

**Submission
No 85**

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

Organisation:

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Date Received: 26/06/2006

Theme:

Summary

From: "Maarten van der Stap"
To: <snowyhydro@parliament.nsw.gov.au>
Date: Mon, Jun 26, 2006 10:17 pm
Subject: Snowy Hydro Ltd - Public Ownership

Please accept this email as a submission into the Inquiry into continued Public Ownership of Snowy Hydro Ltd.

I am currently employed by Snowy Hydro Ltd in the Lower Tumut and Upper Tumut Regions, with myself and family based in Talbingo. I work as part of small integrated teams of approximately 70 personnel that provide Operational, Maintenance, and Technical support for Tumut 1, Tumut 2, Tumut 3, Blowering Power Stations and associated civil /infrastructure works including Dams, etc. The majority of the fulltime employees reside in Tumut (approx. population 6500), Talbingo (approx. population 300), and Cabramurra (approx. population 150).

Since Corporatisation there has been significant positive change in Safety, Environment, Financial, Asset and Cultural performance. The statistics speak for themselves, and are hard measurable facts that highlight strong business performance. These improvements can be attributed to the leadership from the current Executive and previous Board and were based on sound, ethical business values that has provided a strong base for the future of Snowy Hydro Ltd.

I acknowledge the tradition and icon status of the old "Snowy", but also realise that Australia has changed since days of construction. In fact, it would be interesting to reflect on the likely success of building the Snowy Scheme in 2006. My thoughts on this question being a realist is that "It wouldn't happen, irrelevant of the value", and would fail due to the influence of the vocal, ill informed but politically savvy minority. An interesting paradigm in reflection post IPO failure.

Other changes both in Australia and Snowy Hydro since Corporatisation are and also manifest themselves in the following:

1. Governments at various levels struggle to prioritise expenditure and often base these decisions on short term re-election strategies. Critical, longer term strategic decisions dealing with infrastructure including Power assets, similar to Water are extensively high on Capital demands and usually, depending on levels of emotion are low profile compared to Schools, Hospitals and Police. (because that's where the votes are)
2. The National Electricity Market has been deregulated in early 2000's, which has made the Operating environment of the old scheme different. The ability to grow, diversify, manage risk, and work like a Private company is critical for Snowy Hydro Ltd's future success. We are currently acknowledged as leaders in our field, but what myself and my work mates fear is to fade into insignificance due to inadequate understanding of our business and the necessary financial /capital support to remain viable.
3. The ability to provide consistent, superior shareholder returns which influence longer term business continuity plans are based on the need for Capital to grow infrastructure to support hedges / contracts and to minimise risk through vertical integration.
4. The Water Licence derived for Corporatisation has been a workable document that has provided relevant diligence for this precious asset, whilst allowing enough flexibility to support industry over the last 3 years of drought. There is sufficient regulatory framework to protect the management of this asset until the expiry of the Water licence (another 70 years).
5. As mentioned, my work mates and I reside in the small country towns of Tumut, Cabramurra and Talbingo, and these are typical examples of an Operational area within Snowy Hydro Ltd. However, as

time goes by we are finding it more difficult to attract and retain personnel to these communities . Snowy Hydro has acknowledged this problem and as it currently values itself as a model Corporate citizen, supports numerous community charities,business and sporting functions. Once again this is a key strategy for the successful future of Snowy Hydro as a failure to support these facilities will result in lower business performance due to poor morale, lower productivity and lack of job satisfaction. Failure of Snowy Hydro to continue to grow and perform will have a significant detrimental impact on these communities , with inter-related staffing issues.

6. Snowy Hydro Ltd has made a change to being a strategic high performing , value focussed business that provides critical support to the National Electricity Market. Short term budget constraints / restrictions , I am certain will significantly and detrimentally impact the reliability,security and sustainability of the supply of Electricity in Australia in possibly the short but almost certainly the medium and longer term.

7. There is a high level of trust, focus on common goals and sense of purpose between all levels of the business from Management to the shop floor at Snowy Hydro Ltd. This has occurred under the leadership of Terry Charlton , who has personally achieved this through living the Corporate values highlighted in actions by honouring commitments,maintaining credibility , being personable , valuing diversity,rewarding performance,striving for excellence through continuous improvement and celebrating success.

8. The majority of Snowy Hydro Ltd personnel (myself and my workmates) are extremely disappointed at the Governments withdrawal from the IPO process. Morale was at a very high level, but now there is a level of uncertainty about the future. This is , whilst there is still a good understanding ,acceptance and alignment to the business plan,and direction , the lack of direction where equity will be derived from, leads to uncertainty.

9. The employees concerns initially related to the potential of a trade sale which saw all of the issues raised by the anti -IPO lobby as a real threat. These concerns were negated towards the end of the recent process and there was strong general acceptance by employees relating to the last IPO proposal prior to it stopping . More specifically this was with respect to proposal on maximum share caps, restrictions on foreign ownership, region based head office,employee share plans , job securities and proposed superannuation schemes , etc.

However, these points highlight a similar but put a slightly different spin on the intent of those that strongly and effectively fought against the IPO . That is concerns for the future and viability of Snowy Hydro Ltd (its assets/people). We need to focus on the future rather than be totally enveloped in dwelling on the achievements of our forefathers and the iconic symbolism of the Scheme. The intent of the anti-IPO lobby was I believe in most cases intended to be for the greater good. However, emotion ran riot , and the inability to discuss facts was lost due to a faulty marketing process and an anti-IPO media frenzy.

The risk of no change is in itself, a backward step because no change , over time ultimately leads to being uncompetitive and becoming insignificant.

The real issue or opportunity for us and within your power of influence is to support Snowy Hydro Ltd's future by assisting its shareholders to help grow , minimise risk and add value to the business. To successfully achieve this , access to equity is required.

I personally do not see the core business role of Government is to manage and support what is fundamentally a high performing company that is and will remain Capital intensive and that works within a constantly changing, highly flexible and potentially volatile market , that has potentially high risk exposure .

Failure to logically and unemotionally work through these issues/opportunities will slowly and surely lead to the demise of Snowy Hydro Ltd with the result that we all will have failed and the the true value of such a great business will be lost to ours and the next generations.

Ultimately, as employees we will continue to work for the best of the business, to derive maximum returns and value for our shareholders.

Thankyou for your consideration and assistance to maximising our value.

regards
Maarten van der Stap