

**Submission  
No 92**

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

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Theme:

Summary

# NSW Parliamentary Inquiry into Snowy Hydro

## *Submission*

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### *Preamble*

Whilst the immediate pressure for the privatisation / sale of Snowy Hydro is significantly diminished due to the withdrawal of intention to sell by the Commonwealth Government and subsequent decision by the Victorian and NSW Governments to withdraw from the float / sale, there continues to be a perception that the Snowy Board / NSW Government will now attempt to convert the value of the asset into saleable Bonds in order to raise capital and thereby transfer ownership out of the public domain into the private sector once again. Prior to addressing key concerns within the specific terms of reference, it is important to consider that the issue of bonds is neither necessary nor prudent in terms of the present and future course for Snowy Hydro. The public purse has already paid for this utility and the Australian people have clearly and strongly indicated, that they do not want to sell Snowy Hydro and that they wish for its management to remain in public ownership in perpetuity.

Secondly, if the NSW Government wishes to make money, then their first consideration is to implement more rigorous budget and fiscal management and identify existing wastages and unnecessary spending. The appropriation and sale of public assets is not the core business of government, nor must public servants and politicians, assume that they have the right to legislate and make such decisions that affect the security of key infrastructure and the income stream they generate. Further, if financial advisers and / or private investors consider that, encouraging or advising government and politicians to appropriate and sell off public property in order to raise capital, as well as invest in mixed portfolios not central to, or the core business of critical infrastructure and utilities such as Snowy Hydro, then they must be educated otherwise. The relationship between such financial advisors and their political friends deserves close scrutiny not only in terms of bold public asset acquisition, but also, in terms of compromising and endangering public interest including security of energy and water infrastructure. The undue weight and influence of 'financial advisors' in terms of drafting and effecting public policy needs examination, particularly in terms of its myopic approach and core belief that the financial bottom line defines what is the ultimate or desirable end-game, indeed, whether in the public or private sector. The collapse of HIH and the extraordinary fallout for many small and large business enterprises should alert policy makers and legislators to the danger inherent in the purely financial model, which appears especially prone to corruption.

The issue and nature of governance and ethics in the public and private sector must be examined and the attempt to privatise Snowy Hydro is symptomatic of a deeper and enduring malaise in governance standards and implementation of core ethics that must underpin behaviour in the public and private domains.

The patent vulnerability of the NSW Government to solicit and give preference to 'financial advice' – particularly in terms of the future of Snowy Hydro - without equal and weighted consideration to a wide range of existing and emerging stakeholder advice, demands that the financial management of the State be separated from key services and infrastructure. Until such times that, proper State administration is achieved, including better COAG financial relations, it would be wise to separately manage Snowy Hydro, central to water sharing for NSW, Victoria and South Australia, and possibly the ACT. The apportioning of shareholding in Snowy Hydro according to the respective States population is flawed particularly in that the Snowy Mountains catchment delivers water to NSW, Victoria and South Australia and possibly, in the future to the ACT and Sydney. That NSW has '58% shareholding' in Snowy Hydro is not at all reflective of the key role of the utility, in water catchment, storage and reticulation. This apportioning of shareholding in the asset deserves scrutiny and reassessment. That the incumbent CEO and Board of Snowy Hydro, along with the State and Federal Governments have decided that the value of Snowy Hydro lies in the derivatives and hedge fund market reflects the enduring ambition to privatise this asset, probably prior to moves towards corporatisation. I wish to challenge that view and intention by individuals within government and Snowy Hydro. I would like to see the terms of employment and engagement of the CEO Terry Charlton. I would like the Inquiry to question in particular, Senator Nick Minchin and Terry Charlton along with the Snowy Board, as to their roles and understanding of 'corporatisation' and exactly when, and by whom, the question of privatisation was raised, whether pre or post corporatisation. I would also like to challenge the makeup of the Snowy Hydro Board and request a public or community consultative committee be put in place with the power to elect and dismiss the Board and CEO to reflect the broader and important role of the Snowy Scheme including for agriculture, environmental flows, infrastructure security, drought protection for example. The final analysis of a handful of financial advisors influence the CEO to sell and now, to convert Snowy Hydro to Bonds is a woeful summary of the myopic thinking that dominates public interest issues.

I am confident that the Inquiry has the capacity to consider the broader public interest issues and to reflect important role of Snowy Hydro in water management in the first instance, and its impact on many livelihoods beyond the financial sector and / or NSW State Government management. We must understand that political life was designed to enhance and not diminish the quality of life of Australians and accept, that wealth for the few can never replace, water security for the majority.

## *Terms of Reference*

- (a) whether the proposed sale of the Snowy Hydro is in the public interest

The public interest test may only be applied by the majority of citizens and not by a select few, in this case, State Governments who wish to retain office at the next election. Throughout the discussions and reasons stated by the NSW and Victorian Governments in particular, to sell off Snowy Hydro is the key factor 'public interest', underscored in their view, by spending on schools for example, as a result of the sale. However, schools and health expenditure are the core duty of government and should be achieved anyway, within their budgets. That the COAG relations are failing the people of Australia deserves close attention. That COAG and the distribution of GST income has failed to adequately fund or improve key services is a failing of government and elected representatives, and not the people. To then attempt to sell off public property and assets, security for the future is simply a further failing of government and the elected representatives who appear to have primary loyalty to their respective party and not their constituents. Under no circumstances is it acceptable to compromise key public infrastructure assets to temporarily overcome, systemic problems and failings in the two-party system and Commonwealth State Relations. Further, the public interest test must be considered by all stakeholders, by many Australians, whether at referendum or by raising the future of Snowy Hydro as the respective Federal and State Elections.

- (b) the need for the sale of the Snowy Hydro Limited

Firstly, Snowy Hydro occupies a unique niche in the NEM with its capacity to generate peak load power within a very short time frame. Most of the monetary value of the Scheme lies in the derivatives / hedge fund market and water is retained in storages to enable this back up capacity for other power generators. The Financial Review Thursday 22 June 2006 ran a front-page article 'Heavy fines to ensure energy supply' (Annabel Hepworth and Duncan Hughes) outlining the Australian Energy Regulator's aims to improve reliability of national power supplies. In this, Snowy Hydro derives its income and has no competitor, being the only 'quick start' generator in the country. Not only does the Ministerial Council on Energy inquiry indicate greater security for energy generation and supply, but also may reduce new players and investors into the energy market, thereby further securing Snowy Hydro's position and demanding stronger performance in the transmission network in particular.

Snowy Hydro returns over \$400 million pa with income returning as taxes into government coffers. The estimated infrastructure maintenance expenditure is around \$25 million pa with significant additional capital available for 'upgrades' to the

Scheme including, potentially, the Jounama Dam power plant. The perception that Snowy needs to 'raise capital in order to grow' needs close examination, including, the real possibility that, the admixture of private and public needs and goals. That, the Commonwealth Government recruited a person from the UK Energy Privatisation era reflects upon the course towards corporatisation and privatisation of Snowy Hydro.

The enduring role and value of the Snowy Scheme lies in its dual capacity and increasingly important function for water storage and reticulation, for drought security underpinning a highly lucrative agricultural sector, far more worthy of attention than the limited NEM. Rather than submit to a national grid, Governments would be wise to consider energy diversity including a range of renewables options and self-generating capacity – independent to the grid – for regional areas and their industries as far as possible. The primary commitment of Australian Governments is to protect its citizens, their industries and social networks, not to render them vulnerable through compromising infrastructure for example. The Snowy Scheme had this as one of its post-war goals, to safeguard national energy generation. To privatise or even sell the Scheme through bonds issues reflects selfish and limited interest arising from private ambition having undue influence and interdependence with political ambitions, whether in the Federal or State Sphere. To convert these ambitions as rationale to sell off a highly successful and clearly safeguarded public utility, is highly irresponsible and dangerous in terms of the functionality, commitment and integrity of the public sector.

- (c) impacts on the short and long term financial position of the Government including impacts on revenue and recurrent costs

Government is well funded through a range of taxes and in an overregulated and highly taxed society one would expect high levels of service to the Australian community. However, the converse is true with apparently, defective intergovernmental relations and the repetitive cry for 'more' arising from the States. That, State Treasury advises the Finance Minister to raise capital against the plethora of taxes arising from the purses of ordinary Australians points the finger squarely at mismanagement and administrative problems in the public sector. The short and long term financial position of the NSW State Government can only be addressed through bypassing the State Government for key funding and frontline services and reducing administrative costs. No longer do Australians trust their governments, particularly at the State level where the breakdown in health, education, transport and other services creates significant and serious problems in people's every day lives. If State Government is unable to function within the terms of their budget, then they must surrender to an administrator to safeguard public services. That the State Government is almost certainly placing pressure on Councils, particularly since they failed to sell Snowy Hydro is deeply worrying. The Inquiry must explore whether the State Government and Snowy Hydro have threatened to withdraw funding at any level or indeed, attempted further bribes including spending arising from the sale of bonds. May I suggest that the Inquiry request an open examination of the State-Federal relations under the two party system and whether this indeed, serves Australians. Taxpayers pay for political goodwill and instead of receiving both goodwill and services, they are perpetually faced with further requests for money to cover Government costs.

- (d) potential compensation payment to affected parties

Under the Snowy Water Licence, the Scheme must deliver water for environmental flows with compensation for lost energy generation. However, these environmental flows are yet to be achieved, whilst up to 3,000 audited megalitres per annum is lost

through leakages in the system. Both the flow for the environment and agriculture are affected by problems within the downstream irrigation system. Now that Snowy Hydro remains firmly in public hands, we do request that all leakages be audited and accounted for in order to expediently return environmental flows to the rivers. There is very little compensation to date for the major party affected by the Snowy Mountains Scheme, and that is the major rivers and their living communities.

(e) intended use of funds raised from privatisation

The Snowy Scheme generates more than sufficient funds to maintain itself as well as provide for government coffers. I would like the Inquiry to consider establishing a 'Snowy Fund' where all monies arising from Snowy Hydro now be placed into a trust fund so that the public may consider its best use over and above infrastructure expenditure and necessary upgrades. Further, the apportioning of 'shareholding' in the Scheme needs urgent examination. The people of Australia are the shareholders, however, there is little mention of the needs of the rivers over and above, the income generating derivatives market. In order to better address the public interest, a 'Snowy Trust Fund' may make provision for services to communities along the course of the major rivers, for water catchment management, for education of emerging communities for water conservation for example. The remainder of earnings may be used for nation wide water conservation education and catchment management, not according to seats held by incumbent political parties, but by distribution and flow of rivers and position of their respective catchment areas.

(f) control of water regulation

The 1998 Webster Snowy Water Inquiry pre-dated the Snowy Water Licence indicating water regulation arising from the Snowy Scheme. There is some need for review of the Licence and its efficacy, however, until the Scientific Committee and Water Ministerial Council have fully reported for a minimum of three, and preferably five years, it is unwise for any major decisions to be made in relation to the Snowy Scheme. Equally, the Commonwealth is embarking on a nationwide water audit and until we have a better understanding of the condition of our water resources, we cannot truly value Snowy Hydro or effect, accurate water regulation regimes. Whilst it is clear that water is vital to agriculture and the environmental survival and health of the major rivers including their wetlands, the most recent history of Snowy Hydro is a strong drive towards income from the energy derivatives market rather than consideration of water as a resource. This skewing of the role of the Scheme and lack of understanding by the CEO, Board and Finance Ministers of the States and Commonwealth is a very worrying indicator that key decision makers are divorced from the reality of agricultural sustenance in the first instance. A renewed emphasis on the importance of catchment areas and careful regulation of water to enable the survival of river and wetland systems, that underscore agriculture, is welcome and must be addressed prior to any further discussion on 'bond issue' or 'capital raising' ventures. The decision makers must move to different arenas away from core infrastructure management as they are clearly not able at this point in time, to understand the broader needs and issues of water management and regulation.

(g) future location of Snowy Hydro headquarters

The CEO and majority of the Board of Snowy Hydro must come from and be located in the region in order to better understand the nature of the asset and that it is ensconced

within the Snowy Mountains. That the CEO has little history or relationship with the areas is a serious problem and does not augur well for the Snowy workforce. Australians are rapidly losing interest in workforces based offshore (call centres for example) and prefer the sustainable model where industries generate employment and income for the local region. Snowy has always been a strong employment and skills base for the Snowy Mountains and Cooma Monaro and will continue to do so, exporting skills and expertise and growing the industry and business overseas as has SMEC.

This is unacceptable to the region.

Snowy Hydro in its entirety must remain in the region including the physical, living and working location of the CEO, accessible to and accountable to the people of the area as well as to the Australian public. This key asset is not only an essential piece of infrastructure, but close to the heart of many Australians and their families and friends. The iconic status of the Scheme is indisputable and now, the Commonwealth is considering Heritage listing. This value reverberates as a part of Australia's identity and status globally, accruing tourism and other value and income and is not for sale by a handful of financial advisors, Ministers or company directors.

- (h) job security for current workforce

Indeed,

under different management, there is good reason for the Snowy workforce to increase, including in catchment management, soil erosion, hardware removal activities. There is a gaping hole for monitoring the catchment and this should attract leading scientists and students to the area. The potential for both security and increase in the Snowy workforce is patent and apparent and can be maximised through a change in management, the CEO and Board.

- (i) access to lands controlled by Snowy Hydro Limited

From the time of 'Corporatisation' Snowy Hydro has placed further limits on access including, as the latest installation, a heavy-duty fence around the headquarters. Furthermore, there is a patent lack of transparency in terms of the additional land holdings by Snowy Hydro that are both an asset, but also, part of the matrix of regional planning. Access to lands and facilities must in the first instance, be married to education to protect and maintain the catchment area in order to provide clean and pure water for drinking, for the environment and for agricultural use. Already, the siltation of the Snowy River for example, has increased its rate of degeneration and this in part, could be addressed through better catchment management including soil erosion control, as well as more frequent environmental and flushing flow releases. Security of the asset is also important, and this is a separate function to its economic performance. This is public land and it is not incumbent upon the controllers of the asset to shut out

the rightful owners of Snowy Hydro. On the contrary, it would be wise for Snowy Hydro to acknowledge public ownership of the land. Snowy Hydro management must come to the table with the community to discuss access and reveal the land audit.

(j) removal of disused Hydro infrastructure in National Parks

This costly exercise must nevertheless be completed over time. The NSW Soil Conservation Service strove strenuously to protect the Kosciuszko region from damage arising from the construction of the Snowy Mountains Scheme and now, there is also, a need to carefully removed redundant structures. This cost can be borne by the surplus income generated by the Scheme.

(k) limits to foreign and majority share ownership

Clearly and without dissent, Australian people have identified the Snowy Scheme as a primary Australian icon and asset and wish for Snowy Hydro to remain in the public identity, psyche and ownership. It is totally unacceptable for any level of foreign ownership in this asset, now or in the future, not only from the point of view of its iconic status, but also, from the point of view of water and energy security. To do otherwise, is a complete abrogation of public responsibility by Government and also, the management of the corporatised Snowy Scheme.

That Snowy may become part of the global energy stakes and infrastructure grabs by big corporations including banks, is equally a no-go option and those who promote such a course, whether from the private or public sector, must feel ashamed that they have attempted to sell out the nation and have tied their loyalties instead, to multinational money players. Water is an irreplaceable resource and will only increase in value. The value of water to the Australian community is inestimable at present and we will not allow ourselves to be short-changed in the immediate or long term, by a handful of people, greedy, self-interest individuals striving for ostensibly, personal gain.

(l) impacts on tourism and local communities in the region

The Kosciuszko Region has been a tourism drawcard for over a century and the emergence of the Snowy Mountains Scheme increased that interest to international visitations attracting, according to the incumbent NSW Minister for Tourism and Sport and Recreation The Hon. Sandra Nori MP, "in excess of \$5 million to tourism development and promotion of the Snowy Mountains tourism region" since 1995. The considerable returns into the State coffers means that the Snowy region more than earns its right to solid protection by the NSW Government. That, big business and government relations are now endangering the Snowy Mountains area, its catchments and the Snowy Scheme is sad and unacceptable. Greed now dominates in the public as well as areas of the private sector and the greater the muscle (size and influence of the corporation) the more chance they have of bullying government into compliance or convincing them that financial payoffs can be shared. But this must not take place and particularly, not at the expense of the primary asset. The term 'selling the goose that laid the golden egg' has been used on many occasions to describe the Snowy Mountains and the Snowy Scheme. Both the goose and the golden egg belong to all Australians. By carefully protecting the catchment areas, many generations of visitors will enjoy this area, bringing their wealth to enjoy the services provided within the region. The NSW Government does not deserve management rights in the Snowy



Mountains if it is unable in the first instance, to recognise the value of the natural resource that brings value and wealth to so many minor and major industries and stakeholders.

- (m) continuation of support of community events and activities by Snowy Hydro Limited

There is plenty of money coming in from Snowy Hydro and we would prefer that a separate committee be formed to allocate funds for community events and projects and for these decisions to be removed from the prevail of Terry Charlton or his Board.

- (n) impacts on local councils

The financial advisors to the CEO need to be brought to account in that they are unable to understand and accept, that Australians do not want to sell Snowy Hydro, not by stealth or any other means. We would prefer a direct mechanism to be established to fund the region and Councils from the Commonwealth to bypass both Snowy Hydro and Terry Charlton and the State Government.

- (o) heritage issues

Senator Campbell, the Commonwealth Minister for the Environment and Heritage has indicated that there is an entry in the Register of the National Estate for the Snowy Mountains Scheme and applications have been made to the Minister for the Scheme to be listed on the National Heritage List. The Minister has also requested that, the Australian Heritage Council assess the National Heritage values of the Australian Alps (including Kosciuszko National Park) and will report on the assessment later this year.

Also, there have been applications for Kosciuszko National Park to be placed on the World Heritage List and included within the park, is the Snowy Mountains Scheme.

As well as the formal and official routes to identify and recognise the heritage value of the Scheme and the natural resource supporting and underpinning its existence, there are indisputable cultural and natural heritage values afforded to the Snowy Scheme.

The 50<sup>th</sup> Anniversary of the Snowy Mountains Scheme was one testament to its heritage value to Australians and also to the international community, the Scheme attracting a double nomination by the American Civil Engineers Society. The spontaneous outpouring of community outrage of the proposed sale had its origins partly, in the strong emotional and cultural attachment Australians have to this Scheme. The post-war migrant community brought skills to the Scheme and new life and a stronger, more diverse population base to Australia as a nation. As a part of the fabric

and culture of contemporary Australia – if indeed we consider national sovereignty and identity to have value and credence in a world dominated by multi-national corporations – the Snowy Scheme, even as the renamed Snowy Hydro P/L, is a milestone and cornerstone in the cultural psyche with immense and irreplaceable heritage value. We must not allow ourselves to be dominated by the bullying culture of private interest (and that exists within the public sector) where a handful of people will use public and corporate life to build private empires. In their minds, heritage is simply another means to make money and has no intrinsic or inherent value. ‘Heritage’ as a value and quality strengthens and binds the nation and without cohesion, without a sense of ‘ourselves’ then there is very little foundation to our nation or reason to protect that, which is of value or worth, to strive for higher standards and increase our skills and value as people. To prostitute the nation to ‘profit’ that is underscored only by ‘money’ is indeed sad and we must strenuously resist such a course, instead, placing value on people and natural resources, rewarding and continuing to recognise the endeavours and efforts of those who built the Scheme so that we and those coming after us also properly value effort, life and natural resources. Even gold has ‘value’ on the stock exchange and ‘human value’ such as the immense sacrifice, determination and ingenuity that built the Snowy Mountains Scheme is a, ‘bedrock value’ for the quality of our citizens and nation. To reduce this value, the heritage value of the Scheme to income from the ‘derivatives’ market is an indictment on the lack of experience and self-value of those who propose this as the primary purpose of Snowy Hydro. Happily, the majority of Australians value themselves above the ‘derivatives’ market and will continue to do so if we reflect upon such magnificent achievements as the Snowy Scheme and those who built it along with the Snowy Mountains as an inherently valuable natural resource.

(p) land release issues, and

There is a clear and obvious gap in the planning capacity of Government to foresee the need for public transport from the major cities to regional areas and along with better communications and transport, selective, timely and careful land releases that allow for affordable housing along with other appropriate developments. Until such time as a comprehensive range of regional planning options are on the table, it is wise that all land holdings held in trust by Snowy Hydro, be removed from the prevail of the CEO and Board and placed in a special ‘Snowy Land Trust’ for public consultation and discretion. We unfortunately, are unable to trust government entities at this point in time, and with monetary pressures arising ostensibly, from mismanagement of the public purse, decisions are more than likely to be made in haste and without careful planning. Snowy Hydro land belongs to all Australians and a far-reaching regional plan needs to be considered prior to any release / sale of Snowy land.

(q) any other related matters.

These matters will be addressed at the Cooma Forum and will include for example, issues of governance, intergovernmental relations, establishment of community consultative committee to liaise with NSW Government and Snowy Hydro, appointment of Board and CEO, establishment of the Snowy Trust Fund and Snowy Land Trust, establishment of community based water management education programs including catchment and river monitoring, multi-faceted nature of the Scheme, need to manage the Scheme above the prevail of political persuasion or volition of the private sector, appropriate valuation of the Scheme, preserving the heritage and inheritance for future generations as opposed to immediate resource exploitation.