

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

Organisation: Parliament of NSW
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Theme:

Summary



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MEMBER FOR MONARO

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Reverend the Hon. Dr Gordon Moyes MLC
Chairman
Select Committee on the continued public ownership of Snowy Hydro Limited
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Reverend Moyes & Committee Members

I would like to make a brief submission to your enquiry into the future of Snowy Hydro Corporation.

As committee members may be aware I strongly opposed the sale of Snowy Hydro from the time the proposal became known, I spoke out against it in Parliament, in the community and in the caucus.

The eventual decision not to proceed with the sale was a decision welcomed by the vast majority of the Monaro community and was a great credit to the community who ran an effective and passionate campaign.

Snowy Hydro is a well managed company that is very important for the Monaro community both economically and socially.

There are however clearly still issues that need to be considered in securing the future of Snowy Hydro. Snowy Hydro does say that it requires capital to expand its operations and retain or expand its market share. With the headquarters in Cooma I as the local member am also keen to ensure that employment in the organisation is at least maintained over the long term.

I recognise that for Snowy Hydro and the Government this is a very challenging requirement.

Snowy Hydro has been undertaking some expansion and investment using their existing capacity to borrow and presumably by reinvesting.

I will not comment on Snowy Hydro's capacity to undertake further borrowing or the reinvest profits however I would ask that the committee consider two options for the future capital needs of Snowy Hydro:

1. Snowy Bonds

In my conversations with many Monaro residents and others around the State a large number have expressed the view to me that they would like to be able to invest money in the Snowy Scheme but in the form of bonds not as shareholders.



While bonds may at times seem to be a fairly old fashion way of raising money they do still have strong relevance as a secure investment and I understand there are precedents around the world for Government owned energy companies utilising bonds for capital raising.

My suggestion would be that the Snowy Bonds be marketed primarily toward individuals looking to long term investments and to superannuation funds. They would be a stable long term investment returning healthy although not spectacular returns over a long period of time.

2. Sale of Snowy Hydro To the Commonwealth

The community expressed a strong view during the debate on Snowy Hydro that it would like to see the Commonwealth Government buying the company and ensuring it stayed in Government ownership.

This step would be logical on a number of grounds, firstly from Snowy Hydro's point of view the current three way split of responsibility would be removed and Snowy Hydro could access some of the Federal Government's massive budget surplus to fund expansion.

From the Commonwealth's point of view the acquisition of Snowy Hydro would fit well with the logic for the establishment of the futures fund. This fund has been set up to invest equity and other assets with a view to offsetting future liabilities resulting from superannuation and an aging workforce.

Investment in an income producing asset like Snowy Hydro would fit well with this philosophy.

Referring to some of the other terms of reference. I believe that the current model for a water license controlled by the relevant Minister but subject to some conditions on compensation as provided by the Snowy Hydro Act is the appropriate structure. As many in the community have indicated the 75 year term of the license is very long and for that reason it has built in various reviews. While it is likely to be hard to negotiate changes to the license the current structure does at least give the Minister the ultimate say, some have suggested putting the license into legislation I think that would reduce the ability to respond if changes are required.

I would however strongly support more open and public distribution of the license in particular making it available on the internet. I note that a lot of information on river levels is already available on the internet but would suggest that the public and Snowy Hydro could benefit from having Snowy Hydro publish data on releases from dams (particularly Jindabyne) in the future. It is not clear to me from the terms of reference whether the committee will be looking at the controversial issue of the Mowamba River if it is to be considered I would be happy to give my perspective on that debate later on.

During the debate on Snowy Hydro privatisation a number of misunderstandings were clearly evident about Snowy Hydro land. In particular it is important to understand that Snowy

Hydro already owns its land outside the National Parks under freehold title and pays rates on that land (including inundated land). Within the park the land remains Crown Land.

Snowy Hydro is already considering what land (particularly around Jindabyne) it wishes to release for development. Even as a publicly owned body it will make those decisions on a commercial basis in accordance with local planning policies.

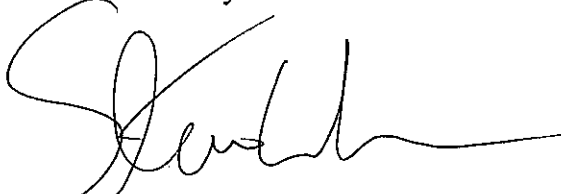
Access to lakes for recreational use has never been in any doubt with the water access in particular guaranteed by other State legislation.

Committee members may be aware that the NSW Government announced a substantial investment in rehabilitating unused Snowy Hydro sites in the Kosciuszko National Park. Snowy Hydro is funding this work and from feedback I have received locally the process appears to be proceeding well.

I did note discussion on a proposal to heritage list the Snowy Scheme during the debate on privatisation. Clearly heritage listing does not prevent changes of ownership so in that sense the discussion was a bit of a sideline during that debate. However it is worthwhile considering how the undoubted heritage significance of the Snowy Scheme can be best preserved for future generations while at the same time recognising that the scheme will continue to be upgraded to preserve its vital economic and power generation contribution.

Thank you for the work the committee is doing on the future of Snowy Hydro I look forward to seeing the report and would be happy to elaborate on these points should the committee wish me to do so.

Yours sincerely



Steve Whan MP
Member for Monaro

9 June 2006