

REPORT OF PROCEEDINGS BEFORE

**SELECT COMMITTEE ON THE CONTINUED PUBLIC
OWNERSHIP OF SNOWY HYDRO LIMITED**

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

At Cooma on Wednesday 5 July 2006

The Committee met at 10.30 a.m.

PRESENT

Reverend the Hon. Dr G. K. M. Moyes (Chair)

The Hon. A. Catanzariti
The Hon. G. J. Donnelly
The Hon. A. R. Fazio
The Hon. P. Forsythe
Ms S. P. Hale
The Hon. M. Pavey

CHAIR: I declare open the hearing of the Select Committee on the Continued Public Ownership of Snowy Hydro Limited and welcome all participants to this first session of the Committee's inquiries. The Committee has already done some preparatory work in meetings with Snowy Hydro Limited executives, seeing the physical arrangements of the scheme, and looking at issues of financial accountability, government involvement, shareholder interests and the like. We sought submissions from various interested parties and we thank them for their submissions. We have a total of 104 submissions, which is a remarkable response. Many of those submissions are quite large and detailed and many have come from people with technically competent backgrounds in engineering, water hydrology and other areas. We look forward to the submissions that will be presented today.

As we get closer to the presentation of some submissions I will make some suggestions to those who are making them so we are not here until Sunday next week. We will then hold a public forum when people who do not feel confident to give written submissions will be invited to stand up and give us opinions on various issues. That forum will be held later today. I make mention of several procedural matters as this is a select committee of New South Wales Parliament. Select committees have certain powers and authority. I will mention some of those now. First, witnesses participating in parliamentary proceedings are afforded the same protection or parliamentary privilege enjoyed by members of Parliament. However, we recommend that members use that freedom responsibly.

The freedom of speech guaranteed to witnesses is not intended to create a protected forum for making adverse statements about other people. Adverse reflections can divert the focus of the inquiry from the terms of reference and are not usually constructive. Adverse reflections generally are regarded as allegations against named persons for incompetence, negligence, corruption, deception, or prejudice, rather than lesser forms of oversight and inability, which are the subject of general criticism. I say this as a protection for members who might want to make what amounts to adverse reflections. We checked with legal counsel and identified that some statements are defamatory and, if made, would make people liable to defamatory action from those who are so named. It is for the protection of members of the public that I raised this matter and issued a warning.

During the conduct of these hearings I will stop any presentation if I believe someone is moving into an area where he or she might be liable for defamatory action. We do not want that to happen to anyone and we want to keep the work of the select committee on a constructive vein. I remind all members that giving false or misleading evidence to a select committee might constitute contempt of Parliament. The penalties for that are severe and might include imprisonment. I hope we never get to that point. As chairperson I will interfere if I believe that presentations are placing any persons in dangerous territory. The Committee has resolved to authorise the broadcast of sound and video excerpts of its public proceedings. Copies of the broadcasting guidelines are available at the table by the door.

In reporting Committee proceedings members of the media must take responsibility for what they publish, including any interpretation placed on evidence given before this Committee. In accordance with these guidelines, while members of the Committee and witnesses may be filmed or recorded, people in the public gallery should not be the primary focus of footage or photographs. Under the standing orders of the Legislative Council, evidence and documents presented to the Committee that have not been tabled in Parliament may not, except with the permission of the Committee, be disclosed or published by a Committee member or by any other person. A transcript of the evidence presented today will be available later this week on the Committee's web site, www.parliament.nsw.gov.au. If any witnesses, members, or members of staff have messages that need to be delivered, they should do so through the committee clerks.

I ask all those present to turn off any mobile phones for the duration of the hearing. I say by way of general comment that we have read all the submissions, so there is no need for members of the public to go over them word for word, unless that is what they wish to do. Anyone who has submitted a written submission might want to talk to that submission and to highlight certain paragraphs. People might place great emphasis on one paragraph but those who read their submission might pick up other messages that are unintentional or not as significant as they were intended to be. I welcome Steve Whan to this inquiry.

STEVEN JAMES ROBERT WHAN, Member of Parliament, examined:

CHAIR: Mr Whan, in what capacity are you appearing before the Committee?

Mr STEVE WHAN: I am appearing in my capacity as the member for Monaro. The opinions I give are mine and not those of the Government.

CHAIR: Do you wish to make a brief opening statement?

Mr STEVE WHAN: Yes, Chair. I would like to start off by thanking the Committee for coming to Cooma and for taking on this reference about the future of Snowy Hydro. As the Committee would be aware, the future of Snowy Hydro was the subject of a lot of passionate public debate when the privatisation proposal was floated. This community certainly voiced some very strong opinions. From day one of that debate I voiced a strong opinion as well in opposition to the privatisation of Snowy Hydro. I believed that was the right position to take. However, I and many others in this community acknowledge that, as a result of the Snowy Hydro debate, there remains a significant challenge for Snowy Hydro Limited, the Government, and shareholders in Snowy Hydro about how it develops in future and how it finances its expansion.

I do not believe there is anybody who opposed the sale of Snowy Hydro who wants to see the company wither on the vine in the future and not be able to undertake in particular the work that it does here in Cooma and in the Snowy Mountains region or enhance its business in the future and remain a major player in the electricity market in Australia—and, of course, by doing so, return incomes to this community as well as in the longer term to return profits to its shareholders, the people of Australia.

A key element is to acknowledge that there was significant public interest in the future of Snowy Hydro and still is. I think that at times during the privatisation debate that level of public interest was underestimated by some, including, I suspect, some decision makers, during the process. I think that means that it is very important that this debate over Snowy Hydro's future is a very open and public discussion involving the public being able to find out what Snowy's future finance needs are and where it wants to go with its plans for the future. That is why I particularly welcome this Committee's involvement in looking into that issue and in looking at where the future of Snowy Hydro lies and how that can be financed.

I think that coming out of the debate and the decision not to privatise Snowy Hydro is a great opportunity for Snowy Hydro to harness a level of public support that is out there for the scheme. I think the Snowy Mountains Scheme was reinforced as being an icon in Australian society during the debate on privatisation of the corporation. People showed I think that they saw Snowy Hydro as more than a business. They saw it as an icon in Australia and also as something which is very important for this region particularly, for the image of the region but also obviously for the economy of the region as well as for the very important work that it undertakes as an electricity generator and a peaking power generator, particularly.

As I said, I think this is a great opportunity for Snowy Hydro to harness the support and move ahead over coming years with the support of the public and the support of this community. I would have to say that in my view over all the years since Corporatisation, Snowy Hydro has done a very good job. It has certainly been maintaining the scheme to a very high standard. It has invested a lot of money on the assets of the scheme in this area. In my view, and I am not an engineer so I am not an expert, but from what I can tell, the assets have been maintained well. I did not see a problem with running down of the assets in this area which some people were referring to at the time. Certainly with things like major works on dams and major engineering works, it still seems to be doing a very good job in that area.

Snowy Hydro though, I think at times, is seen by some people in this area perhaps as being a bit of a Big Brother, I suppose. It is a big corporation. At times it may be seen as an organisation which some people in this region hold in a little bit of suspicion, which tends to happen with major corporations. I do not necessarily think that suspicion is entirely justified, but the feedback that I have got certainly indicates that that seems to be the case, particularly in communities who felt that they

had something taken away by the Snowy Hydro Scheme. I would certainly like to see this Committee looking at how in future Snowy Hydro could become more closely and intimately involved in developing the communications links with the community, talking with the community and involving the community more in the way they are managing the water coming out of the dams and the way it is liaising with various community interests.

Snowy Hydro does of course play a very important role in this community through sponsorships which are acknowledged, particularly its sponsorship of the Snowy Hydro South Care helicopter. In that respect it actually provides a lot of resources for the Snowy Mountains community, which are much appreciated. But as I say, I think there is an opportunity now to harness that level of public support for the Snowy scheme so that there are a lot of people who are Snowy Hydro's supporters and allies out there in the community.

Dealing with the capital requirements of the scheme, I certainly do not claim to be an expert on corporate finances, or even on Snowy Hydro's finances. I guess one of the things that I found frustrating during the debate was in some senses the inability to actually get down to the depths of what Snowy Hydro's financial requirements are. The difficulties are in seeing how the priorities are being set, although obviously I have read everything which is out there in the public domain. My reading of public opinion around here—and, of course, it is my opinion—is that it is the core Snowy scheme that the people in this area so passionately care about and the people of New South Wales also, I suspect. The core of the scheme has been the works that were undertaken here in the Snowy Mountains from 1949 when Ben Chifley started the project off right through until the mid-seventies when major construction was completed. To an extent, that is where people's passions lie. Snowy Hydro's branching out into gas-fired power generation and other areas is something which it does in its own business interests, but that does not illicit the same passion from the people of this region.

One area that the Committee could look at in that respect is whether or not there is the possibility for Snowy Hydro to raise equity just relating to those other parts of the scheme, not the core parts of the scheme in the Snowy Mountains area. I would certainly encourage the Committee to look very seriously at the issue which has been raised by the New South Wales Government and also the public in this area of the Commonwealth purchasing the State's shares in Snowy Hydro. A public meeting was held in this room very early in the debate over privatisation of Snowy Hydro with 400 or 500 people unanimously passing a motion which called on the Commonwealth to purchase the State's shares in Snowy Hydro. That certainly seems to be an avenue for Snowy Hydro to be able to access a government with much larger reserves of capital through the Federal budget surplus. It would also help to resolve some of the issues raised by the State governments over the difficulties of the management structure as it stands with each government having a one-third vote on the board, despite the fact that New South Wales has a majority shareholding.

I would certainly encourage the Committee to consider the future ownership in terms of a sale to the Commonwealth. The Committee members would be well aware of the legislation passed by the New South Wales Parliament recently as you were all involved in the debate. That requires Snowy Hydro in any future sale of New South Wales's shares in Snowy Hydro to go before both Houses of the New South Wales Parliament, but that legislation also makes provision for a sale to the Commonwealth to be approved, should that be an option. That is something which was very strongly expressed by people at the public meeting here and in Cooma and at subsequent public meetings. My view is that there are strong arguments for this Committee to also look at making recommendations to government which suggest that in the light of the decision not to privatise Snowy Hydro, the government should accept that there would be a lesser dividend stream from Snowy Hydro in future so that more of that funding can be reinvested in the capital of the scheme. That might not be a terribly popular view with my Treasurer, but that is something which I think is relevant.

CHAIR: Come quickly to your main point.

Mr STEVE WHAN: Finally, on capital requirements, I have suggested in my submission to the Committee that we should consider having some sort of Snowy bonds. The Snowy bond is something about which a number of people in this area have spoken to me. It may seem like a slightly old-fashioned concept to have a bonds program, but I think it is something which would appeal to this community. There are many people in this community who would like to be able to invest their money

in the Snowy Scheme without actually changing its ownership, and that is the mechanism perhaps to be able to do that. It may also be something which appeals to superannuation funds.

I want to briefly deal with some other issues. A number of times during the debate on Snowy Hydro the issue of Snowy Hydro needing to expand to get into gas-fired peak power generation has come up. I certainly accept Snowy Hydro's arguments in that area, but I would note that it seems to me to be a failure in greenhouse policy nationally when a clean energy producer of hydro electric power in the Snowy Mountains can effectively be potentially undercut by fossil fuel power generation. It seems to me that there are national implications there for greenhouse gas policy when that is allowed to occur and when our national energy market is focused only on price competition, allowing for instance gas-fired power generation to be cheaper than hydro. For instance, brown coal in Victoria, which is the dirtiest form of power generation, is cheaper than clean sources of power.

Water control is an issue that has been raised in the Committee's terms of reference. The current water licence arrangements were obviously a matter of great discussion during the debate on Snowy Hydro's sale. I expressed the view in my submission, and I hold the view still, that the current arrangements of the Minister being the person who approves of a water licence are appropriate. There were suggestions during the debate on Snowy Hydro's sale that the water licence should be made an Act of Parliament, or should be subject to Parliament. In my view that would significantly reduce the room for flexibility and the room for governments to change or amend the water licence, should that become necessary in the future. Obviously any change or amendment has indications on compensation for Snowy Hydro, but it seems to me that requiring something to pass through Parliament on a water licence would be an undue restriction on the flexibility of the licence.

CHAIR: Would you wrap up, please?

Mr STEVE WHAN: I made the point in my submission which I would like to highlight that I think there could be more openness in the way that decisions on how much water is released every day are out there. I would like to see more of that on Snowy Hydro's web site although I would point out to the Committee that on the New South Wales Department of Natural Resources's web site has water measurements for many of the downstream points on the Snowy River. I have made a number of other points on things like lands in Jindabyne. I will not go over those again. That concludes my remarks.

The Hon. MELINDA PAVEY: Mr Whan, you mentioned that from day one you were opposed to the sale. When was day one for you? When did you find out?

Mr STEVE WHAN: As I have said, I actually made a lengthy contribution in the Legislative Assembly where I outlined the history of my involvement in this. As I acknowledged in that, the day I found out was when the Opposition asked a question in the Legislative Assembly of the Parliament. On that day I immediately, and before the end of question time, went over and spoke to the Premier and followed him back to his office to speak to him some more and express my opposition to the sale of Snowy Hydro. From there I made a number of public statements and consistently put my opposition on the table. I was pleased to see that eventually other members of the Opposition joined me in that position, and certainly I was very pleased to see the overwhelming opposition which was raised by the members of this community and the fantastic campaign that they ran.

The Hon. MELINDA PAVEY: So from that moment, you were opposed. Just on another related issue in relation to the Mowamba releases, what is your knowledge of the releases from over the Mowamba Weir?

Mr STEVE WHAN: Well, the Mowamba Weir has become certainly a very controversial issue. The history of it is quite important.

The Hon. MELINDA PAVEY: Not so much the history. I was asking more about how long the releases over the weir were to be for.

Mr STEVE WHAN: The releases over the weir were intended to be until the dam in Jindabyne had the capacity to release the water down the river. Mowamba, probably in retrospect not correctly, was a mechanism to get water down the Snowy, rather than being an end in itself.

The Hon. MELINDA PAVEY: So it was a short-term measure?

Mr STEVE WHAN: It was seen at the time as a short-term measure. I think that in retrospect, more attention should have been paid to the health of the Mowamba River and I have expressed that view before. But it certainly was at the time a mechanism to get the water down the Snowy River rather than as an end in itself. In retrospect, that may not have been the correct thing to do. That was something that was actually decided before I was a member of the Legislative Assembly and was negotiated as part of the water agreements.

The Hon. PATRICIA FORSYTHE: Mr Whan, in your verbal submission just then, you referred to the issue of the rundown of the assets. You said you are not an engineer, but from your perspective you did not think that there had ever been any rundown, although that had been an issue. At the time of the debate them in the public meetings that were held, did you ever defend the position of Snowy Hydro on that issue?

Mr STEVE WHAN: I certainly made a number of statements in the media that I felt the assets, including the dams and so on, in this area were in good condition. I made that sort of statement on a number of occasions at various rallies and I also made it to the Minister.

The Hon. PATRICIA FORSYTHE: You have just said in your verbal submission and in the written submission that perhaps it should be acquired by the Commonwealth, after all, that is a Government with more money. What do you understand to be the role and nature of a corporate entity such as Snowy Hydro?

Mr STEVE WHAN: Snowy Hydro Limited was created by the three governments involved with the aim of running the scheme and returning a dividend to the shareholders, which are the three governments. That is its obligation. Its board has an obligation to operate as a normal corporation would do. That is how it has been operating since incorporation.

The Hon. PATRICIA FORSYTHE: What about its capacity to borrow?

Mr STEVE WHAN: I understand that the current structure does limit its capacity to borrow. I hope that is something the Committee will examine and make recommendations on.

The Hon. PATRICIA FORSYTHE: Do you mean by "the current structure" the corporate entity as it is set up at the moment?

Mr STEVE WHAN: I am not an expert on its ability to borrow. However, I understand that it has a lesser capacity to borrow in its current structure than would a privately owned corporation.

The Hon. PATRICIA FORSYTHE: In other words, its capacity to expand is limited by the nature of its structure.

Mr STEVE WHAN: My understanding is that as a government-owned corporation there are limitations on its ability to borrow. That is something the Committee may want to make recommendations on. I have also suggested that we should look at Snowy bonds as a method to raise money. I expect that is something the Government would have to assist—

The Hon. PATRICIA FORSYTHE: Have you raised the issue of bonds with Treasury? If so, what sort of response did you get?

Mr STEVE WHAN: No, I have not raised the issue of bonds with Treasury, and I put that in my submission. It is not appropriate for me to discuss my submission to this Committee with Treasury before—

The Hon. MELINDA PAVEY: Why not?

The Hon. PATRICIA FORSYTHE: Why not, you are the local member?

Mr STEVE WHAN: I understand that my submission to this Committee is confidential. I have raised the issue in public previously, but I expect that if this Committee believes it is a good idea it might make it a recommendation to the Government and we could then have a formal response, as is appropriate.

The Hon. PATRICIA FORSYTHE: What do you believe to be the core reason for the proposal to privatise Snowy Hydro Limited?

Mr STEVE WHAN: I make the point that I did not agree with the proposal.

The Hon. PATRICIA FORSYTHE: No. But what did you understand to be the reason?

Mr STEVE WHAN: The core reason given for the proposal was that Snowy Hydro Limited could not finance its expansion and access capital. That is exactly why I felt it was a good idea that this Committee then had its terms of reference amended to look at that issue.

The Hon. PATRICIA FORSYTHE: Do you believe that that expansion would have given greater certainty to the community of Cooma?

Mr STEVE WHAN: I had that view expressed to me by some people. However, I believed that certainty for the people of Cooma could be guaranteed by keeping the corporation in public ownership. The view expressed to me by the people of Cooma and the region was that they wanted to keep Snowy Hydro Limited in public ownership. I believe that Snowy Hydro in public ownership will maintain a strong and economically important presence in Cooma. Obviously the view was expressed to me that if it was allowed to privatise it would be able to expand employment. I did not accept that as a good reason for selling the scheme. I would like to see it expand, but as a government-owned entity.

Ms SYLVIA HALE: In your submission you talk about it being likely to be hard to negotiate changes to the water licence. What sorts of changes do you think should be made if they were able to be negotiated?

Mr STEVE WHAN: I was not suggesting any specific changes, but there is speculation that changes in the climate or environmental flow requirements and so on may need to be examined. It is a long licence period—it has 72 years left. Only a silly person would rule out the need to make changes. In the short term I believe there is a need to examine the Mowamba and I would like to see continuing discussion on that issue.

Ms SYLVIA HALE: Why do you believe that the flows over the weir into the Moonbah River have not continued as they were envisaged?

Mr STEVE WHAN: Because what was envisaged by Snowy Hydro and the Government when they signed the agreement was not well known or understood by the community.

Ms SYLVIA HALE: Do you think that was a deliberate failure to inform the community or a lack of transparency?

Mr STEVE WHAN: I do not think it was a deliberate failure. It was probably not seen as information that needed to be provided. Certainly, I would accept that perhaps the Snowy licence could have been made more publicly available.

Ms SYLVIA HALE: Would you say that diversion of water from Moonbah back into Jindabyne is having a deleterious effect on the Snowy River and the community of Dalgety?

Mr STEVE WHAN: I have no doubt that it has had a deleterious effect on the Moonbah River. There is certainly less variation in the flow from Jindabyne Dam. That is also a function of the fact that the inlet works are not completed. The flow is coming out of a black plastic pipe and it is consistent. I expect that when the works are finished there will be the capacity to vary the daily flow and that healthier water will come from a warmer level of the lake. I have said to the community on many occasions that the Moonbah River being a natural headwater provides variation for the river and

some instant changes to river levels from rainfall and so on. That is something that the community feels very strongly about. That is why I said that we should continue to discuss the issue. It is certainly not a closed issue.

(The witness withdrew)

VIVIAN NORMAN WILLIAM STRAW, General Manager, Snowy River Shire Council, 2 Myack Street, Berridale,

GENE LOUIS VANZELLA, Mayor, Tumut Shire Council, 76 Capper Street, Tumut,

RICHARD NORMAN HENRY WALLACE, Mayor, Snowy River Shire Council, PO Box 143, Berridale,

ROGER ANTHONY NORTON, Mayor, Cooma-Monaro Shire Council, PO Box 714, Cooma,

NEIL ALAN WATT, General Manager, Cooma-Monaro Shire, PO Box 714, Cooma, sworn and examined:

CHAIR: Do you wish to make a statement?

Mr WALLACE: I welcome this opportunity to speak and also welcome everyone to our lovely Monaro region. Mr Straw will discuss the formal submission, apart from the Mowamba aqueduct, which I will discuss. I will also discuss the history of the scheme because it is an important aspect of the future of the scheme. This is a matter about which many of our residents feel passionately. I lost my family home and two genuine farming properties, including one that belonged to my great grandfather. One hundred years ago this year he was given the power by the New South Wales Government to set up the Snowy River shire. Those properties were all lost to the waters of Lake Jindabyne.

I say "farming" and not "grazing" because my family farm was on the outskirts of old Jindabyne and we had predominantly lucerne crops. At the time we received the highest price for land in the whole Snowy area. However, there was no compensation because I, like many others, suffered greatly with emotional scars that are still with me today. It was akin to a war zone— trees were marked with a big red x, which meant they were to be knocked down along with all the other structures. I took solace from the fact that it was for the good of the nation. That is the main reason I have fought the privatisation of Snowy Hydro Limited. Many people have said to me of late, and I agree, that this is not about Snowy Hydro but about the great Snowy Mountains Scheme, which is for all Australians, not only the silver tails here or, dare I say, overseas.

History must be remembered when we are looking at this most important national issue. I say "national" because if the number of phone calls, letters and emails I have received personally from across Australia over the past couple of months is any gauge of feeling, it is a national concern. The generation of electricity was a de facto catalyst for the establishment of the scheme. It was the only way of bringing the concerned States and the Commonwealth together to establish the scheme to harvest the water of the Snowy River and to send it to the arid Murray and Murrumbidgee valleys. This scheme was about water, water, water. I believe that is the main reason that people stood up against privatisation.

People are also very uneasy about the future of water and water licences. The trouble is the flows down the existing creek that was once the mighty Snowy River. The Department of Commerce and the council established a new water filtration plant at Dalgety 18 months ago. We have since had to cart water by road to the town supply because the flows down the river were insufficient to cover the intake valve after the Mowamba aqueduct was recommissioned. If this can happen now, imagine what would happen under a private entity.

I totally agree with Mr Whan, who has stated that the fight to save the Snowy would not have got off the ground if the Moonbah River and the Mowamba aqueduct had not been an issue. No matter what lies in store for Snowy Hydro, the Snowy River must have a natural headwater. Is that too much to ask? The aqueduct was not originally part of the scheme. It was installed to provide water for the workers' camp in the new town. The camp was on the site now occupied by the sport and recreation facility. It is so environmentally and socially important that I, along with many locals, feel that total environmental flows could be reduced if we had the Moonbah River as the natural headwater. Mr Carr, Mr Bracks and Mr Garrett stood on the weir in 2002 with great fanfare and we all thought the

Moonbah River was back for eternity. No, the rug has been pulled from under us again. First it was the Snowy, then the Eucumbene and now the tributaries.

We all thought that the Moonbah was back for eternity but it was not. Environmentally, I did not think this could take place in Australia today. It is total greed. Sacrifice the river for a minute piece of electricity. It is criminal. Only this morning I heard from a member of the public who has information from a Snowy Hydro employee that the weir is not even working as the deed of agreement states. It is total environmental vandalism. I seek the indulgence of the Committee to ask some questions. Could the Committee investigate the possibility of water supplies across the Monaro plains for stock and domestic use for the majority of grazing properties that had high country summer leases for grazing? Those leases were taken away with the creation of Kosciuszko National Park for the protection of the catchment of the Snowy scheme.

Lately many people have asked me that question and I have not been able to give a definite answer on it. It goes back to what Mr Whan talked about earlier. Who gave Snowy Hydro the permission to go into the derivatives market and run in its current structure? Could the Committee make public the name of the United States firm Minister Della Bosca mentioned in Parliament that was interested in purchasing shares in Snowy Hydro? I believe it pulled out on the Thursday night before fight-back Friday. This could have a serious impact on this debate. I am sure the Committee will be overwhelmed by the knowledge, passion and expertise of our local speakers today.

CHAIR: Thank you for those questions, Mr Wallace. It is probable that they will be answered in our final report. Two of the questions that you asked have also been asked by members of this Committee and I expect some answers to be given. One of the questions you asked has been asked in the House and we are awaiting an answer. Before we commence with questions I would like to clarify something. You made reference to the fact that, even as late as today or just recently, you received information that there has been a bad impact on the weir or something to that effect. What did you mean by that?

Mr WALLACE: I am saying that the valve is not open correctly. Apparently it is not. I thought the water just flowed right over the weir, but apparently a valve also lets water under the weir. It is supposed to be open but it is not, or so this person said. I do not know as I am not an engineer. I am sure that many engineers will be speaking today. One of them might be able to answer that question.

CHAIR: I wanted to clarify what you meant by that.

Mr STRAW: Thank you for an opportunity to speak to your Committee. I want to speak to council's submission for a few minutes. I refer, first, to some general issues. Council was neutral on the sale of Snowy Hydro until quite recently, until the latter stages, when it became apparent to us that there were a number of unanswered questions in regard to the sale, especially in regard to water and the vision or future of Snowy Hydro. As our mayor already indicated, water and electricity are both important, but we believe water is a vital link in a very dry continent. Snowy Hydro is a leading edge institution in our community and an important part of our local economy. It involves hydro engineering and water and electricity production, and the industries that relate to that are the largest part of our regional economy. So they are important to us.

The Snowy Hydro is not the only player in that economy—we have other private companies such as the Snowy Mountains Engineering Corporation [SMEC]—but the Snowy Hydro is an important part of that economy. In regard to funding, while council has taken a view that Snowy Hydro should not be sold, we believe, and we agree with Mr Whan, that there needs to be an alternative form of funding for the organisation. We believe that we need to go beyond the idea of some sort of bonds. There needs to be the creation of some sort of vehicle in which people can invest and that they can invest in other forms of energy. In regard to heritage matters, it is council's position that the scheme should be recognised, both federally and from a State point of view, as an important heritage item.

We also fairly strongly hold the view that that recognition should not hold the Snowy back in a 1950s vision of the organisation. What that organisation brings to Australia, beyond its social and economic values, is its innovative capacity to change and to deliver new services. We believe that is a

part of what needs to be protected. In regard to access to Snowy land, our submission is limited to land outside Kosciuszko National Park. Currently, we have a good working relationship with Snowy Hydro in regard to access to land for recreational purposes. We police some of that land on behalf of the park and it polices people using the land and provides a number of facilities. We believe that situation should remain as it is outside the park. We are not making any comment in regard to the situation within the park.

We also understand that Snowy Hydro plays an important role in the production of electricity as an insurance organisation. We believe that any growth or any reinvestment in the organisation must protect the organisation's position in the marketplace. I do not think there is a strong link for the council's position that Snowy Hydro should be out there to grow into a major business but it should be allowed to protect its position in market. If that requires it to invest in other types of energy for that purpose, it is important that it is able to do that. Again, Mr Whan indicated that the organisation needs to recoup its profits to allow itself to invest in itself. That should be allowed. We believe that the organisation needs to diversify a little to maintain its position as a player in the electricity market.

In relation to future financial arrangements we believe that the organisation is innovative. We must come up with some innovative processes to allow it to raise funds. In regard to water, our submission basically indicates that this is the area in which there is the largest number of unanswered questions. Perhaps that is where the concerns of the community arose. What is to happen with water, how is it to be protected, how can you protect water over a 70-year period when we have significant urban growth in areas such as Canberra and along the coast around us, and we have significant changes in the irrigation industry? For that reason we support Mr Whan's view that there must be more flexibility in the water arrangements.

Above all, we believe that the vision for the Snowy needs to be a sustainable vision and not an aggressive growth vision, and it must be a vision that is accepted by the community as a whole. In addition, it is council's view that the Australian Government should provide ongoing strategic direction for the management of this important water resource. Snowy Hydro is an important economic asset in our region and it is fairly vital to our local economy. We reiterate that any heritage listing must recognise the ongoing role the organisation plays in innovative leadership. We should not tie down the organisation to a 1950s style vision.

Mr NORTON: My mother's great grandmother was the first white woman to cross the Snowy River in Jindabyne in 1832. Like Richard, I am a local and I have a long interest in the Snowy scheme. On 20 April we held a forum in this room because we were concerned about the lack of detail that was forthcoming. Unfortunately, after that meeting were still seeking some of that information. Today the issue of funding has been raised. Rumour has it, and our local member, Steve Whan, raised this issue, that we do not have sufficient detail as to whether Snowy Hydro Limited in its current form could borrow. I am sure that is one question that needs to be answered. I am sure you have already applied yourself to that issue. There are a variety of funding opportunities that I will run through a little later.

The meetings that were held in Cooma and the region, the irrigation area, in Jindabyne and in Sydney indicated the extent of the opposition throughout Australia. It is important that we recognise that not just Cooma and Jindabyne are seeking to shore up their future. There is genuine concern in the Australian community about control over infrastructure items such as water and energy. We still have those concerns. Snowy Hydro plays a critical role in the future development of Cooma, Monaro and the region. It has been a great supporter of tourism and has attracted a lot of people to the region. Its education and visitors centre continues to educate young people and lots of other people in Australia about the ownership of the iconic Snowy scheme.

When the announcement was made on 2 June that the decision to sell had been abandoned, I was on radio, the television and in the newspapers. On every occasion I raised the issue to ensure there would be sufficient funding available so that Snowy Hydro could survive and thrive. I would like to talk briefly about that issue. It is important for your group to focus tomorrow as well as yesterday on some of the ways in which this extra working capital can be accessed. The bonds issue has been raised by Snowy River Shire Council and by Cooma Monaro Shire Council. We have written and supported that viewpoint but I have not received any reply as to why it would not work. I am sure that our community and the communities Australia-wide, as indicated by the extent of the opposition, would

welcome the opportunity to put up their money and those bonds could be raised for a substantial amount of money.

What are the alternatives? Please seek additional information on everyone's behalf as to whether Snowy Hydro Limited in its current format can borrow. It would have a pretty workable credit rating and I am sure it would be able to borrow and, most importantly, at an effective interest rate. I raise the issue about borrowings and the interest rate because I am sure that the \$500 million we have heard about that is needed to move us forward into the energy market would return substantially more than the interest rate. The issue of bonds has been raised before and we have talked about borrowing. There could be additional borrowing opportunities. I am sure the Government, in particular, the Federal Government, would be in a position to access additional funds because of the vital nature of the water and energy market.

The limitations of the borrowings seemed to be a vital item, as we heard from Minister Della Bosca here and from Snowy Hydro people in some of the information that was supplied. There were difficulties with the borrowing. I am yet to be convinced that they cannot borrow and move forward and survive and thrive. At the Shires Association meeting, where 152 shires from throughout New South Wales met, Snowy River shire moved, and was supported unanimously from 152 shires around our State, a proposal that the Government be approached with the recommendation that steps be taken so that the Snowy should never be sold, and that was carried unanimously. It looks as though that is happening, but it is a good indication of the statewide and Australiawide support that was there.

I would like to emphasise the great contribution that Snowy Hydro has made to the community of Cooma-Monaro, the Snowy River and the whole of the region, Tumut and Tumbarumba. We have worked very effectively over the years to our mutual benefit and Snowy Hydro has supported functions, particularly some of the infrastructure that has gone in. But I would emphasise that our region's community has also supported Snowy Hydro by providing amenities for lots of Snowy workers, so it has been a two-way thing. I look forward to moving forward with Snowy Hydro around the table so that we can continue to support one another to our mutual benefit. I would ask that we focus on the future.

It has been stated that because privatisation is not going ahead, as a result the 160-seat call centre which is apparently in Melbourne will not be shifted to Cooma. I would ask that some steps be taken to confirm that there was a proposal to move that call centre to Cooma and, if so, why it was the information not made public in the months leading up to our forum or in the time after that. It is an indication of the selective information that was provided to our community. I am happy to answer any questions.

Mr WATT: I have had a large role in preparing council's submission and I do not intend to repeat what is in that submission. One issue is in regards to finance. There has not been any mention so far in regards to financing future capital expenditure and maintenance from the current balance sheet. My understanding is that Snowy Hydro is a very profitable organisation. Of course this depends on what sort of organisation the board wishes Snowy Hydro to be in the future, but if it continues on a slow growth path, surely a lot of those expenditures can be funded from the current balance sheet.

The other point that I just want to quickly raise is the importance of having Snowy Hydro in the region in regards to the economic development of the region. Council has a very good relationship with Snowy Hydro and always has had in the past. We have been involved in a number of joint projects. Just as an example, in the tourism area, this is a copy of the latest tourism brochure. The middle pages were funded by Snowy Hydro. There is information there about its information centres and participation in the tourism aspects of the region. Also on the back page there is another version there about its education centre. I would just like to reaffirm that Snowy Hydro, as the largest employer in Cooma, has a very important role in the economic development of the region in the future. I am happy to answer any questions.

CHAIR: We will get onto questions in just a moment after Mr Vanzella has spoken.

Mr VANZELLA: With your indulgence, I would like to introduce a supplement regarding financing. I have spare copies for each Committee member.

CHAIR: That is accepted.

Mr VANZELLA: I will go through my first submission. 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 the 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 and in the wellbeing of the Snowy Scheme itself. In many ways they are one and the same as, if the Snowy Hydro is unsuccessful as a company, the Snowy's 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 recapitalised 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. 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 Limited and a realistic dividend to the owners.

Tumut Strike Council understands the need for recapitalisation of Snowy Hydro Limited 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 it has 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 hydroelectric company and the consequences to the Snowy Scheme itself. In this circumstance, who will maintain the scheme—governments, or perhaps the water users?

The council believes that the Snowy Scheme initially was proposed as a diversion scheme to turn waters inland for irrigation with the hydroelectric generation a late but important addition. With the passage of time it appears that the irrigation role is an obligation that Snowy Hydro Limited has to meet, with all of its income coming from its power sales and its hedging activities in the national electricity markets with the release of irrigation water a free side benefit. This raises the question of 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 New South Wales Victorian and Australian governments, need to be examined to ensure that they are being set at a level that is healthy for the future growth of the company and not as a level to support government budgets that unduly gouges the surplus and affects the liquidity and viability of the company. The 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 privatisation, Snowy Hydro has advised local community groups that they will not necessarily be supported by it 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. 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, the land is not rateable. Council receives rates from only a small section of the scheme that is located outside the park at Talbingo. Tumut receives approximately \$25,000 per annum. It is somewhat inequitable that a \$3 billion company pays only a pittance in rates to the shires that host its major commercial assets.

On a related issue, the recently adopted Kosciuszko National Park management plan has as one of its focuses the rehabilitation of the Snowy Scheme work sites, et cetera, that are within the Kosciuszko National Park. 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 work sites 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 are the tourism aspects of the scheme, as Roger has pointed out. 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 tourism industry. Progressively Snowy Hydro has been withdrawing its assets from access by the public. Council requests that whatever the ownership of Snowy Hydro, as many of its assets as possible remain accessible to the public, and in some cases reopened to the public.

The second part of my submission points out that Tumut Shire Council offers a possible solution to the conflicting imperatives of Snowy Hydro needing to capitalise to invest so that it can continue to operate in a competitive energy market. Our suggestion would also enable the public ownership of the Snowy Scheme to remain in the public interest. The actual suggestion is that a new corporate entity be formed in public ownership, to own and maintain the infrastructure of the Snowy Scheme. Snowy Hydro could also be an operating company that could be privatised and be able to make investments beyond the bounds of the Snowy.

The infrastructure corporation will also be responsible for monitoring water releases to ensure that they are in accordance with the appropriate statutes and regulations. This corporation could be funded by lease or licence fees from the operating company and also from the downstream water users. This option would ensure the future of the Snowy Scheme in a manner that the public expect. It will also encourage the growth of a vigorous Snowy Hydro, and guarantee the water entitlements of the downstream water users.

CHAIR: Thank you, Mr Vanzella. That is a positive suggestion and that will be taken on board.

The Hon. AMANDA FAZIO: I move:

That the supplementary document be tabled.

Motion agreed to.

Document tabled.

CHAIR: I thank the councillors and managers for their presentation. Obviously they have raised issues which we all see as both complex and conflicting, and that is what we have to work through.

Mr WALLACE: Could I have permission to ask a question on behalf of all our shires? We were promised as a region many so-called dividends if privatisation went ahead. Those dividends were promised not only by the State but also by the Federal Government. Could this Committee take note of this and also ensure to the best of its ability that the Snowy Mountains community be not left out of any future funding buckets in spite?

The Hon. MELINDA PAVEY: Mr Wallace, could you further inform the Committee what money has been offered by the State and Federal governments as a dividend for the successful privatisation?

Mr WALLACE: By the State, we asked in our council's situation for things like better health facilities in Jindabyne and we have also got a rubbish tip that has to be closed down because it is right next to the dam wall at Jindabyne. The EPA is putting pressure on us to close that and it is very expensive. I think it will cost \$3 million to do it. We were asking for things like that, and we were getting very favourable responses.

The Hon. MELINDA PAVEY: I remember the State Government mentioned \$30 million for the region. Is that correct?

Mr WALLACE: That \$30 million included the river restoration works. I think the figure of \$20 million was mentioned later. Many figures are thrown around. We had nothing concrete, but we had very firm propositions from both governments.

The Hon. MELINDA PAVEY: You mentioned the Federal Government as well. What was one off?

Mr WALLACE: All of the land around Jindabyne is owned by Snowy Hydro. For the village of Jindabyne to expand, Snowy Hydro would have to release land. We would like to establish aged care facilities in Jindabyne, but we need land and the only organization with land is Snowy Hydro. We put that to the Federal Government and we got a favourable hearing and were told that it may be made available if Snowy Hydro is privatised.

Mr NORTON: The proposal we made to the Government, particularly the Federal Government, sought funding to assist us to replace 50-year-old water and wastewater infrastructure in Cooma East and Cooma North, which was the original Snowy development. We prepared a proposal and we are still asking the Federal Government, in particular, to provide a grant on a dollar-for-dollar basis for us to continue to replace 50-year-old infrastructure that is well past its used-by date.

The Hon. PATRICIA FORSYTHE: Mr Wallace, you have raised the issue of water and stated that water became the key topic of the debate. We obviously understand that and how important it is in the region. However, the material we have seen, for example, the Snowy Hydro submission, makes it very clear that ownership of Snowy Hydro would not impact on the water licence, its operating plan and so on. The message from the chief executive to the community in May set out the same point. Why did that not allay the community's fears and what material would have needed to be given to you for a different attitude to be taken?

Mr WALLACE: It is what I talked about; that is, the trouble with the Mowamba aqueduct and the Moonbah River. People were so disgusted. They were so wound up about how it could happen. I heard only a few days later that it was in small print. Many people did not know until the day it happened. The other problem was the water not being made available for the new water supply at Dalgety. It is a joke. We have the Snowy River running past, but the council has to cart water to Dalgety in trucks. There is a pipeline from the Jindabyne Dam to Berridale and we were tapping into the Berridale water supply and carting it another 18 kilometres to Dalgety. If we cannot trust them on this small thing, how could we trust them 70 years out, whether it is this Government or other governments, with that precious resource? People are still worried about water all the time. As has been said many times, wars have been fought over oil in the past, but I am sure they will be fought over water in the future.

The Hon. TONY CATANZARITI: But the Mowamba weir was going to be recommissioned.

Mr WALLACE: It is re commissioned now. The water from the Moonbah River is going back into the Lake Jindabyne and only 1 per cent flow comes down to the river. That goes below the dam wall. That could create a natural headwater to the Snowy River. The day after that happened, there were fish dead everywhere. As I said, it is environmental vandalism; I did not think it could happen in Australia today.

Ms SYLVIA HALE: Are you suggesting that the recommissioning of the Mowamba weir and the failure to supply Dalgety with water are instances of Snowy Hydro putting corporate interests before the broader community interest?

Mr WALLACE: Of course, it is greed. The whole idea was to pump the water from the Moonbah River back into the Jindabyne Dam. That allocation of water would then go through a turbine that has been built under the Jindabyne Dam, which cost \$70 million. Despite the small amount of money that has been generated—I think \$6 million—they have taken away a natural headwater for the iconic Snowy River. I cannot believe it can happen in Australia.

The Hon. PATRICIA FORSYTHE: Councillor Norton, Snowy Hydro is the major employer in the community. We have seen a number of letters from employees expressing support for the privatisation process and setting out their points of view, which are different from council's. It has been suggested that in fact the council did not seek to present a balance point of view to the community. Is it a fact that you had agreed to allow a letter from the Snowy Hydro to be read at a community forum in April but then did not do so?

Mr NORTON: It is the first time I have even heard of a letter. Just to refute that assertion, we had the Chief Executive Officer, Mr Charlton, to our council meeting at my invitation after the announcement in mid December. In response to councillors' questions, he said that he could not respond to vital issues because of confidentiality with regard to the prospectus. We are unable to access that information. That is why I moved in the council to have the public forum here. It was to discuss the issues and did not really start out as a protest meeting. Once again to refute the assertion that Snowy Hydro did not have the opportunity to provide an alternative view, I personally rang Mr Charlton before I rang anyone else the following morning after the decision to have the forum was made and sought his participation so that he would have a guaranteed opportunity to convince us and our community, but no-one came. The message relayed to me was that he would not be coming and no-one from Snowy Hydro would be coming.

The Hon. PATRICIA FORSYTHE: But was there any suggestion that you read a letter on their behalf?

Mr NORTON: No-one provided a letter or asked me to read it.

CHAIR: I asked Snowy Hydro why there was that lack of communication that you have just referred to, and I was told that it was because Snowy Hydro had to operate under an instruction from the Government that only the Government could issue such statements.

Mr NORTON: It is interesting. When I raised the issue with Mr Della Bosca's office about him being able to come and put the case for the sale and being precluded from talking in detail, and he said he would be keen to talk in some detail. However, on the night he did not deliver many details. When our council resolved to have the forum we did not have a declared position because we were seeking a balanced view from Mr Della Bosca. In my mind, Mr Della Bosca provided an indication of why the State Government was keen to sell and it was green \$100 notes. He did not have another reason. That is why when a couple of motions were moved from the floor the 305 people here all voted against the proposed sale. It was not a winning position that he explained. I again refute any suggestions that we had a preconceived idea and that we actively stopped Snowy Hydro participation on the night. In fact, we actively encouraged it.

The Hon. PATRICIA FORSYTHE: Councillor Vanzella, your council took a slightly different point of view. I understand that you made some positive suggestions to the Government, looking at things to get the community on side such as preferential share offers in the local community. What was the Government's reaction to those suggestions?

Mr VANZELLA: Apart from the meeting here in Cooma that Minister Della Bosca attended, his reaction was favourable, but there has been no response since.

The Hon. PATRICIA FORSYTHE: Did you take it up with Treasury?

Mr VANZELLA: We did not follow it up to that degree. It was just one of those things. Certainly, we did not pursue it, but we should have in hindsight.

The Hon. TONY CATANZARITI: Mr Straw, are you aware what the flow regime was meant to be?

Mr STRAW: On the Snowy River?

The Hon. TONY CATANZARITI: Yes.

Mr STRAW: Yes.

The Hon. TONY CATANZARITI: Did the level remain consistent or did it fluctuate?

Mr STRAW: Are you talking about the Mowamba aqueduct?

The Hon. TONY CATANZARITI: No, in the river.

Mr STRAW: We had a period soon after the recommissioning of the aqueduct, the morning water was put back to the Jindabyne Dam, when the flow rate in the Snowy River dropped and we had a few problems, as the mayor has already indicated, in being able to supply adequate water to Dalgety, which is the downstream township. We had to truck water. Snowy Hydro undertook to ensure it did not happen again. The minimum water flow level is now adequate for us to get water. It is constant and does not fluctuate.

Mr WALLACE: That was the result of input from Mr Whan. Snowy Hydro first referred us to the Department of Infrastructure, Planning and Natural Resources at Goulburn. Mr Whan then became involved. We would not have that without input from him. You can see how hard it is down the line. What would it be like under a privatised company?

The Hon. MELINDA PAVEY: But you are saying that it was the department that made the final decision, not Snowy Hydro.

Mr WALLACE: That is right. It went back to Snowy Hydro, but it would not do anything until Mr Whan came in and pushed.

The Hon. TONY CATANZARITI: Who changed the location of the intake valve?

Mr STRAW: The intake valve to the Jindabyne Dam from Mowamba?

The Hon. TONY CATANZARITI: Yes.

Mr STRAW: I am not sure of all of the details, but as you are aware under the legislation they had to reconstruct a large part of the Jindabyne Dam wall to provide a spillway that meets higher conditions than they had to meet previously. In doing that, they had to close off the old pipe going into the dam and commission a new intake into the Jindabyne Dam wall. So the Snowy is the construction company doing it for them.

Ms SYLVIA HALE: Mr Straw, in your submission you talk about the vision for the scheme changing over time. Its original intention was to divert water to the west and it was going to pay for this by the generation of electricity. Then when it was corporatised it was sold as a clean green producer of electricity. But now Snowy Hydro Limited promotes itself as an electricity insurer, and the management of water is a by-product. Your submission suggests that there should be a public debate about the purpose and vision of Snowy Hydro Limited. Would you care to elaborate on that in some way? How do you think that debate should be conducted, and who should participate in it?

Mr STRAW: Thank you for the question. We agree with a comment recently been made by Tumut Shire Council. Councillor Vanzella said our perception of the scheme was that it was originally an irrigation scheme. Electricity was to assist with the irrigation scheme through the corporatisation process. Since the turn of the century that vision has changed significantly. Now it is an electricity producer and it is an important and vital part of the peak electricity regime within the State. But there are impacts. That change has impacted on the way the scheme looks or seems to look, or sells its view of how it handles water.

The comments we keep getting back from the scheme are that the water is protected through a water licence. You get the impression from them that the water is now a by-product rather than electricity being a by-product. I was told by senior members of the organisation as late as last night that the irrigators are protected by places like Blowering Dam and other dams that provide a buffer. So if they want to release water to generate electricity during peak electricity periods, water can go into other dams downstream and can be held there until the irrigators need it. Blowering Dam has an air space in it so that they can produce electricity at peak times.

My view, and I believe council's view, is that that is a significant change in the vision for the organisation. It has changed from being an irrigator with responsibilities for water production and supply to irrigators to an organisation that produces electricity. By the way, the water is protected. I do not believe that debate has been had in the public forum. I do not believe that a lot of people in New South Wales are aware of that. That would have been one of the major issues that made council rethink why the organisation was being sold. When Mr Della Bosca came down and started to sell the

idea of the scheme and the need for the scheme to produce electricity, make money and reinvest that in electricity generation, people suddenly woke up and said," Hang on, what happened to the water? Where has that gone?"

The Hon. PATRICIA FORSYTHE: Is that not a debate that we had in the mid-1990s with the national electricity market?

CHAIR: That was the corporatisation debate. Unfortunately, that was in very small type and no-one noticed the small type.

The Hon. PATRICIA FORSYTHE: Is that not the debate the community had in the mid-1990s?

Mr STRAW: I think the community had a debate in regard to supply to the electricity market and the south-east electricity market, but I do not think people put two and two together and realised that there would be an impact on water.

CHAIR: I think that is the case. I am not trying to defend Snowy Hydro on this issue, but the issue came up in the mid-1990s and was debated. No-one put two and two together until 2006.

Ms SYLVIA HALE: But now that two and two have been put together, it is reasonable to have that debate again.

CHAIR: You heard me raise those questions earlier.

The Hon. MELINDA PAVEY: The land release at Jindabyne was a big issue that upset the community at Jindabyne. I have had many discussions with people about their belief that this area of Jindabyne was landlocked and any future growth and development at Jindabyne would be in the hands of the new owner of the privatised Snowy Hydro. Is that the case? Is all the land available for future land release at Jindabyne in the hands of Snowy Hydro?

Mr WALLACE: Yes, it is; every bit of it. We have to get permission, which we did. Mr Charlton was very good. In the first week after my election as mayor I approached him about getting some release of blocks. He was most willing and I was impressed by what he did. He said he was not in the business of having a land bank; he was in the business of electricity generation.

The Hon. MELINDA PAVEY: Some of the land that it owns is to the west of the town and that has been zoned by your council as environmental protection.

Mr WALLACE: No, by the State Government.

The Hon. MELINDA PAVEY: With your concurrence, or did it do that over the top of your head?

Mr STRAW: A regional and environmental plan in 1986 did significant rezoning through that part of the land. That was imposed by us in that time. In 1997 we wrote a new local environmental plan and we adopted those conditions for the time being.

Ms SYLVIA HALE: Given that Snowy Hydro is still a publicly owned organisation and that Tumut Shire Council and Councillor Norton spoke about the withdrawal of public access to facilities and the withdrawal of assistance for community activities, do you find that appropriate behaviour for a publicly owned instrumentality?

Mr VANZELLA: It is like taking your bat and ball and going home. It does not upset us; it worries us. If that is the attitude of Snowy Hydro towards these communities I would be very upset. We rely on good corporate spirit towards communities. I am sure the other three or four councils in Tumbarumba hope that that will continue as we work as a team. Our council is very proactive in working with the community regardless of corporations, companies or private businesses.

Mr NORTON: I have a brief answer to that question. We have a different experience with Snowy Hydro. As recently as a couple of months ago it indicated support for our new netball courts and it undertook to provide \$60,000 towards the cost of \$200,000. We have had no indication that that will change because those netball facilities are for its workers as well as ours. That is the working together that I spoke about briefly. I ask one question of the committee. You list in your terms of reference paragraphs (a) to (g).

I am concerned that there is a major gap. Perhaps this matter could be listed under paragraph (g). Paragraph (a) talks about the impact on the financial position of government and paragraph (b) talks about future capital expenditure, but there is no mention of an investigation into funding opportunities to provide the necessary working capital. I mentioned earlier how critical I believe that is. Could that be included? An examination of the funding opportunities is needed to provide the necessary working capital.

CHAIR: I think those issues have already been raised with Snowy Hydro Limited. We have yet to raise the issue with Government Ministers.

Mr NORTON: Is that issue outside the Committee's terms of reference, or could it be covered by paragraph (g)?

CHAIR: No, it is not outside the terms of reference. I thank you for your presentation. I am sorry we do not have more time to give to you. When Parliament establishes a select committee like this it goes through issues and documentation dating back 50 years. There is a really slow trawling through a great deal of material, but it is extremely thorough exercise. The mills of God might grind slowly but they grind exceeding small. Thank you for your contributions; we appreciate them.

Mr NORTON: Thank you for the opportunity.

(The witnesses withdrew)

HENRY MAXWELL TALBOT, Retired Executive Director, Snowy Hydro, and

ROGER IAN MORSE, Civil Engineer sworn and examined:

CHAIR: Mr Morse, are you giving evidence in a private capacity?

Mr MORSE: I am giving evidence in my capacity as a private citizen.

CHAIR: Mr Talbot, do you wish to make a statement?

Mr TALBOT: Yes, thank you. I have a brief supplementary submission that I wish to provide to the Committee.

CHAIR: We have a supplementary submission, 63A, to submission No. 63. We will include that submission as part of your sworn evidence.

Mr TALBOT: After corporatisation Snowy Hydro was handed custodianship of economically significant national infrastructure. In my view water is likely to be more significant in the future than electricity from an economic perspective. Since corporatisation Snowy Hydro has single-mindedly focused on electricity and on the contemporary ideology of growth, increasing shareholder value, and profits. This focus on electricity must change so as to recognise the real purpose of the Snowy scheme. The management of the scheme's water resources for the benefit of all stakeholders is of critical importance to the nation.

In my view, Snowy Hydro is a profitable organisation and it has the capacity to grow organically, that is, to grow within its own means. When I came into the room this morning I had a brief opportunity to look at its preliminary submission. It has in there three options that provide it with the ability to defend its position, among other things, and to achieve some growth. Two of those three options do not require equity, that is, they do not need any more money, so Snowy Hydro does not need to borrow. In my view, those are the only options that should be pursued. Going forward, this is the way the scheme will be managed in the future. I believe it is totally unacceptable for the scheme's water resources to be used purely as fuel for electricity production and trade. I do not believe it is good water management for Snowy Hydro to continue to maintain its obligation to release minimum quantities of water annually at times of its choosing, and to retain complete control over/above target water.

The necessary change in focus and corporate culture will only occur if the water licence is redrafted to achieve equity for all stakeholders by appointment of a board and chief executive with the requisite range of skills to manage the organisation going forward and by governments being prepared to give clear direction to the board as to required outcomes. They cannot leave the organisation to run its own course.

I would just like to mention to the Committee that I believe to get a balanced view the Committee should be talking to the Murray-Darling Basin Commission, if you are not already going to do so, and to New South Wales State water to get their views on how the water is being managed to date and also with respect to the market, the energy regulators, which are the AER, AEMC and NEMMCO. I think that those organisations should be able to provide some clear insights into the operation of Snowy Hydro. I would like to briefly make one correction.

CHAIR: I make the point that we are speaking to New South Wales water and the Murray-Darling Basin Commission. They will be speaking to us further.

Mr TALBOT: Very good.

CHAIR: At this moment we are not talking with the national electricity people.

Mr TALBOT: I believe that it would be good policy. I would just like to mention that in my submission, because of information that I received just by talking around the community, there was a belief that Snowy Hydro had purchased an office building in Sydney. I understand from further

information as recently as yesterday that that is not the case, so maybe Snowy Hydro might like to confirm or deny that assertion at some stage because it is still, I guess, a rumour in the community that they have purchased a building in Sydney—an office building, that is.

CHAIR: Are you referring to city offices?

Mr TALBOT: Not their rented office at O'Connell Street, no, but that they had purchased a separate building for their own use as in purchase, not as in rental.

CHAIR: Snowy Hydro may care to answer that at a later date.

Mr MORSE: I would like to thank the Committee for the opportunity to appear here today. By way of opening remarks on the continuing public ownership of Snowy Hydro, I wish to make six brief points. Firstly, I believe that public ownership of Snowy Hydro is primarily about control of a very significant quantity of water, 2,700 gegalitres per year. That is enough water to supply Sydney at its current requirements for five years. That is the amount of water that is collected and stored by Snowy Hydro each year—enough to supply Sydney for five years. Secondly, the control of water is about governments retaining options for 10, 20, 50 years, up to the year 2078 and beyond when we will have as yet unthought of water management and infrastructure issues to address.

Thirdly, continued public ownership of Snowy Hydro is about governments needing to explore new management regimes for this unique corporation. Fourthly, the decision by governments to corporatise the Snowy Mountains Hydroelectric Authority over the period from 1994 to 2002, given the imminent establishment of the national electricity market, was I believe an appropriate and farsighted one. It is a decision that I think will be vindicated by the very successful way in which Snowy Hydro has operated and the aggressive way that it has operated in the market. However, the protection afforded to Snowy Hydro by the so-called 46 agreements meant that the corporation could not be privatised without drastic consequence for Australian taxpayers. An example of this would occur when at some stage before the year 2078 governments need to buy back control of their, or in fact, our, water.

Fifthly, I believe we need to develop a bipartisan intergovernment body developed among the three equal voting shareholders, the governments, to set broad management philosophies that reflect the unique entity that Snowy Hydro is. This will involve balancing electricity generation, water management and broader socioeconomic issues. This body, perhaps the Snowy water commission, would advise on the appointment of a board that would operate a management philosophy in accordance with these development principles beyond simply maximising return on investment. Finally, I want to commend and accentuate the importance of this inquiry. To date, the lack of informed debate on technical and other issues involved in the proposal to sell Snowy Hydro has been alarming, to say the least. The only views that have been publicly expressed that I have come across have been New South Wales Treasury and its views, I suggest, are informed by Snowy Hydro executives and the financial industry—all who have vested interests in selling Snowy Hydro to the highest bidder.

That is all quite legitimate, of course, but where is the other side of the debate? This inquiry has the opportunity to canvass not only the legitimate emotive reasons for stopping the sale of Snowy Hydro but to independently assess the views of this above-mentioned group against the long-term public interest aspects of continued public ownership of Snowy Hydro. The inquiry may indeed produce the first step to a national integrated water policy. Just one comment I wish to make is that I have just received a copy of the Snowy Hydro submission. I note that it is a preliminary submission. I understood that submissions closed on 26 June and I wondered.

CHAIR: Mr Morse, we are leaving that close date flexible because there are some issues that have been raised, even this morning, where questions have been asked and I have even said that Snowy Hydro Limited, for example, might care to answer those questions. I want to see the answers, not just the submissions.

The Hon. MELINDA PAVEY: As may you.

CHAIR: Yes, as may you, Mr Morse. If there are issues that you feel are brought up by other people or by councils, we will accept a later submission by you or anybody else. We are not closing off finally until we get to the point of writing the report.

Mr MORSE: Thank you very much. That concludes my remarks.

The Hon. PATRICIA FORSYTHE: This question is directed to both of you, I suppose. What was your attitude to the original decision to corporatise Snowy Hydro?

Mr MORSE: Well, as I have said in my remarks, and I am speaking retrospectively because I was not involved in it at the time, but having been very actively involved this year since I heard the decision to privatise, the further I looked into the decision to corporatise the more it made sense—the arguments as to whether or not the hydroelectric authority was in a position to operate in a national electricity market. Again, I am not an expert, but from all of my observations it appeared to be the right decision. As I have said, that decision appears to have been vindicated from the very successful way in which Snowy Hydro has operated. Just look at its balance sheet and the way it operates. It has been a very successful operation with a check and balance of ultimate government ownership.

Mr TALBOT: I suppose at the time I had mixed feelings about corporatisation because there was a model in place at the start of the national market with the formation of Snowy Hydro Trading Pty Limited by the governments, and that company on-sold or traded in the market the output from the Snowy scheme. That created some logistical problems and some problems between the two organisations. So, on balance, just to put the two organisations together was a logical thing to do, provided that all the agreements, et cetera, were robust enough to sustain that or underpin it. In particular I think the water licence, which clearly underpins Snowy Hydro's operations, was not adequate, if you like. It may have been adequate under government control in government hands. In my belief, it certainly was not adequate to protect the national interest in private hands. That is basically my reasoning for opposing what has been proposed.

The Hon. PATRICIA FORSYTHE: Mr Talbot, in the supplementary submission that we have received today, for which I thank you, you make reference to needing to ensure that we rigorously scrutinise Snowy Hydro's growth plans to ensure that they are appropriate and in the public interest. Could you give me your view of what you think would be the public interest?

Mr TALBOT: I think the public interest is certainly that Snowy Hydro maintains its position in the market, that it continues to be able to generate sufficient income to maintain the infrastructure that it has been handed. Without maintaining that infrastructure it needs to be realised that no water can be released because water can only come through the turbines and the turbines must be kept operational to release water from the scheme. So it has a responsibility to maintain the infrastructure and of course it can only do that if it has a presence on the market. But that does not mean that it must grow unchecked. If it does grow unchecked, that has implications, in my view, for the competitiveness of the market which those regulators I referred to really should be concerned about. We are already seeing a lot of vertical integration in the market—that is, generators owning retailers, and vice versa. To my mind, that is not a healthy outcome or not a healthy development from the market perspective. It is corrupting the market model which was no vertical integration.

The Hon. PATRICIA FORSYTHE: Finally, if privatisation had succeeded, what do you understand would have changed in relation to the water licence?

Mr TALBOT: I believe that the main core of the water licences, the minimum releases, would have had to have been met.

The Hon. PATRICIA FORSYTHE: I am sorry, I cannot hear you.

Mr TALBOT: The minimum releases would have to have been met. That is in the licence. But the timing of the release within a year and the way that Snowy Hydro managed that to the benefit of the irrigators may have suffered. I think that this playing behind information classed as commercial-in-confidence would have increased. There are all sorts of implications that you may envisage if you look at things like Sydney Airport, which is now a property development company not an airport. In those sort of circumstances, the world is your oyster, I suppose, once it is privatised.

The compensation payment that Mr Morse referred to I think was the biggest bogeyman in the whole thing. If governments changed that licence in the future in any way that impacted on Snowy Hydro's bottom line, they would be up for compensation. That compensation would be net present value. It could have been billions or hundreds of millions of dollars. It may have even been billions of dollars at the end of the day that future generations would have had to have funded. Now, I do not believe that that was acceptable.

The Hon. TONY CATANZARITI: I have questions for Mr Morse and Mr Talbot. Mr Talbot, you have previously made comments at public meetings that commercial dealings between Snowy Hydro and the irrigators in the Murrumbidgee and Murray have been at unfair prices. What would have been a reasonable price in your opinion?

Mr TALBOT: I do not know that I actually said unfair prices. I think I intimated that the deals that I saw, where you had to pay significant amounts of money per megalitre to borrow water, in fact meant you did not get the water. You had to pay that water back in subsequent years and those prices to me seemed fairly high when you look at what is being paid for water in the market and they were tailored, not to what water might have been worth, but to what the water was worth to electricity generation and defending of market trading. So it is very difficult, I suppose, for somebody outside of Snowy Hydro to know exactly what a reasonable price might be, but I believe the price to borrow water was too high.

The Hon. TONY CATANZARITI: I say that because I know that the irrigators are quite keen to continue a relationship with benefits to both parties.

Mr TALBOT: Yes. I am sorry, when you are desperate, I suppose you can pay all sorts of prices, can't you, if that means the difference between planting a crop and getting some income and not planting a crop and going out backwards.

The Hon. TONY CATANZARITI: My question to you Mr Morse is that you also have suggested in public comments that the timing of release of water from the Snowy to western rivers is critical and the Snowy's control over such releases means that irrigators can in effect be held to ransom. What evidence do you have to support those statements?

Mr MORSE: Just the contract. As I demonstrated and the barrister's opinion supports, the only legal obligation regarding the annual water operating plan is that Snowy Hydro has to prepare it. It is not practically or legally enforceable. The Murray-Darling Commission does not in fact get even the quarterly releases. However, the plan is prepared and Snowy Hydro and, as it is entitled to, it can allow the generation of electricity from storage water to take precedence.

The Hon. GREG DONNELLY: Mr Morse, the Snowy River dam does not release directly to the irrigators, does it?

Mr MORSE: No.

The Hon. GREG DONNELLY: That is an important point that is sometimes misunderstood. It releases water into holding dams and it is from those holding dams that the water is then released to the irrigators. It is not an issue of Snowy Hydro holding back water. That water is released from these holding dams.

Mr MORSE: It is a question of the capacity of those holding reservoirs. If Snowy Hydro wishes to generate, the water will go down the river. I understand that the air space at Blowering are of the order of 100 gegalitres, which is not a significant amount. Again, it depends on the status of that air space when the Snowy Hydro needs to generate. This is completely legitimate. I am not suggesting there is anything wrong in the way Snowy Hydro operates. It has been set up with a certain economic structure and it quite rightly operates in that way. I am suggesting that we need to look at this in a completely new way and that Snowy Hydro should be pointed toward operating in a different way; that is, with an overview body, not to interfere in its day-to-day operations but to nudge it in the right direction. On the one hand, Snowy Hydro has been looking after irrigators, which is logical leading up to privatisation. Apart from a couple of years I spent working in Tasmania, I have spent all my life

working in private enterprise. If a company has a commercial advantage, it is obliged to use it under the fiduciary duties of public company directors.

The Hon. AMANDA FAZIO: Mr Talbot, you have said that you think Snowy Hydro can go along in the way it has. You stated in a letter to the editor to the *Snowy River Echo* that Snowy Hydro does not need to grow. Do you have any economic basis for that statement?

Mr TALBOT: It depends what you mean by "economic". I believe Snowy Hydro has a unique position in the electricity market. With the backing of the Snowy scheme it would generate 3,700 megawatts of electricity. As the market grows, its share of that market will also grow. In my view, Snowy Hydro has an assured position in the market. As people have been saying, it will not wither and die; it will maintain its position. It does not need to grow at anywhere near the rate being promoted by the proponents of the sale. They were talking about \$1.5 billion being needed over the next five years, among other things to buy distribution or retail businesses in Queensland, to set up another 100-person call centre and to go into property development. All of those things are outside the core business of the Snowy Hydro. I draw the Committee's attention to the last page of my submission, which has a little quote from Jack Walsh, who was the last CEO of General Electric in the United States. He talked about the Enron debacle. There is a danger that Snowy Hydro is moving down that path if it continues unchecked.

Ms SYLVIA HALE: Mr Talbot, on page 10 of your submission you have expressed reservations about bonds. You say, "to my mind, depending on the structure, bonds can result in privatisation by stealth and should be avoided". Would you like to expand on that and state why you have those reservations?

Mr TALBOT: It depends on the type of bond. I am not sure what is being proposed. Some bonds are tied to profitability. So the drivers are the same as they would be for the shareholders.

Ms SYLVIA HALE: What, that the company is successful?

Mr TALBOT: It is my point of view and it might be wrong, but it can be privatisation by stealth.

Ms SYLVIA HALE: The question of the water licences is critical to this discussion. On page 14 you observe that there are no specific penalties for failure to meet licence conditions, and Mr Morse suggests that they are not legally or practically enforceable. The Committee has heard a counter view that if the executives of Snowy Hydro fail to release the water they should be subjected to penal sanctions. Would you like to comment on that?

Mr TALBOT: Penalties under the licence are imposed after two failures to release the minimum quantity of water in any 10-year period. That is not an onerous requirement. Snowy Hydro can meet that successfully. There is not much chance that it would ever do something to invoke those penalties. With regard to the criminal penalties, they relate only to the Environmental Protection Act. If they release water down a river or do some significant environmental damage, they will be fined a maximum amount under that Act. I do not believe anyone in Australia has had that fine imposed. They could go to gaol, but I do not think that is remotely possible or even likely.

Mr MORSE: I used that term "practically or legally enforceable". The first document I looked at was the water licence. The components of the licence deal with the 2088 gegalitres, environmental protection and the water operating plan. There are certainly penalties that relate to the Act, but the issue is that I do not know whether they would be imposed. I looked at the annual water plan and from my background there is an obvious conflict between that and Snowy Hydro's right to store water. One of them has to give way. The barrister's opinion that I got supported the view that the water operating plan one would give way. There are certain obligations with the preparation of the plan, but that was the only statement I referred to. I suggested that a review of the water licence might reveal that that particular issue had been misrepresented to us and that that might be the case in other areas.

CHAIR: Thank you for your submissions.

CORRECTED PROOF

(The witnesses withdrew)

ALISTAIR HENCHMAN, Director Southern, Department of Environment and Conservation, PO Box 733, Queanbeyan, affirmed and examined:

DAVID GEORGE DARLINGTON, Regional Manager, Department of Environment and Conservation, PO Box 733, Queanbeyan, sworn and examined:

NICOLE PATRICIA SHOTTER, Department of Environment and Conservation, Principal Snowy Hydro Liaison Officer, PO Box 2228, Jindabyne, affirmed and examined:

CHAIR: Mr Henchman, I understand that you will focus on national parks issues, the removal of old infrastructure and so on, and that on Friday the Committee will hear from another departmental officer concerning the environmental flow issues.

Mr HENCHMAN: That is correct.

CHAIR: We will not be talking about the flow today. Do you wish to make an opening statement?

Mr HENCHMAN: No, I think we have covered the point I wanted to make, which is that we are here to answer questions about the national park and other officers from the department will address water flow later in the week.

The Hon. PATRICIA FORSYTHE: As part of the Snowy Hydro corporatisation process some funding was given to the parks for remediation in this area. Can you outline the benefit for Kosciusko National Park as a result of the corporatisation of Snowy Hydro?

Mr HENCHMAN: A number of sites throughout the park are no longer required for Snowy Hydro operations. These were assessed and divided into two groups: major sites and minor sites. We are in the process of receiving \$25 million for the rehabilitation of the major sites. Payments have been made in \$5 million allocations each year. I think there is one payment to go. We received a lump sum payment of \$7 million for the rehabilitation of minor sites. We have major projects on those sites, assessing the sites and—

The Hon. PATRICIA FORSYTHE: Is that \$32 million? Are you saying \$25 million plus \$7 million?

Mr HENCHMAN: That is correct.

The Hon. PATRICIA FORSYTHE: How much of that \$32 million has been spent so far on remediation?

Mr HENCHMAN: Approximately \$3.3 million on addressing a couple of the major sites and a number of the issues with minor sites.

The Hon. PATRICIA FORSYTHE: Is that on the actual remediation?

Mr HENCHMAN: Yes.

The Hon. PATRICIA FORSYTHE: What about the rest of the funds?

Mr HENCHMAN: We are planning a long-term program. There is significant work to do on these sites, particularly with weed control and physical works on reshaping these sites and revegetating them. We have a long-term plan. So we have a long-term plan. We intend to be doing this work probably for the next 20 years or more.

The Hon. MELINDA PAVEY: Where is the money sitting? Is it in a separate account, available to be drawn down or has it gone into recurrent funding?

Mr HENCHMAN: It is sitting in an account that enables us to have the benefit of the interest earned on it. So far we have managed to retain the value of the money in the account. At this stage we are only spending down the interest. We think that will change over time as we get into some of the more major works.

The Hon. PATRICIA FORSYTHE: Where does all that fit with the Snowy management plan? What stage have you reached?

Mr HENCHMAN: The Snowy management plan was made at the time of corporatisation. It is a plan of management under our legislation. It sits alongside the Kosciuszko National Park plan of management, which is the general plan that covers our operation for the park as a whole. The Snowy management plan addresses in particular the operations of Snowy Hydro Limited in the park.

The Hon. PATRICIA FORSYTHE: Was it anticipated that anything would change had we moved to privatisation?

Mr HENCHMAN: No, we did not anticipate any change in the governance arrangements from our perspective.

The Hon. MELINDA PAVEY: Why did you engage a so-called representative community forum in the development of the draft Kosciuszko plan of management, but you did not give it the courtesy of seeing the draft that you recommended to the Minister?

Mr HENCHMAN: In the preparation of the Kosciuszko review and the preparation of the new Kosciuszko plan of management we conducted an extensive consultation process, both in the preparation of the draft document and that part that involved the community forum. We placed the draft plan on exhibition and we received over 11,000 submissions on that draft plan. Basically, the work of the community forum was to assist us in preparing that draft document.

Once the plan goes on exhibition we follow a statutory process to analyse submissions and consult with our advisory committees. We have standing advisory committees for each region that we operate from and there are two that look at Kosciuszko. So we had consultations with those advisory committees and the statewide advisory council. We then go back to those advisory committees before passing the recommended final plan to the minister for adoption.

The Hon. PATRICIA FORSYTHE: Is Snowy Hydro a good corporate citizen within your park?

Mr HENCHMAN: Yes.

Ms SYLVIA HALE: Christopher Adams, the general manager of Tumut Shire Council, talked in his submission about the focus on the rehabilitation of the park. He expressed concern about the fact that the cultural and heritage value of some of the work sites could be lost if they are removed. Do you take those considerations into account?

Mr HENCHMAN: Yes, we certainly do. I emphasise that the sites that are the subject of the rehabilitation works we are undertaking are the sites that were identified at the time of corporatisation as being no longer required for the operation of Snowy Hydro. There are also provisions in the lease that if a site that is currently operational for Snowy Hydro is no longer required by them; they can go through a process of remediating those sites. But in relation to the sites for which we have responsibility, we assess the heritage values of each site before we do works on it. We have a broad strategy for dealing with the sites as a group as well as individually.

The Hon. MELINDA PAVEY: Going back to the Snowy management plan, I understand that this has been an ongoing process. It has been suggested that some draft chapters of the Snowy management plan have been with you for some time. Is that right?

Mr HENCHMAN: No. The Snowy management plan was completed some time ago. This is what Snowy Hydro calls the environmental management plan.

The Hon. MELINDA PAVEY: So you have the Snowy management plan and the environmental management plan?

Mr HENCHMAN: The corporate arrangements or the arrangements around corporatisation basically identify what is called the existing scheme development, which is all infrastructure that existed at the time of corporatisation. For that infrastructure there is a deemed approval, so all that stuff complies with New South Wales law as at the time of corporatisation. We have an arrangement through the Snowy management plan to have an environmental management plan for all existing operations of Snowy Hydro.

The Hon. MELINDA PAVEY: Not future ones?

Mr HENCHMAN: Not future ones. So that environmental management plan is prepared. A number of chapters were identified that need to be included in the environmental management plan. We are working with Snowy Hydro to produce and finalise each of those chapters so the existing operations of Snowy Hydro will be done in accordance with those requirements.

The Hon. MELINDA PAVEY: Are you happy with its progress?

Mr HENCHMAN: There are a lot of complex issues. It has not gone as quickly as people expected at the time of corporatisation, but we are working through those issues.

The Hon. MELINDA PAVEY: What are the complex issues?

Mr HENCHMAN: There are a whole range of chapters that relate to things like Aboriginal heritage, aircraft management, emergency management, pest species, historic heritage, public health and a whole list of detailed matters like that. A number of the chapters have been finalised.

The Hon. MELINDA PAVEY: But some have been waiting a couple of years to be finalised, have they not?

Mr HENCHMAN: We have been working through the chapters with Snowy Hydro, drafting and finalising the chapters. It is Snowy Hydro's role to draft up the chapters. The majority of chapters have been agreed at an officer level, if you like, and they are just awaiting some final processing before they are signed off. A couple of the chapters are still being discussed.

The Hon. MELINDA PAVEY: On a related issue, something that came to my attention when I was talking to some locals. This is not a current day issue; I think it happened prior to corporatisation and even before the current managing director. It relates to the township of Cabramurra which, as you would know, is quite near Mount Selwyn snowfields. There was a suggestion at the time that Snowy Hydro could rent out some of the towns during the winter months at Cabramurra and get an income for that and families could go to a cheap place to have a holiday 14 kilometres from the Mount Selwyn snowfields. I think a practice was happening along those lines, but the National Parks and Wildlife Service did not agree with those philosophies and it was stopped. Is that right? I am trying to get a record of what happened.

Mr HENCHMAN: That is not correct. During the recent plan of management process that we have been through that issue was raised through that process. Basically, the Kosciuszko National Park plan of management allows for accommodation to be provided in Cabramurra for visitors to the park. So the plan of management allows for that to occur.

The Hon. MELINDA PAVEY: That has just come in?

Mr HENCHMAN: That is correct.

The Hon. MELINDA PAVEY: What happened prior to that?

Mr HENCHMAN: I need to finish on an earlier point. The lease that we have with Snowy Hydro in Cabramurra does not currently allow for public accommodation to be provided at Cabramurra because the lease relates to the operations of Snowy Hydro. The plan of management

amendment allows for Snowy Hydro to approach us to have the lease amended to allow for that accommodation.

The Hon. MELINDA PAVEY: So the content of my question was appropriate prior to the Kosciuszko plan of management release, which occurred only in the last month?

Mr HENCHMAN: Yes, I believe so. I believe that previously that accommodation was not allowed for general tourism in Cabramurra.

Ms SYLVIA HALE: Each chapter of the environmental plan is worked through with Snowy Hydro?

Mr HENCHMAN: Yes.

Ms SYLVIA HALE: They are then signed off. Is there any opportunity for public scrutiny of whatever arrangement you come to with Snowy Hydro prior to it being signed off?

Mr HENCHMAN: No, there is not.

Ms SYLVIA HALE: Has any public dissatisfaction ever been expressed about that state of affairs?

Mr HENCHMAN: No.

The Hon. GREG DONNELLY: Could you describe the difference between leased areas and licensed areas in the national park?

Mr HENCHMAN: Yes. Generally speaking, leased areas have major infrastructure in place. Referring to public access, a leased area may have components where access is not available to the public, for example, for safety reasons, whereas a licensed area tends to contain infrastructure that is linear in nature, such as powerlines, pipelines and things like that, or I suppose activities that are more transient and public access is generally permitted right across those licensed areas.

The Hon. GREG DONNELLY: Are there any contaminated areas within the park that have not been addressed, either by Snowy Hydro or by the Government?

Mr HENCHMAN: No.

The Hon. GREG DONNELLY: Have they all been addressed in one way or another?

Mr HENCHMAN: There are none that we are aware of.

The Hon. GREG DONNELLY: Has Snowy Hydro ever breached its lease arrangements with respect to the park?

Mr HENCHMAN: No.

CHAIR: Are you responsible also for the removal of old car bodies and things like that, which does not go back to the construction phase?

Mr HENCHMAN: That is correct. On the sites for which we are responsible, under the corporatisation arrangements scrap metal is something we have a lot of.

Ms SYLVIA HALE: Under corporatisation, the scientific committee was supposed to be set up to deal primarily with flows into the rivers. If that committee had been established would it have had any implications for your activities apart from the flows into the rivers?

Mr HENCHMAN: My understanding is that the scientific committee would be totally focused on environmental flows, so it would not affect other activities.

The Hon. TONY CATANZARITI: Ms Shotter, could you tell us a little about cloud seeding? Who pays for cloud seeding?

Ms SHOTTER: Snowy Hydro, so far as I understand.

The Hon. TONY CATANZARITI: What is the purpose of the cloud seeding trials?

Ms SHOTTER: I could give you my understanding of it and the purpose of it, but it is probably best to ask Snowy Hydro.

CHAIR: We did that this morning. Thank you for your presentation today.

(The witnesses withdrew)

(Luncheon adjournment)

GLENICE ISABEL WHITE, Assistant Secretary, Snowy River Alliance Incorporated, P. O. Box 622, Orbost, and

JOHN GILBERT RICHARDSON, Deputy Chairman, Snowy River Alliance Incorporated, P. O. Box 188, Orbost, affirmed and examined:

RUPERT MAX WHITE, Treasurer, Snowy River Alliance Incorporated, P. O. Box 622, Orbost, sworn and examined:

Mrs WHITE: I live at Orbost in Victoria, about 11 kilometres up the Snowy River from its mouth.

CHAIR: You live just down the road from Gelantipy.

Mr RICHARDSON: A fair bit down. I have lived long term close to the Snowy River. Mr Chairman, thank you to the opportunity to speak about the future of Snowy Hydro Limited. Firstly I wish to comment that speaking under oath to me, as a layman, is both intimidating and restrictive. It limits the opportunity to explore genuine possibilities for the future operation of the publicly owned Snowy Hydro Limited. It makes no difference to honest people and very little difference to dishonest people. Having said that, with regard to the current situation, the three governments involved had no moral right to sell the scheme built by Australians, paid for by Australians, for this nation.

It should be noted that had the sale gone ahead, these three governments had no intention of returning the proceeds to water and irrigation infrastructure to improve water use and efficiency in the Murray-Darling Basin. Currently the Murray-Darling Basin is losing to evaporation and transmission 4,000 gegalitres a year, which is enough water to do an awful lot of good for this country, or to improve the environment of the rivers degraded by the Snowy Hydro Scheme. If Snowy Hydro was to be such a great investment for private enterprise, it remains a great investment for Australian people under public ownership.

With regard to investment in maintenance and power generation, I respectfully suggest that the governments involved refrain from extracting the profits of Snowy Hydro as dividends and reinvest up to \$150 million a year annually back to the company until it is satisfactorily maintained and commercially competitive. The New South Wales Government is in contravention of the corporatisation agreement in as much as it has not established the independent scientific panel to recommend and oversee releases of water to the environmental flows of all the rivers affected by the scheme, in respect of the timeliness of releases for irrigation to the Murray and Murrumbidgee rivers, and because there is no authority in place since corporatisation to recommend and supervise these releases.

Snowy Hydro has taken liberties with the intent of the agreement in regard to Cobben Creek and Mowamba releases of water to the Snowy River. It is a sad fact that Snowy Hydro has a disturbingly negative attitude to the degradation and subsequent rehabilitation of rivers affected by the scheme. Snowy Hydro's responsibility to the environment of the land it occupies should be in line with current requirements for all land managers, such as mining companies. Rehabilitation of construction sites should be an accepted requirement of all disturbed areas within Snowy Hydro's management. From the perspective of the Snowy River Alliance, it is critical that Snowy Hydro accepts the intent of the corporatisation agreement and makes every reasonable effort to expedite the rehabilitation of the Snowy River.

Currently major financial losses are being experienced by landowners on the floodplain, and the ecology of the river is degrading at an ever-increasing rate in the upper reaches. It is imperative that Snowy Hydro Limited remain in public ownership to supply environmentally friendly power to this nation and also to keep in public ownership the largest and most important body of freshwater in south-eastern Australia for the continued creation of wealth for all Australians. We must never export income from this magnificent facility to private/foreign investors.

Mrs WHITE: I will start with the control of water regulation. I believe, or we believe, that the control of water regulation is set out in the legislative documents that were last printed on 3 June

2002 and that Snowy Hydro should be made to abide by these regulations. Unfortunately I have yet to find a penalty clause anywhere in the documents which would say that if these laws are not abided by, then Snowy Hydro has to make amends in one way or another. I bring into question the fact that the new infrastructure on Jindabyne Dam is now running at least 12 months behind time. I was speaking with a member of Snowy Hydro just a few days ago. Incidentally, it is the first time since 1974 that we have been able to get any conversation at all with Snowy Hydro, and we have been trying for the last 32 years. He said the infrastructure would not be finished until the end of December.

We were at a meeting in Berridale a couple of months ago when Minister Della Bosca was there and his adviser told us that the infrastructure would be finished by June. Now we are wondering whether the infrastructure will be finished by this December or the next June, or the next December. Surely Snowy Hydro should be brought to account on that because it was not meant to turn off the Mowamba Dam until the infrastructure was complete.

CHAIR: I will endeavour to get an answer to that question. Members of Snowy Hydro Limited are here. They will be making a submission. We have asked them to answer any questions. Your question has been recorded, and I hope we will get a reply for you.

Mrs WHITE: The next item concerns the social cohesion and stability of the communities around Snowy Hydro, above the dam, west of the dam and certainly below the dam. The irrigation water which Snowy Hydro provides west of the Divide has been and has made a remarkable contribution to the social cohesion and stability of the people in the communities along the Murray River and the Murrumbidgee irrigation areas, but unfortunately that same cohesion and stability below the dam wall has never ever been investigated or thought about, nor have the people been compensated for anything that was taken away from them when the whole of the river was cut off and we received two teaspoons of water for every litre that they took. That has been a national crime. It is time that the authorities and Snowy Hydro got themselves off their backsides and remedied that fact.

The Hon. MELINDA PAVEY: What would be an acceptable level of teaspoons out of every litre from your group's point of view?

Mrs WHITE: We have been asking for 28 per cent of the average natural flow. That amounts to approximately 300 gegalitres. I have here some further information, if you would care to accept it, which concerns that very point.

Document tabled.

CHAIR: You have raised a huge question about who owns the water.

Mrs WHITE: Precisely.

The Hon. TONY CATANZARITI: What are the arrangements for water regulation?

Mrs WHITE: Do you mean since the Mowamba weir—

The Hon. TONY CATANZARITI: What are they now?

Mrs WHITE: According to the gentleman I was speaking with at Snowy Hydro a couple of days ago, the water from the dam amounts to 100 megalitres a day. However, that is a great improvement on what it was just a couple of months ago.

The Hon. TONY CATANZARITI: How would the arrangements for water regulation have changed in a privatised model?

Mrs WHITE: If you privatise anything the bottom line is profit. I have been around this world for a while and it has been my experience in the past 30 or so years that we have been dealing with governments that at the shake of a few coins will change their mind and go in the direction of the people who are shaking the coins. We do not trust governments to keep their promises. Just because Snowy Hydro or the Government said the water to the west and the environmental flows are guaranteed, that does not mean to say that in five years if there is a change of government and the new

government has the majority in both Houses, or that if Snowy Hydro says it cannot make enough profit that it will change these agreements. That will be done. We do not trust them not to do it.

The Hon. TONY CATANZARITI: Who can make changes to those agreements?

Mrs WHITE: It has to be done with the agreement of all governments according to the legislation.

The Hon. TONY CATANZARITI: Who has the ownership of the water?

Mrs WHITE: The people at the moment, fortunately, have ownership of the water because they can influence their governments about what is to be done with it.

The Hon. PATRICIA FORSYTHE: Who would own the water after privatisation?

Mrs WHITE: If you give away the right to collect, store, divert and use for private profit the rights to water that then becomes the property of the person buying the company. It is moved out of the hands of the people. It has nothing to do with the people. To say that we are not selling the water is splitting hairs and trying to put a spin on something that should be more honestly stated.

The Hon. TONY CATANZARITI: Can you then explain how this would all happen and how you see it as a massive change?

Mrs WHITE: I do not understand.

The Hon. TONY CATANZARITI: As far as the water is concerned, how do you see that changing with privatisation, if it comes to that?

Mrs WHITE: The privatised company says it can make better use of the water. It may even decide after a few years that it is not getting enough profit and it would say to the Government that it gives this water to the west for nothing and that it wants to put a charge on it. The Government would not be able to do anything about it.

The Hon. TONY CATANZARITI: If I said that water will not be the issue in a privatisation situation, what would you say to that?

Mrs WHITE: I do not believe it. It would have to be the issue, particularly if Snowy Hydro were to retain its core business of providing peak-power electricity. If Snowy Hydro wanted, as it does, to go into other areas of electricity provision, maybe that should become a different arm of the company. Its core business at the moment is to provide electricity, which provides the power to send water to the west. It provides a small amount of electricity to the south eastern grid—no more than 5 per cent. Water will be the most important facet in a few years.

The Hon. TONY CATANZARITI: You do not believe you are overreacting.

Mrs WHITE: Not at all.

CHAIR: Mr White, taking into account what has been said about the requirement for more water in the Snowy River itself, I presume that is for environmental reasons. Having driven along that road, I do not remember seeing any take-off points; there is no irrigation through there. Am I correct?

Mr WHITE: That is correct.

CHAIR: It would be purely for environmental reasons to keep the river healthy and well stocked with fish.

Mr WHITE: That is correct. Before the committee members go back to Sydney they should go along the Barry Way and see the state of degradation in the once mighty Snowy River. It is a bloody disgrace to our nation. Go and look at Jindabyne, where you see the headwaters of the Snowy River. It is a sewerage plant. Where else in the world or in Australia would that be allowed? Look at

Dalgety. What a putrid little stream! There is nothing there. It is the same at Orbost and Marlo. It was once a beautiful estuary. It is now in a sad state of degradation. It is a disgrace.

The Hon. PATRICIA FORSYTHE: But you have fought that battle and won it. You have the guarantees. What was going to change with privatisation?

Mr WHITE: Privatisation can only make it worse. The bottom line is profit and there is no profit in sending water down the Snowy River to try to improve it, or partially improve it.

The Hon. PATRICIA FORSYTHE: But there is an agreement.

Mr WHITE: We have all read the agreement. We have all listened to the spin from Mr Della Bosca and we do not believe one word. I am talking about those of us in the reaches of the Snowy. We believe that if it is privatised profit will be the motive. Forget about the environment. What about those poor irrigators over in the west? They get their water for nothing out of Hume, Dartmouth and Blowering. When it is privatised and there is little water private enterprise will want to put a charge on it, even though the legislation says it cannot.

I have a question. Will the Committee be examining the role of Snowy Hydro and whether it can be replaced by a more friendly organisation that will look at the environmental degradation of the Snowy?

CHAIR: One submission raises an alternative form to Snowy Hydro Limited. At the appropriate time the Committee will be looking at that.

The Hon. PATRICIA FORSYTHE: The alliance raised an issue I would like to pursue. Mrs White, you raised the issue in your oral presentation of the delay in the works on Jindabyne Dam. Are you making an allegation? We know that there was a completion deadline and that it has not been met. What are you saying by raising that issue?

Mrs WHITE: I am saying that according to the legislation the infrastructure on the dam was meant to be finished three years after the corporatisation. In August it will be 12 months late and it will be finished before the end of December according to Snowy Hydro. We were told a couple of months ago it would be completed by June. How many more six-month periods will we have to wait?

The Hon. PATRICIA FORSYTHE: Other than that being a fact, what is the point you are trying to make in giving us this information? What are you trying to say?

Mrs WHITE: We are trying to say that Snowy Hydro appears to be its own boss and it makes its own rules and regulations. It also does not have to follow the rules and regulations because, as has been mentioned quite a few times today, the reactivation of the Mowamba weir was not meant to be done until the work was finished and operational. That did not happen; Snowy Hydro cut off the water and we are still waiting for the work to be finished. How long must we wait? At the moment, 100 megalitres a day does not translate into 38 gigalitres a year. That is what we should be getting.

The Hon. AMANDA FAZIO: Are you aware of the reasons for the delays?

Mrs WHITE: Yes, we have been told that it is because of rock structure, contractors not fulfilling requirements by due dates, they had to shift various parts, put in a new spillway and other reasons. I am not a technical person, but these problems have all been addressed before. They should have known about what difficulties would come up. It appears that they did not know. Someone has fallen down on the job and it will now be almost two years behind schedule. I have heard, and this is only hearsay, that it may never be finished.

Ms SYLVIA HALE: Are you saying Snowy Hydro was under a moral and potentially legal obligation not to divert water from the Moonbah River until the new works at Jindabyne were completed and that this is an indication of how Snowy Hydro is prepared to act in its own interests rather than the in the interests of the broader community?

Mrs WHITE: Yes.

Mr RICHARDSON: When the Mowamba weir was decommissioned and the water was run down the Snowy, the Snowy enjoyed an additional flow of 100 megalitres a day varying to just over 1,000 megalitres a day. The Snowy Hydro Corporatisation Act can be interpreted to say that that water should not have been shut off until the spillway was completed and operational to release environmental flows to the Snowy.

On the third anniversary to the day, Snowy Hydro recommissioned the aqueduct and immediately the average flow flattened to 100 megalitres a day. I believe there was an accident with the pipe and that was when Dalgety ran out of water. The fact remains that it was not morally responsible but it could be argued that it was legally responsible. The intent of the corporatisation agreement indicates that the Mowamba should still be running into the headwaters of the Snowy.

Ms SYLVIA HALE: I note in your submission that you draw attention to what you believe is a deficiency in the terms of reference, namely, the consideration of environmental impacts. You believe—and I hope I am not misrepresenting you—that in any discussion or consideration of continued public ownership it would be insufficient for the Committee not to have regard to those environmental impacts on the operations of Snowy Hydro?

Ms WHITE: Certainly, yes. Apart from environmental considerations, the people below the dam have never been paid any compensation for the water that was taken from them. As Mr Wallace said this morning, their farms were dependent on Snowy River waters. All the way along the river that was the case. Now we are asking that the environment of the Snowy be improved. We do not expect it to be brought back to what it was before 1967—it would be totally irrational to expect anything like that—but we do expect the environment of the Snowy to be improved so that it can maintain itself as an ecological entity.

The people will not be able to access any more water, but at least they might be able to catch a few fish or something in it. There is more to it than that, of course, because the estuary at the bottom of the river, an enormous estuary that used to be a prolific nursery for the coastal fisheries, is now virtually non-existent. The mouth of the river keeps blocking up so that the wetlands become saline, the vegetation dies and it is just becoming more and more degraded. So the extra flow in the river will have a lot of beneficial effects, not just for the people of New South Wales.

The Hon. MELINDA PAVEY: While you are all members of the Snowy River Alliance I would like your opinion on what flow you would most like to receive going down the Snowy River, given that the Government has agreed to a 21 per cent flow. The goal, as signed off, was a 28 per cent flow. What would you ultimately be happy with?

Ms WHITE: Because I come from Victoria and because of the evaporation problems all the way along the river, my goal would be a 28 per cent flow. That would mean we would get some of the water. A 21 per cent flow does not really do much for the bottom end of the river, but a 28 per cent flow would make it much better.

The Hon. MELINDA PAVEY: Mr Richardson, what would you be happy with?

Mr RICHARDSON: I refer to three studies carried out on the Snowy River. One was by an expert panel, one was a scoping study done by the Government, and one was the Webster report. Two studies said 21 per cent, but the Webster report recommended 15 per cent. The other studies did not support that. The other two studies and another study done by Snowy Mountains Hydro said that a 21 per cent flow would help the Snowy River except in the lower reaches, where it was said that a 28 per cent flow might halt the degradation of the river in that area. So a 28 per cent flow is certainly a target that the Victorian section of the river would be hoping to achieve.

Mr WHITE: My response to that would be that 28 per cent would be the absolute minimum to achieve partial restoration of the Snowy. When there is extra water some extra flows should be sent down the Snowy as a flushing flow. That is essential if the Snowy is ever going to be anything like a partially restored river. A flow of 28 per cent would not do that; it would make the river run but it would not show the amount of restoration that we are hoping for on the Snowy.

CHAIR: Thank you for passionately presenting your case.

Mr WHITE: I wish to quote from something. You might already know this, but I think it is worth repeating. The quote reads:

The Snowy Mountain plan is the greatest single project in our history. It is a plan for the whole nation, belonging to no-one, no one state nor any group or section.

J. B Chifley

Thank you very much.

(The witnesses withdrew)

MARK ANTHONY GOODEN, Chairman, Murrumbidgee Region, Murray-Darling Association, 5 Day Street, Wagga Wagga, sworn and examined:

CHAIR: Do you wish to make a statement?

Mr GOODEN: For the information of those present, we represent over 90 local government areas throughout Queensland, New South Wales, Victoria and South Australia.

CHAIR: It is still pretty dry out there, is it not?

Mr GOODEN: It is still pretty dry out there, so I have a big weight on my shoulders. I am thankful for the opportunity to give this presentation. I believe you have a copy of our thoughts on this matter. As I said before, we represent quite a large group of people that are interested in water issues and in the sustainable development of our great nation. Only recently we became aware of this situation, and that prompted a reply to your inquiry. I have been told that you have copy of our submission before you. Let me give you a bit of background on some of my own thoughts on this matter. When we are looking for answers we sometimes need to look at the big picture.

Today we heard a lot about local issues, which is all very well, but we have to look back on history to see where we are at this point in time. I do not want to bore you but I have put together a bit of knowledge and experience over many years. I note that in 1850 Paul Stryzlecki discovered the Snowy Mountains. He and James Macarthur were the first one to go into that region. When Stryzlecki got back to Sydney he wrote a letter to the British Government and said, "Irrigation will be a measure of agricultural improvement in Australia." That man had enormous foresight. In 1880 a surveyor devised a scheme to send the water inland with aqueducts and dams over the top of the mountains.

I am a great fan of Samuel McCaughey. In the 1890s, at north Yanco there were 70 miles of channels in the Murrumbidgee Irrigation Area. He pumped the water out of the Murrumbidgee with a steam engine and grew enough lucerne to feed 70,000 sheep. A fourth man had a bit of a say when Burrinjuck was being discussed. They were talking about whether there would be private ownership or public ownership. President Roosevelt, the President of the United States of America, said on the day "that works of national significance should be in public ownership". That is some of the background from the thinking I have come up with.

In the early formation of getting together with the Snowy scheme, the original charter was for the production of electricity, and water was to be free to irrigators. I do not know whether that should be a statement or a question. I might turn it into a question because I would really like to know the answer to that question. It is my understanding that that was the situation. It has probably been changed but I understand that was the original charter. I have been interested in all these issues since 1949. My father took me to a meeting in Narrandera. From what I could gather, the government of the day was getting cold feet about going ahead with this. It went down there to see whether it could round up some support from irrigators to use a bit of the water that was going to be sent out.

The ideas we have today are certainly a lot different from the origins of this scheme. I suppose I should mention the submission that has been put in by my organisation. You have probably read that submission. We understand that at present Snowy Hydro Limited is quite profitable, so it should be able to run as a separate entity. We are also aware that there are profits, and that those profits could be turned back into maintaining and improving infrastructure and possibly getting into other areas such as private trading, which we know it does. We are aware that it is a major tourist area. No doubt that could be expanded with further private enterprise getting in there somehow or other.

We have had speakers from the National Parks and Wildlife Service here today, and that is interesting. When we are talking about that area, people who live out in the west are a little bit concerned about the water harvesting capacity of national parks. That is another area where, driving through today, I saw the trees. Some parts of New South Wales do not have so many trees and there would be possibilities of harvesting more water.

The Sydney Opera House naturally is heritage listed, and there are thoughts whether this venture should be national heritage. When you consider 121 people lost their lives in the building of that scheme, anyone who has read the history of the project would understand that. Anyone who was involved in that at all would be pretty reluctant to let someone, particularly an overseas company, have too much say in what will happen. That fact alone would be a good argument for keeping it very much in Australian hands. That is basically what I wanted to say.

CHAIR: It is refreshing to be reminded of some of the iconic features of the whole scheme. We remember with great appreciation all of those people who not only died on the site but the 100,000 who worked on the site in some deplorable conditions when they came to this new land and established their families here. It is good to be reminded of that heritage. The issues we are facing in the future are not only to remember and honour the past, but also to look at ways in which we can fund up the continued financial viability of the program of Snowy Hydro Limited into the future and its major emphasis these days, which is upon insurance within the electricity industry and the national grid. There is a conflict there. You have been talking about a history in relation to water and how important that is. For many people, as we have previously heard, this is still the foremost of issues. There is a conflict there between that and the issue of where you can generate, not just electricity, but money. We are trying to wrestle with those difficulties. I thank you for your contribution.

The Hon. TONY CATANZARITI: Mr Gooden—

CHAIR: Mr Gooden is one of your mates. He comes from the Murrumbidgee Irrigation Area.

Mr GOODEN: He might be going to give me an easy question.

The Hon. TONY CATANZARITI: There will be three or four of them, actually. Under the Constitution, who has responsibility for water management?

Mr GOODEN: I cannot answer that. You probably know that more than I would. No, I cannot answer that question, I am sorry.

The Hon. TONY CATANZARITI: We might move on to another one. There is some suggestion that New South Wales cede all its water management to the Murray-Darling Basin Commission. What are your thoughts on that?

Mr GOODEN: That New South Wales hands its rights to manage the water?

The Hon. TONY CATANZARITI: Yes. What are your thoughts on that?

Mr GOODEN: That is interesting because I see water management—I know about New South Wales but in the whole of eastern Australia—as being not terribly well managed for the last 40 years or so that I can remember. I think water management needs to be shifted into some body that is sort of not quite as political as one State. I mean, I just look around this table here today and see quite a variety of interests. If I had in one sweep to say that I will hand the water management to someone, I think I would nearly give it to the people around this table here today because I think you would make a pretty good job of it. Unfortunately, I do not think that what I say will make much difference.

The Hon. TONY CATANZARITI: Are you aware that the average cost of running the Murray-Darling Basin Commission is much higher than the costs of water management in New South Wales?

Mr GOODEN: No, I am not aware of that, either, but I would be very interested to see those figures and understand that into the future, yes. I would like to know that.

The Hon. TONY CATANZARITI: Who do you think should pay for all these running costs?

Mr GOODEN: Well, if you just get back to what I stated earlier in the piece, the water is to be free to irrigators. I do not think anyone in this day and age would expect that. When I read that it

was built for the generation of electricity, I expected that the generation of electricity should have paid for that scheme and water, and the irrigators should certainly pay a fair price for their water. But who is going to assess that price? I do not know who could do that, but you have got to have it. The irrigators have certainly got to have an input into it.

I think the whole of water management is a very big issue. I mean, as you know, one of the main things in water—I mean, there are problems of just getting water to where it is needed to be and the timing of when people need the water. I think water, at different times of the year, as you would understand, could be charged at a different rate. I mean, if you want to use your water in the cooler months, it may be a cheaper rate than if you wanted to grow rice over the summer months, and that could solve some of the problems of the transmission, of getting it down to various areas. Part of our organisation was developed on the Murray River, and as you know, the problem with the Murray River is the Barmah Choke where they cannot get the water down to the areas. There are a lot of people have to sit around a lot of tables and argue the things out before we get the perfect solution.

CHAIR: That is one of the biggest problems facing us in Australia today, sir. It does not matter whether you are talking about the red gum forests down on the Murray, or whether you are talking about those lousy Queensland cotton farmers who are taking all the water out of your Darling River and not allowing it to get into New South Wales. You ought to have a rugby league match about that!

Mr GOODEN: We know that because, as I said, the Murray-Darling Association, we have some branches in Queensland and we are very delicately starting to talk to those people.

CHAIR: Cut out the delicately, I would suggest.

Mr GOODEN: Hopefully we can in time get a consensus among all water users, which would be just great. I will not see it, but I hope some of my kids do, and that is about what it is.

Ms SYLVIA HALE: Mr Gooden, in the Murray Darling Association submission, they say that the association's major concern is water regulation and that the association understands that conditions of the licence that the State hydroelectricity works under are confidential. You ask why those conditions cannot be made public. Does that concern you at all in that context that in May 2006 the Government amended one of the conditions of the licence and did not subject that amendment to the 30-day public consultation period, despite that being a legislative requirement? In fact, some government bureaucrat said, "My suggestion would be to turn a blind eye to the 30-day period". Does that concern you or your association at all?

Mr GOODEN: Those things certainly would. I did not know. I was not aware of that before, but now that I hear it, those sorts of things do concern me very much. And, as I said, we will have to work together on these issues. An answer today will be a different answer in 10 years time. We have to keep it in front of us and work through it. As I said, I get back to that superhuman body that can run all these things. I think the way forward is that the Snowy thing needs to grow and it has to grow outside politics and outside big business. That is about how I would sum it up, and I do not know how you do that.

CHAIR: We appreciate your thoughts and wish you well down on the Murrumbidgee as well as those who are your members.

Mr GOODEN: Thank you.

(The witness withdrew)

CHAIR: Ladies and gentlemen, we are a little bit ahead of time which is good because I was trying to find some extra time to extend our public forum. We have a number of people here who want to speak at that public forum. If you are intending to speak at that public forum, to help us in recording what you have to say, please identify yourself during the short break.

(Short adjournment)