state of NSW will undoubtedly benefit greatly into the future from it's 'CONTINUED (SHARED) PUBLIC OWNERSHIP OF SNOWY HYDRO LIMITED.

Thank you for the opportunity to respond to your request for submissions to the select Committee

On behalf of the Snowy River Alliance Committee Members

I am yours faithfully,

Glenice White: Asst. Secretary.
Gilbert Richardson Vice Chair