Snowy Mountains Engineering Corporation
(Conversion into Public Company) Bill 1989

Date Introduced: 5 April 1989
House: House of Representatives
Presented by: Hon. Barry Jones, M.P., Minister for Science, Customs and Small Business

Digest of Bill

Purpose
The Bill aims to improve the efficiency of the Snowy Mountains Engineering Corporation (SMEC) through the removal of day-to-day controls and the conversion of the Corporation into a public company.

Background
The Snowy Mountains Authority was established by the Commonwealth Government under the Snowy Mountains Hydro-Electric Power Act 1949, and came into existence on 1 August 1949. The Snowy Mountains Scheme was the largest engineering project undertaken in Australia, involving the construction of 16 large dams and 145 kilometres of tunnels. The Scheme employed workers from 30 nations and considerable engineering skills were accumulated. As the Scheme neared completion in the late 1960s, the Government considered how best to utilise these skills. Consequently, SMEC was established by the Snowy Mountains Engineering Corporation Act 1970 (the Principal Act) as an independent consulting engineering organisation to retain and promote engineering skills acquired during the Snowy Mountains Scheme. SMEC has participated in several major engineering works in Australia and overseas in 1987-88, including the construction of the Tuggeranong Dam in the A.C.T.; supervision and contract administration of the Newcastle Burwood Beach sewage outfall; certification of the design and construction of the Perisher Skitube tunnel; work on the Thomson Dam Project in Gippsland; and engineering consulting services for the construction of the Kedung Ombo Dam in Indonesia and Yonki Dam in Papua New Guinea.

Since its formation, SMEC has been involved in almost 1350 projects worth $4.2 billion and has earned $280 million in consultancy fees. In 1987-88, SMEC achieved a significant improvement in its financial performance. From an operating loss before income tax of $5.885 million in 1986-1987, SMEC made an operating profit before income tax of $0.274 million in 1987-88. The strategy behind this program involved directing increased resources to business development and marketing, and tightening control of overheads. This strategy resulted in a reduction of 7.2% in total staff numbers and a fall of 3.93% in turnover. Expenditure in 1987-88 totalled $26.898 million, a reduction of $4.664 million from the 1986-1987 total of $31.562 million. Capital assistance from the Commonwealth in 1987-88 was $2 million, a reduction of $4 million from the 1986-87 total of $6 million.
The future direction of SMEC was outlined on 17 August 1988 by the Minister for Industry, Technology and Commerce. It is proposed to convert SMEC into a public company. The company is to be 100% government owned, though the introduction of private share capital would be possible should the government decide to sell all or part of the company. A limited staff equity plan was also considered. Planning and accountability provisions are to be altered, with more emphasis on strategic plans and agreed financial targets (i.e. there will be a shift to looking at the results achieved rather than how they are achieved). The other main change proposed relates to the removal of the requirement for prior approval for contracts and individual borrowings, the exemption from general administrative and personnel policies except where directed to comply, and the removal of the need for approval to establish subsidiaries and joint ventures.2

Main Provisions
A new Part IIIA will be inserted into the Principal Act by clause 11. Proposed sections 18A and 18B will provide that the share capital of SMEC is to consist of shares with a nominal value of $1. SMEC is to convert its capital into shares, and the shares are to be issued to the Commonwealth or to a nominee as directed by the Minister. The share issue will discharge SMEC’s debts to the Commonwealth.

A new Part IV will be inserted into the Principal Act by clause 12. Proposed section 19 deals with the intended effect of the proposed Part. After the commencement of proposed Part IV, SMEC will be taken to be a registered company with limited share liability and the name SMEC Limited.

SMEC Limited will be taken to be registered under the Companies Act 1981 (proposed section 20).

New Parts VA–VC will be inserted into the Principal Act by clause 13. Other persons are not to use a protected name (i.e. SMEC Limited or other prescribed names) or a name likely to be mistaken for it. The maximum penalty for such use will be a $1000 fine (proposed section 39C). Proposed section 39D provides for exemptions to this offence where the offending name is registered as a trade mark or design or where it is already in use and was being used in good faith.

Staff will continue to be employed by the new body on the same terms and conditions (proposed section 39G).

SMEC will not be required to pay tax in connection with exempt matters (i.e. matters connected with the conversion to a public company) (proposed section 39N).

References
For further information, if required, contact the Economics and Commerce Group.

7 April 1989

Bills Digest Service
Legislative Research Service

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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