

Submission
No 79

INQUIRY INTO THE CONTINUED PUBLIC OWNERSHIP OF SNOWY HYDRO LIMITED

Organisation:

Name: Mr Ken Lister

Telephone:

Date Received: 26/06/2006

Theme:

Summary

26 June 2006

The Chair
Select Committee on the Continued
Public Ownership of Snowy Hydro Limited
NSW Legislative Council
Parliament House
Macquarie Street
SYDNEY NSW 2001

RECEIVED

26 JUN 2006

SELECT COMMITTEE

SNOWY HYDRO

Dear Revd Dr Moyes,

INQUIRY SUBMISSION

Although a member of the Executive team of Snowy Hydro Limited, I wish to make a private submission since I feel passionately about Snowy Hydro plant, people, performance and profitability. During the almost 20 years with Snowy Hydro Limited in various operational and maintenance roles, I have been in a unique position to understand the business and participate in leading the undeniable significant improvements. Consequently I welcome the opportunity to make a submission to the Inquiry on the Continued Public Ownership of Snowy Hydro Limited.

My support for the IPO is based on Snowy Hydro Limited remaining an independent business majority owned by Australians with provisions in the Constitution for;

- foreign ownership restricted to <25%.
- no single shareholder (eg. AGL or Origin) to own >10% shares
- any changes to ownership be approved by >75% shareholders

In relation to the Inquiry Team of Reference, I make the following submission;

- a) Financial position of the government

Unable to comment

- b) Capital expenditure requirements of Snowy Hydro Limited to remain competitive.

In my opinion Snowy Hydro Limited has three basic needs for capital expenditure as follows:

- Reinvestment in Snowy Scheme (ie hydro assets) to ensure that the plant is refurbished and upgraded to ensure long term reliability critical to securing future revenue. The Scheme assets have been starved of expenditure prior to corporatisation in 2002. Facilities for employees had not been upgraded for over 30 years. New asset plans have been developed and are commencing. This involves significant projects such as the Tumut 3 modernisation, replacement of 40-50 year old electrical switchgear, as well as improvements to safety and environmental systems.

- Development/purchase of new gas turbine or even additional hydro generation plant to enable Snowy Hydro Limited to match the growth in peak electricity demand. Other options include other renewable energy sources. Failure to at least match this profitable growth will inevitably result in Snowy Hydro Limited losing market relevance, revenue and hence return to shareholders.
- Growth of retail business beyond Red Energy in Victoria is absolutely necessary to counter the moves by large privately owned utilities such as AGL/Alinta and Origin/Contact to grow their retail business and underpin with new gas fired plant (eg Mortlake in Victoria by Origin) or purchase of existing hydro (eg. Southern Hydro by AGL). Failure to secure a retail base will lead to marginalisation of Snowy Hydro Limited as our customers develop their own generation sources or are acquired by our competitors who will vertically integrate the retailer into their generation portfolio thus stranding Snowy Hydro.

c) Control of Water regulation

Snowy Hydro Limited is already highly regulated by the current Water Licence which was negotiated over many years and involved submissions from a wide range of environmental, irrigation and government interests. The main improvement would be to vary the current 2088GL pa minimum release requirements to be multi-year to better suit the needs of irrigators. It should be noted that the Blowering Dam was constructed in the Tumut River/Murrumbidgee catchment and Hume Dam on the Murray River was enlarged to enable regulation of releases from the Snowy Scheme to suit irrigation requirements. Additional restrictions on the Snowy Water Licence would certainly limit flexibility resulting in less ability to suit irrigators (by having to release water when not required, hence less available when required) and electricity generation (forcing generation at times not really required by the Electricity Market).

d) Access to lands

In my opinion, access to Snowy Hydro Limited lands (and reservoirs) is adequately covered by the current Lease and Licence arrangements as well as the Environmental Management Plan Chapter. Access is only restricted to certain limited areas where there is a safety, security to environmental risk. There is no need to change access arrangements. Indeed Snowy Hydro Limited has provided substantial facilities for public access at many locations.

e) Removal of disused Hydro infrastructure

Over many years, particularly since 2002 Corporatisation and 2004 Bushfires, Snowy Hydro Limited has removed numerous disused facilities (eg overhead power lines, surplus equipment) from our sites. In addition Snowy Hydro Limited has paid the NSW Department of Conservation and Environment many millions of dollars to rehabilitate former major and minor scheme sites. In my view Snowy Hydro Limited will continue to remove disused infrastructure without safety risk to personnel and DEC should accelerate the work for which they have already been paid.

f) Heritage issues

My view is that the most significant heritage issues associated with the Scheme involve the development of a multi-cultural Australia. Snowy Hydro Limited has strongly supported projects (eg Welcome Wall at the Australian Maritime Museum and Engineers Australia oral history recording project). Former Scheme Sites have been recorded but most rehabilitated or scheduled for rehabilitation eg Island Bend township site. Original equipment being replaced is often offered for donation. Heritage consideration is part of any environment assessment if change is planned. I am not aware that there has been any outstanding issue in relation to heritage. Snowy Hydro Limited should not be limited to making improvements provided heritage issues are addressed. The Snowy Scheme must not become an "iconic museum in the mountains" but rather a progressive profitable business that values its heritage and changes to fulfil the future needs of the nation and shareholders. It was interesting to note that the anti-foreigner sentiment expressed by opponents of the IPO seemed somewhat inconsistent with the huge contribution that foreigners, including the first Commissioner Sir William Hudson from New Zealand, dam designers from the US Bureau of Reclamation and European contractors and migrants had in the construction of the Scheme.

g) Other related matters

I believe that Snowy Hydro Limited being listed on the ASX was and is the best strategy for the business and shareholders. Consequently I was disappointed that the process was "called off" following vocal opposition. Regrettably the case for the IPO was not adequately explained, particularly after the Managing Director Terry Charlton was restricted in his comments. However I was amazed at the misinformation presented by opponents of the IPO, particularly ex-employees who have little appreciation of the current business and its highly competitive operating environment.

In my opinion many ex-employees were either opposed to the IPO due to a combination of the following:

- Nostalgia for the past
- Failure to recognise Snowy Hydro Limited now operates in a competitive environment
- Belief that governments can run businesses (despite "not trusting governments")
- Lack of commercial acumen
- Some personal "baggage" and/or ambition

Personally I have lost respect for former senior colleagues who were aware that privatisation was possible after corporatisation and were part of the Executive team at the time developing the Corporatisation Agreements.

Additionally, the improvements evident in Snowy Hydro Limited's performance over recent years has been achieved despite the negative views of some ex-employees. Terry Charlton allowed these employees to leave with dignity and honour at a time of their choosing yet recent media articles indicate they have not reciprocated with respect. Terry Charlton is undoubtedly the most highly respected Commissioner and Managing Director of the business since Sir William Hudson.

Many Snowy Hydro Limited employees supported the IPO because they understood the needs and environments of Snowy Hydro Limited despite the change impacting on their superannuation options. It should be noted that when Snowy Hydro Limited employees attempted to explain the business, people either were not prepared to listen or on occasions, employees and their families were abused.

It was indeed disappointing that the community did not appreciate the value of having a top listed ASX company based in Cooma and the benefits that flow from this. Indeed most local people I spoke with had little understanding of the difference between an IPO and a Trade Sale (eg Victorian electricity assets) and had NOT considered the implications of privatisation for the local community NOT proceeding. I also understand that at least one eminent Australian who signed the letter opposing the sale did so on the understanding that more review was required – not cancellation of the IPO.

In conclusion, I thank you for considering my submission and indicate my willingness to provide additional detail if requested. As a member of the Executive management team, I have been offered no inducements in terms of salary, shares or any other benefits in order to gain my support for the IPO. I do support the IPO as the best strategy for the business, shareholders, employees and the local community since I am passionate about both the history and the future of Snowy Hydro Limited.

Yours sincerely

Ken Lister B.Eng (Elect), Grad Cert Bus Admin, C.P.E, F.I.E Aust