HOUSE OF REPRESENTATIVES

SNOWY MOUNTAINS
HYDROELECTRIC POWER BILL 1949

Second Reading

SPEECH

Wednesday, 22 June 1949

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES
Mr MENZIES (—) (NaN.NaN pm) - With very great respect, Mr. Deputy Speaker, this is vital to my argument. I am developing the proposition that hydro-electric power is of great importance. That is the basis of this proposal.

Mr DEPUTY SPEAKER (NaN.NaN pm) - I shall make the position clear. I do not wish to prevent honorable members from referring to the production of electric power from coal; but, as the bill deals with the setting up of an authority for the generation of hydro-electric power, the debate must be confined substantially to that matter. Only passing references may be made to the production of power from coal.

Mr MENZIES (—) (NaN.NaN pm) - I imagine that honorable members generally are not unaware that there are reasons that render the development of hydro-electric power in this community very important and very urgent. I do not understand why those reasons cannot be debated.

Mr DEPUTY SPEAKER (NaN.NaN pm) - Order! The right honorable gentleman is not being prevented from debating the reasons, but he will be allowed to do that to only a limited degree.

Mr MENZIES (—) (NaN.NaN pm) - Do you mean, Mr. Deputy Speaker, that the limit of time allotted to me to go into the reasons is the time specified in the Standing Orders as the time for which I may speak, or do you rule that I may discuss the reasons to the limit of only 500 or 600 words?

Mr DEPUTY SPEAKER (NaN.NaN pm) - Order! The right honorable gentleman knows the Standing Orders.

Mr MENZIES (—) (NaN.NaN pm) - I do!

Mr DEPUTY SPEAKER (NaN.NaN pm) - I shall keep the right honorable member within the limits of the Standing Orders.

Mr MENZIES (—) (NaN.NaN pm) - This problem of hydro-electric power production in and for New South Wales is a problem that becomes more and more urgent because of the position of the coal industry and because the absence of coal reserves at any given time means that any fluctuation of the supply of coal at once reflects itself in a fluctuation of power in New South Wales. Consequently, I approach the problem of the Snowy Mountains area with this in mind. The production at the earliest possible time, which we all realize must be a number of years hence, of an alternative source of power for industry, primarily in New South Wales, though to some extent, of course, in Victoria, is of very great moment. If we are not to live from hand to mouth industrially in Australia this project must be put in hand. That, of course, is a statement of what is obvious enough. It says something that is in the mind of every honorable member in this House. But in addition to the development of hydroelectric power, the harnessing and the diversion, if necessary, of the waters of the Snowy Mountains area, has great significance from the point of view of irrigation. The moment we touch the problem of irrigation we come on to the problems that have been considered at various conferences such as whether the water should be diverted so that it flows into the Murrumbidgee River or into the Murray River. Consequently there is an interest in the production, diversion, channelling and use of the extra water and it belongs to the States of New South Wales, Victoria and South Australia. So we have two aspects of this proposal. One of those aspects is concerned with hydro-electric power, which is vital to the State of New South Wales and of great importance to the State of Victoria, because both of those States are highly industrialized; the other is the irrigation aspect, not primarily dealt with in this bill, which is of great moment to three States - New South Wales, Victoria and South Australia. It has been pointed out very rightly, and the surveys that have been made appear to confirm it, that the use of water for hydro-electric power and its use for irrigation are not mutually exclusive and that it will be possible to make use of it for irrigation purposes after it has been put to the best possible use for the production of hydro-electricity. Therefore, a scheme of this kind has a dual purpose. For those reasons the whole House will, I have no doubt, support a bold, comprehensive and well-designed scheme. The scheme as it stands now, is, of course, in its very early stages. The House will support a scheme that is constitutionally well-founded and therefore permanent in its usefulness. In his second-reading speech, the Minister for Works and Housing (Mr.
Lemon referred to certain elements of cost. He made some estimates about the cost of producing hydro-
electric power that I thought sufficiently opti
mistic, though I observed subsequently with some pleasure,
in giving to myself the task of perusing a certain address made at the University of Western Australia,
that a very distinguished engineer, Dr. Loder, had made the same estimates and, I am happy to say, in
almost identical language. I began to wonder for the first time whose second-reading speech the Minister
had made. However, nil that I want to say about costs is that these are very early days in which to make a
firm estimate of costs. When we begin some great national work of this kind, that is by common consent
vital to the real industrial development of this country, we must accept some risks in regard to costs,
and we cannot be expected to work out in advance the rate at which we shall some day have to provide
hydroelectricity. But that is no reason why there should not be competent management, and I hope that
the highest degree of competence will be shown in relation to this great scheme. It is no reason why
there should not be the closest control of costs. We should realize, however, that this great development
will not be a cheap one. We are not going to obtain this enormous scheme " on the cheap ". As a matter
of fact, in all such proposals there are great hopes expressed at times that are doomed to disappointment,
and sometimes early results lead to misapprehensions. For a number of years now we have been told about
the achievements of the Tennessee Valley Authority, and ; indeed in one or two of the more lyrical passages
of the Minister's speech he was obviously envisaging something of the same kind in Australia. The Tennessee
Valley Authority represents a very great and spectacular experiment; but it is not beyond criticism and indeed
has in recent times been the object of criticism. I noticed, for example, in a recent number of the Electrical Times
a quotation from a letter that had been written by a distinguished American, Brigadier-General Wade H. Hayes,
to the Manchester Guardian, which, as everybody will agree, is a newspaper whose American correspondence is
usually on an uncommonly high level. The correspondent stated in the letter that the Tennessee Valley Authority
adopts three main devices for what he described as its artificial prosperity. The first is that no federal tax of any
kind is paid by it, and that its contributions to local rates are only a fraction of the property values , secondly,
that in 1943, the Tennessee Valley Authority paid interest at the rate of less than onethenth of 1 per cent., whereas
the average rate of interest paid by the United States Government for the money passed on to the Tennessee
Valley Authority was 2£ per cent. ; and, thirdly, that for the year 1944 the Tennessee Valley Authority's total
investment was 750,000,000 dollars, but only 403,200,000 dollars of that amount was allocated to the power
project. The board is left entirely free to make what allocations it pleases for book-keeping, and, according to
Brigadier-General Hayes, its accountancy methods would make British auditors gasp with incredulity. I am no
authority on this matter, but I have referred to it, not to initiate a discussion on the Tennessee Valley Authority,
but merely to offer a word of what might perhaps be called warning that we should not start off with rosy ideas
about cost factors, but must say to ourselves, "This is a great national undertaking. "We must tackle it, and in
carrying it out we must pay the closest attention to management efficiency and to supervision of all expenditure ".
The next question, and, indeed, I think the most important one is to consider at this stage how we are to go
about this matter. The Commonwealth has quite plainly made up its own mind on that point. It has said, in effect,
"This is to be done by the Commonwealth and by nobody else ". Although a vital interest in the matter is held by
the various States to which I have referred, they are not a. party to it. They are to be in no way responsible for the
establishment of the authority. So far as this legislation is concerned the job is to be done by the Commonwealth
and by nobody else. I confess that that completely baffles me. After all, when there was a matter of developing
and controlling the production and distribution of coal the Commonwealth Parliament and the Parliament of New
South Wales concurred in action and passed complementary legislation. Each exercised its own power, each
participated in the establishment of the

Joint Coal Board. Here is a matter in which the interest of the State of New South Wales is enormous. That
State has indeed a far greater interest in the power that will be produced by this scheme than the Commonwealth
will ever have. At the very outset nobody supposes that the Australian Capital Territory and Commonwealth
defence projects will consume more than 20 per cent, of the expected ultimate output of power from the Snowy
Mountains area. If we assume that the Australian Capital Territory and defence projects will take 20 per cent, of
the power produced, that means that 80 per cent, will remain, most of which will be used by New South Wales,
and the balance by Victoria. Those States, therefore, have an enormous interest in the scheme. It is a very unhappy
position that in a matter such as this the Commonwealth should say, in effect, to the States, " You keep out. You
can be customers some day. You can buy this 'power from us when we have generated it, but as as far as the
generation of the power and the designing or execution of the work are concerned, those are matters for us and
for nobody else ". So, of course, in the long run the Commonwealth will be in a position to, so to speak, " turn off
the tap " and say, " Very well, we are the people who are the sole controllers of this scheme at the very source ".

CHAMBER
Mr HAYLEN (PARKES, NEW SOUTH WALES)—(NaN.NaN pm) - Something of that sort was implied in the Seat of Government Acceptance Act.

Mr MENZIES (——) (NaN.NaN pm) - I intended to refer to that act in a few moments. I have asked myself, as many other honorable members have asked themselves, how the Commonwealth would do what is proposes to do in connexion with this scheme. What power was ever given to the Commonwealth to be the sole controller of a vast hydro-electric scheme in the Snowy Mountains? The bill itself deals with that matter in what I might describe as a now familiar form. It refers to the defence power. The defence power is a wonderful thing. It is "a very present help in trouble". Whenever you are proposing to pass legislation to do jobs like this you simply put in a recital about the defence power. The idea is that it looks all right and will do no. harm but may come in useful some day. The defence power is brought into this measure, and there is also reference to the Australian Capital Territory in words so masterly that I shall quote them. The reference is -

And whereas the consumption of electricity in the Australian Capital Territory and, in particular, at the Seat of Government within that Territory, is increasing and is likely to continue to increase;

It is not without its humorous aspect to be told that we are to have this vast proposal, this great scheme, which we have been told repeatedly is the biggest ever undertaken in the history of Australia, so that we may cope with the increasing demand for electricity at Canberra. Of course, the matter goes back some years. If honorable members will glance at the Seat of Government Acceptance Act 1909, they will find in its first schedule an agreement that was made between the Commonwealth and the State of New South Wales. Clause 10 of that agreement provides -

The State shall grant to the Commonwealth without payment therefor the right to use the waters of the Snowy River, and such other rivers as may be agreed upon or in default of agreement may be determined by arbitration, for the generation of electricity for the purposes of the Territory and to construct the works necessary for that purpose, and to conduct the electricity so generated to the Territory.

That was an arrangement to provide electric light and power for the then Federal Capital Territory. The proposal, of course, did not involve a vast hydroelectric scheme in the Snowy Mountains, and at that time it was obviously not expected that in some visionary and distant future this city would be a hive of industry with a couple of million people, all gainfully employed. Those are the two powers that the Commonwealth brings in aid, and I repeat that it is a mystery. Why should the Commonwealth, knowing perfectly well, as every child in Australia knows, that its demands upon the current that is generated will be very small compared with the demands for ordinary civil purposes in New South Wales and Victoria, insist upon keeping those States out of the project? There is a great problem which always presents itself in circumstances like these: Is the Commonwealth to cooperate in a spirit of goodwill with the States on matters that require joint action - and I believe that if we are to develop the resources of Australia we must have more and more of that cooperation in a spirit of goodwill, each authority contributing its own power to the pool of powers - or is the Commonwealth to say: "We are not going to bother about the States. We will label this project 'Defence', or we will even label it 'Supplying something to the Australian Capital Territory', and then we will smash our way through. Who is going to prevent us? Who will challenge us? Then, when we have done the work, it will be ours, and you can come along like anybody else, and be our customers ". No one can really believe for a moment that it is possible to justify the production of this much-needed electric power under the defence power of the Commonwealth. It is true that clause 16 of the bill says -

16. The functions of the Authority shall be -

(a) to generate electricity by means of hydro-electric works in the Snowy Mountains Area; and

(b) to supply electricity so generated to the Commonwealth -

(i) for defence purposes; and

(ii) for consumption in the Australian Capital Territory.

If that were the end of the story, it might be possible to justify the expenditure of £20,000,000; it would never be possible to justify the expenditure of £200,000,000. Of course, this is not envisaged as a scheme to produce power for the Australian Capital Territory, or for defence purposes. It is designed to generate electric power for industrial purposes in the two principal industrial States, and it is only by an abuse of language that it can be described as an exercise of the Commonwealth's defence power. Of course, it is nothing of the kind. The
Commonwealth is, ineffect, saying: "Yes, we are going to embark on this great enterprise. A little of the power generated will be used for defence purposes, and we rely on that fact ". If that were to be regarded as justifying the Commonwealth, then it would be equally permissible for the Commonwealth, under the defence power, to establish a steel industry to-morrow. It could say: " We have to provide a certain quantity of steel for munitions. As for the rest, you, the public, can come along and be our customers". The Commonwealth could, by the same argument, justify the establishment of cattle runs and sheep stations. There is no industrial undertaking that the Commonwealth could not embark on in a large and almost monopolistic way if the defence power were to be used in this fashion. Of course, no one would dream of interpreting the defence power of the Commonwealth in that sense. Therefore, the reference to the defence power, the hanging of everything on it, is mere humbug. In reality, it is made the excuse for the grabbing of all authority in this matter. Indeed, the bill is not put forward so that he who runs may read because, although I am not unaccustomed to reading legislative documents, I did not at first notice that, although clause 16 says that one of the functions of the Authority shall be -

(b) to supply electricity so generated to the Commonwealth -

(i) for defence purposes; and

(ii) for consumption in the Australian Capital Territory, and stops there - which puzzled me very much.

Clause 39, which appears under the heading " Miscellaneous ", provides -

The Authority may sell to a State, or to an authority of a State, electricity generated by the Authority which is not immediately required by the Commonwealth for defence purposes or for consumption in the Australian Capital Territory.

I congratulate the Minister upon that clause because there is a welcome note of humour in it.

Mr Duthie (—) (NaN.NaN pm) - The right honorable gentleman's party would have done the same.

Mr MENZIES (—) (NaN.NaN pm) - I am speaking about humour. Therefore, I hope that the honorable member for Wilmot (Mr. Duthie) will not butt in. In that clause, the Commonwealth is really saying: " If we do not happen for the moment to need those millions of kilowatts, we might trade some of them to New South Wales and Victoria ". It would have been very simple for the Commonwealth to say to the States: " All right, do we agree that this proposal ought to be put in hand? If so, are we all prepared to pool our powers to enable the work to be done? " The Commonwealth has not done that. It has assumed that it has sole and undisputed power to do something which it has no power to do at all.

Mr Haylen (—) (NaN.NaN pm) - Has not the right honorable gentleman heard of the conferences on this subject between the Commonwealth and the States?

Mr MENZIES (—) (NaN.NaN pm) - I have heard of conferences, but I have not yet heard that there was any arrangement with the States. If there were an arrangement, the States, as co-operators in the project, would themselves have had a say in the appointment of the Authority. If the States were, in fact, jointly involved with the Commonwealth, as they ought to be, we should avoid a good deal of duplication of effort. For instance, New South Wales has a well-equipped and experienced Public Works Department, which has carried out works to the value of many millions of pounds, including some similar to the work envisaged in this bill - not identical, of course, because never previously has a work on this scale been undertaken in Australia. The New South Wales Public Works Department has resources and equipment which ought not to be duplicated, but the Commonwealth says: " No, we are running this show. It may be that we will take or borrow from a State such equipment as it has, but we will do the job ". My point is that the States, which are bodies entitled to their own place in the Commonwealth, ought to be regarded as co-operating on full and equal terms with the Commonwealth in carrying out this work. Take the three major aspects of the scheme: first of all, hydro-electric power is to be generated. For Commonwealth purposes, no great volume of power is required, but that aspect of the matter clearly comes within Commonwealth jurisdiction. Then, power is to be generated for industries in New South Wales and Victoria, as well as for domestic purposes. Clearly, that is a State matter, outside the jurisdiction of the Commonwealth. The scheme also envisages the conservation of water for the irrigation of land in New South Wales and, to an extent, in Victoria and South Australia also. That, too, is a matter of State jurisdiction. Yet, all those considerations, which point to the need for joint action between the Commonwealth and the States, are swept to one side, and we are presented with a bill which claims to exercise Commonwealth power, and that only; which sets the States on one side, and relegates them to the position of mere customers. I know that honorable members opposite have no sympathy with my argument, not the slightest, because they made it clear
many years ago that their ultimate ambition was to get rid of the States, and concentrate all power in Canberra. Occasionally, they try to achieve that end by referendums on proposals to alter the Constitution, but when they fail in that direction they seek to achieve their purpose in some other fashion. That is what they are trying to do now. They are saying, in effect: "Here is something that will be popular, something that will be well received. It is a proposal that will give the people a feeling of relief, because it promises a vast addition to the volume of electric power available for their use." Therefore, honorable members opposite regard it as another chance to obliterate the line of demarcation drawn in the Constitution itself between the powers of the Commonwealth and those of the States. All I need say is that we, on this side of the House, believe that it is vital to the freedom of the individual that the line of demarcation between Commonwealth and State power shall be maintained. We certainly believe that it should not be varied except by the votes of the people. The present proposal is a vast one. If this pretence to power succeeds, if the States can be brushed aside as if they had no vital interest in the matter, then that boundary line between the powers of the Commonwealth and those of the States will become broken in so many places that it will no longer serve to protect any power or any person.

I said earlier that the bill had some curious financial provisions. If I remember correctly, it is about 21 years since I first got myself elected to a House of Parliament - not this one. For those 21 years I have lived under the impression that one of the vital features of parliamentary government is that the Parliament should retain control of finance.

**Mr Pollard** (—) (NaN.NaN pm) **Mr. Pollard interjecting,**

**Mr MENZIES** (—) (NaN.NaN pm) - The Minister for Commerce and Agriculture (Mr. Pollard) dissents?

**Mr Pollard** (—) (NaN.NaN pm) - Absolutely.

**Mr MENZIES** (—) (NaN.NaN pm) - The Minister dissents from the proposition that the Parliament should control the expenditure of public money. I draw the attention of honorable members to clause 25 of the bill, which reads— (1.) The Authority shall have power to borrow money on overdraft from the Commonwealth Bank of Australia upon the guarantee of the Treasurer. (2.) The Treasurer may, out of moneys appropriated by the Parliament for the purposes of this Act, make advances to the Authority of such amounts and upon such terms as he thinks fit. (3.) Except with the consent of the Treasurer, the Authority shall not have power to borrow money otherwise than in accordance with this section.

Thus, the Government proposes to finance this undertaking at its own sweet will by overdraft from the Commonwealth Bank, the policy of which can completely control under the Banking Act of 1945. Thus, there will be no longer parliamentary control of expenditure on the project. If great public undertakings are to be financed in that way, then control by this Parliament of the finances of the country - already becoming extremely tenuous - will completely disappear. As for a long time the only function of private members in this Parliament has been to vote for financial proposals - they have no share in the moulding of legislation - it seems a pity that the Government should take away the one small function it had left to them. Here we have a conception, not yet a detailed scheme, of a project of importance and urgency in the undertaking of which every related State would, I am perfectly certain, be glad to co-operate. It is a project which is needed by the ordinary people of this country. In these circumstances it is a great pity that the Government should think this to be a proper occasion for brushing the States on one side, for assuming a power which it does not possess, and for setting out on an undertaking as the result of legislation which is tainted, just as other legislation passed by this Government has been tainted, with serious illegality.

**Mr.FRASER (Eden-Monaro)** [5.36]. - Like Gaul, the disappointing but not unexpected speech made by the Leader of the Opposition (Mr. Menzies) may be properly divided into three parts. That is, of course, if we disregard the highly superior and barbed witticisms with which he interlarded it and the manner in which he turned to his colleagues for approval. The honorable member for Parramatta (Mr. Beale) laughed even louder than the rest. No doubt, he will get on very well. First, there was the Leader of the Opposition's grudging acknowledgment that this, great work is essential to the national interest and must be carried on now. I on that point the right honorable gentleman was quite definite. I understood him, to say, in effect, that if we are not to continue to live from hand to mouth for electric power this great project must be put in hand at once. A little later he said that by common consent this project is regarded as vital to the industrial expansion of Australia at this stage, although it cannot be brought into effect for a number of years. Again, he said that no one can deny for a moment that this scheme should be put in hand. To the degree that he gave that grudging approval of this great national work he uttered a most damning indictment of the government which he led and of all the Liberal-Country pasty
governments which, while in office in the Commonwealth sphere for many years, frustrated every effort to have some action taken to harness the waters of the Snowy River.

The second part of the right honorable gentleman's speech consisted of a series of niggling criticisms of this Government which has the courage and vision to tackle a work which his Government and other governments formed by the party to which he belongs were not prepared to tackle. One niggling criticism was his attempt to liken this project to the project undertaken by the Tennessee Valley Authority. The right honorable gentleman said that the Tennessee Valley Authority had never obtained a sufficiently high interest return on the capital invested in its undertaking. He ignored the fact that the Tennessee Valley had transformed an arid dust bowl into smiling pasture lands and that its undertaking had proved of great value to the future prosperity and well-being of hundreds of thousands of ordinary American men, women and children. Simply to concentrate on that one aspect and to issue a word of warning against proceeding with this scheme because the investment in the Tennessee Valley scheme did not return a sufficiently high interest rate demonstrates that the right honorable gentleman has a strange outlook towards a great national project which is calculated to have such a tremendously beneficial effect on the people of this country. He then complained that the Commonwealth is undertaking this great national task without the assistance of the States. As far as I can see that complaint is founded solely on some bitterness of spirit because this Government is undertaking a great national task which his government and the governments with which he was associated in the past were not prepared to undertake. Finally, there was his niggling criticism that if the Commonwealth undertakes the task without the co-operation of the States, the Australian Government may some day turn off a tap and deprive the States of electric power and of water for irrigation purposes. Has anybody ever heard of a more ridiculous ground of complaint against a great national undertaking? A person who thinks in that way indicates his regret that this project is not to be left in the hands of the private profit-makers. This project will be owned and operated by the people for the benefit of the people. There will be no danger that a tap will be turned off. On the contrary, because this Government has had the courage and energy to tackle this great national task, through that tap will flow all the means of providing better and happier living conditions for the great mass of the Australian people in the area which will be covered by the scheme.

The third part of the speech of the Leader of the Opposition appeared to me to consist of nothing but gratuitous legal advice which was calculated to incite somebody to take the matter to the High Court in an endeavour to have the scheme declared illegal and thus prevent its being carried out. Although the right honorable gentleman realized the necessity for the project, although he declared it to be vital to the industrial expansion of this country, and although he must know the tremendous benefits which will follow the extension of our irrigation to the thirsty plains of this country, he devoted the main part of his speech to an incitement of a government or of some person or persons to test its legality in the High Court. He poured out all the wealth of his legal knowledge in an endeavour to show that somebody should get the High Court to rule on some constitutional ground that this great scheme must again lie delayed. I doubt whether the right honorable gentleman would care to repeat his speech in the Snowy River area in the electorate of Eden-Monaro. If he succeeds in having this great scheme, which contains so much good, declared illegal by the High Court, a great responsibility will rest on his shoulders and on the shoulders of those who are associated with him. If the High Court declared this scheme to be illegal, the hopes and dreams of those who have sought to obtain from the Commonwealth a recognition of the great value of the waters of the Snowy, which have been wasted for so many years, would be doomed to disappointment.

This bill establishes the Snowy Mountains Hydro-electric Authority. The task of that Authority will be to harness a potential 1,720,000 kilowatts of electric power and to provide for irrigation purposes 1,500,000 acre feet of water. Thus is being inaugurated the greatest public work that has ever been contemplated in the life of this nation. The power to be generated will be almost equal to the total power now normally generated in the whole of Australia. The water to be made available for irrigation purposes will be from three to four times the volume at present used by the Leeton-Griffith irrigation area. So at last the rushing waters of the Snowy are to be used. Australia will get wealth from the Snowy. I congratulate the Government, and particularly the Minister for "Works and Housing (Mr. Lemmon) for having tackled this great project.

Mr Rankin (—) (NaN.NaN pm) - What rot!