

Submission
No 69

INQUIRY INTO THE CONTINUED PUBLIC OWNERSHIP OF SNOWY HYDRO LIMITED

Organisation: Tumut Shire Council
Name: Mr Christopher Adams
Position: General Manager
Telephone: 6941 2555
Date Received: 26/06/2006

Theme:

Summary

CEA:DVC

14.04.01 (xref.34303 & 34321)

26th June, 2006

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

RECEIVED

26 JUN 2006

FAX 9230 3416

SELECT COMMITTEE

Dear Sir,

SNOWY HYDRO

Submission on Behalf of Tumut Shire Council

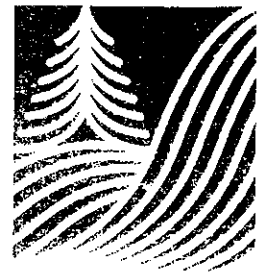
Tumut Shire is the host to most of the power generation capacity of Snowy Hydro, with the T1, T2 and T3 power stations located in this Shire, as well as the small power station at Blowering dam, and the soon to be constructed Jounama hydro plant. This Council has a big interest in the health of Snowy Hydro as a company also in the well being of the "Snowy Scheme" itself. In many ways they are one and the same, as if Snowy Hydro is unsuccessful as a company, the Snowy infrastructure will suffer.

Tumut Shire Council understands and respects the views of many in the community who do not wish a national icon like the Snowy Scheme to be privatised. However, Council was a supporter of the proposed sale on the grounds that a properly capitalised owner was essential if the "Snowy Scheme" was to continue to provide both its design function and its cultural function. Of course private ownership is not necessarily the only model for capitalisation, and if public ownership is to be retained a mechanism needs to be found to properly fund the ongoing costs of rehabilitating and maintaining the infrastructure of the Scheme as well as the operating costs of Snowy Hydro Ltd, and a realistic dividend to the owners.

Tumut Shire Council understands the need for recapitalisation of Snowy Hydro Ltd, both from the need to maintain the hydroelectric assets in the Snowy Mountains in good order and condition, and also to expand into the peak load electric generation market. This expansion is needed to keep the Company competitive in the now fully competitive east coast electricity market. The recent announcement by the Company that they have deferred the construction of the Jounama hydro plant is an ominous sign for the future direction of the corporation.

The Committee should consider the implications of an unviable hydro electric company, and the consequences to the "Snowy Scheme" itself. In this circumstance, who will maintain the scheme? Governments? The water users?

Council believes that the Snowy scheme initially was proposed as a diversion scheme to turn waters inland for irrigation, with the hydro electric generation a late but important addition. With the passage of time, it appears that the irrigation role is an obligation that Snowy Hydro Ltd has to meet, with all of their income coming from their power sales and their hedging activities in the national electricity markets, with the release of irrigation water a "free" side benefit.



Tumut Shire
 COUNCIL

76 Capper St Tumut NSW 2720

phone 02 6941 2555
 admin@tumut.nsw.gov.au
 www.tumut.nsw.gov.au



-2-

This raises the question as to whether the users of the water are paying their fair share of the cost of maintaining and operating the infrastructure, or is it all being maintained from the income from power sales and hedging activities?

The dividends being paid to the owners, the NSW, Victorian and Australian Governments, need to be examined to ensure that they are being set at a level that is healthy to the future and growth of the Company, and not at a level to support government budgets, that unduly gouges the surplus and affects the liquidity and viability of the Company. Council would support any efforts from Snowy Hydro to ensure that dividends are not paid at the expense of maintenance and expansion.

Already, since the announcement of the cancellation of the privatisation, Snowy Hydro has advised local community groups that they will not necessarily be supported by them in the future. This will have a serious negative impact on such activities as festivals, and the local community radio. Snowy Hydro in the past has been a good and active corporate citizen, and it would be a shame if the withdrawal of community support from Snowy Hydro is a price that the local communities have to pay for the failure of the privatisation proposal.

At this stage it is worth noting that while Tumut Shire hosts a significant component of the Snowy infrastructure, as most of this infrastructure is located in the Kosciuszko National Park (KNP) the land is not rateable. Council only receives rates from the small section of the scheme that is located outside the park at Talbingo. Tumut Council receives rates of about \$25,000 pa from Snowy Hydro. Tumbarumba Shire receives about \$35,000 in rates, but Snowy River Shire receives in the order of \$250,000 as both Eucumbene and Jindabyne storages are outside the park in that Shire. It is somewhat inequitable that a \$3B company only pays a pittance in rates to the Shires that host their major commercial assets.

On a related issue, the recently adopted KNP management plan has as one of its focuses the "rehabilitation" of "Snowy Scheme" worksites etc that are within the KNP. If the "Snowy Scheme" was to be just regarded as a commercial activity, this rehabilitation would be appropriate, but as one of Australia's cultural icons, perhaps the cultural and heritage value of these worksites should be reappraised before they are destroyed in the name of rehabilitation. The community has said quite clearly that they value highly the cultural aspects of the scheme and some reappraisal may be warranted.

Another issue of concern to the local community is the tourism aspects of the scheme. The Snowy infrastructure, its power stations and its dams are one of the few man made tourist attractions on the western slopes of the Snowy Mountains, and play a significant role in the local tourist industry. Progressively Snowy Hydro has been withdrawing its assets from access by the public. Council would request that whatever the ownership of Snowy Hydro, that as many of its assets as possible remain accessible to the public, and in some cases be reopened to the public.

Please do not hesitate to contact me should you require any elaboration on the matters raised

Yours Faithfully,



Christopher E Adams
General Manager
060614 GM Snowy Submission