

**Submission
No 108**

INQUIRY INTO THE CONTINUED PUBLIC OWNERSHIP OF SNOWY HYDRO LIMITED

Organisation:

Name: Mr Bruce Hovey

Telephone:

Date Received: 18/07/2006

Theme:

Summary

RECEIVED

17 JUL 2006

SELECT COMMITTEE

SNOWY HYDRO

14th July, 2006

Glenda Baker,
A/-Senior Council Officer,
Select Committee Snowy Hydro,
Legislative Council,
Parliament House,
Macquarie Street,
Sydney, NSW 2000

Dear Ms. Baker,

With reference to the final paragraph of your letter of 10th July I am taking the opportunity to add a few words to the verbal submission I tendered to the Inquiry.

In my submission I spoke of the need for Board Members who are knowledgeable about various matters. What I hoped to infer, without actually saying the words, is that the Chairman of the Board, the CEO and the Board Members must be very capable people who can lead a complicated organization effectively. It is not a case of "jobs for the boys". Rather the need is for a world-wide search to find the right people.

All I know of the incumbents is that they have made serious mistakes in the past and this leads me to query their suitability for the future. There is also the question of where their sympathies and motivations lie and to what extent these align with the future needs of the organisation.

Yours sincerely,

Bruce Hovey 

Encl. Newspaper cutting ex today's Cooma-Monaro Express

Cooma "Nokans" Express
13/7/06

A residents' views

EDITOR, I moved to this community with my family 3 1/2 years ago joining what I believed to be a growth oriented successful business, Snowy Hydro Limited, and a progressive community.

I had read the many books on the Snowy Mountains Scheme and the culture of a community that had once embraced change and cultural diversity and above all had a "can do" attitude.

In recent months, however, I have been confronted by many in the community who cling to the past and do not embrace change rather wishing for the "old days". Whilst there is knowledge about the history and relevance of the Snowy Mountains Scheme there is precious little knowledge or understanding about the current business relevance of the Scheme as part of the Snowy Hydro business operating in the National Electricity Market.

Like many employees who also live in the Cooma area, I discovered this lack of knowledge first hand in social situations when someone would raise some concerns about the sale of Snowy Hydro Limited and mistakenly believed that Snowy Hydro was being sold to an overseas company, or that somehow a large company would mysteriously take away the water, stop the rivers flowing, stop people using Jindabyne Dam and after closing Cooma office, sack all the employees and allow the Scheme to be run into the ground. These misguided and hysterical views were further supported by local media.

The most frequent concern seemed to be about how some profit oriented company would somehow prevent environmental flows or water to irrigate

What drives fear that somehow someone was going to "take away our water"? Ignorance. And a gross lack of trust that the government will continue to control the licenses that dictate how much water Snowy Hydro must release. "We don't trust the government", I heard people say - "but we want them to control our Snowy Hydro". How illogical that sounds.

When I have had the opportunity to talk to people in the community about how the Scheme is now part of a much bigger business that competes in the National Electricity Market, that it makes half its profit from risk management products and financial derivatives which are hedged against the Scheme, how profits are ploughed back into higher engineering and maintenance standards than existed under government ownership, and employing the best and brightest people we can get - I am met with surprise. I then try to explain to them the assets have to be more reliable than ever to ensure Snowy Hydro remains relevant to the market and hence generates profits to look after people, plant and community, and pay dividends to the governments. Any business person in the Snowy Mountains would understand the need to identify threats to your business and when necessary, to obtain capital to expand and I understand that similarly, Snowy Hydro needs access to very large amounts of capital to grow. And when I have explained some facts to people in the community particularly about the government regulated water licenses and how government determines how much water is

released, irrespective of who owns Snowy Hydro I get a very different response - "I didn't understand that" is the typical response.

As a resident of Snowy Mountains I am concerned that there was a void of information provided to the community over the last 6 months and that void was filled with fear and misinformation and a clinging to the past by a community that once prided itself on being at the forefront of social and economic change. Well intentioned people have acted without the facts. Divisions were created in the community and the anti sale lobby supported by local media did much to intimidate those others who sought intelligent debate and balanced information. I am concerned that the government bureaucrats who managed this aborted process refused to allow Snowy Hydro to communicate directly with the community to ensure that the

community understood the issues surrounding Snowy Hydro's business and its benefits enjoyed by the community as a result of Snowy Hydro's success to date will now reduce over time as the company loses market relevance - even if this does take many years.

We have local Councils that failed to show leadership and ensure the facts were presented; that failed to appreciate the benefits that flow from successful private sector organisations; that failed to comprehend that businesses listed in the ASX100 are very conscious of their community profile and social obligations.

I am concerned that the leaders of councils and local politicians chose to ignore the political realism. I'm concerned that the Cooma community whilst well intentioned has sent a clear message to governments, Snowy Hydro Limited and the broader community that "we like things the way they are" - "we don't want change."

Since joining the National Electricity Market 6 years ago, Snowy Hydro competes and survives in an environment of change. This is incompatible, I fear, with operating in the Cooma culture as it is now presented to the wider audience.

I had hoped the community could look further than the one sided bias presented in its local newspaper and at least ask more questions before blindly accepting the fear mongering that has been so prevalent. And I quote The Australian, headline June 6 "Snowy icon could end up in a museum"

Or The Age June 3 which said, "the loss of tall from the company will probably be the main cost of yesterday's skewering of Steve Bracks and Morris Lenna by the Prime Ministerand Snowy

Hydro's profits will fall in the future because it is left with second rate staff"

As a resident I am concerned that the 35 professional staff and families who have made Cooma their home in recent years not to mention many other highly professional people - many of the 184 Cooma based employees who are also members of this community no longer believe they are part of a dynamic business; they don't want to work in a museum - no matter how iconic it is.

In closing, I am disappointed that government bureaucrats did not allow proper community debate. I am disappointed that the void of information was filled with fear and ignorance; I am disappointed in the political opportunism and lack of leadership by those who purport to be community leaders; I am disappointed that the future in this town of so many good people could now be undermined by ill informed, though well intentioned people who do

not understand the complexity of operating a business such as Snowy Hydro in the National Electricity Market.

Former employees do not speak for the future of my children and the career prospects of the new people being attracted to Snowy Hydro Limited, the Company. They do not come to Cooma because of the heritage value of the Snowy Scheme. They come to this community for a future.

To those in the community who seek permanent government ownership I'll make two closing remarks. Firstly, I have not met one Snowy Hydro employee who wants to return to the culture of work conditions of government ownership and secondly - to the community, be careful what you wish for. A "museum in the mountains" will never generate the community wealth and prosperity that an ASX top 100 listed company would.

Sharon Howes
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