

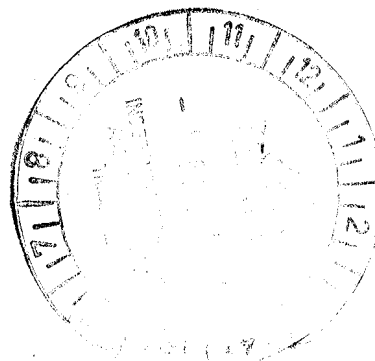


Office of the General Manager

IPART	
Doc No.....	File No.....
Your Reference: P70/0114	
Our Reference:.....	
Contact Person: Mr Robert Ball	
Hours:	8.30 am - 5 pm
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31 January 2002

Mr Thomas G Parry
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1230



Dear Mr Parry

IPART Review - Undergrounding Electricity Cables in NSW

Attached for your consideration is Council's submission to assist in your enquiries.

Whilst Hornsby Shire Council has been a forerunner in the promotion of a feasible solution to the undergrounding of electricity cables and welcomes the IPART Inquiry, concern must be expressed in relation to the limited time available for the preparation of a Submission.

In this regard, the Hornsby Shire Council is currently in recess and the right is reserved to make a supplementary submission following the Council's recall from recess in February.

In particular however, the Council will look forward to consultation and the public workshop in April 2002. The Tribunal's interim report, if properly progressed with an interim or draft plan, will provide a real opportunity for comment upon a feasible alternative, which can be anticipated to have the potential to receive full government support.

Yours faithfully

R J BALL
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SUBMISSION BY HORNSBY SHIRE COUNCIL TO THE IPART REVIEW UNDERGROUNDING ELECTRICITY CABLES IN NSW

The Premier of New South Wales, the Hon. Bob Carr in a News Release dated 28 November 2001 stated “*I want him (Mr Yeadon, NSW Energy Minister) to come back with an achievable plan to remove the overhead power cables and reduce risk during violent storms*” and “*the Government will announce details of the plan to place power lines underground before June 2002*”.

The Independent Pricing and Regulatory Tribunal (IPART), has consequently been requested to conduct a review of the costs, benefits and funding for undergrounding electricity cables. Hornsby Shire Council welcomes the decision by the Premier of New South Wales to examine ways to reduce the number of overhead electricity cables within New South Wales. Council makes the following submission to assist IPART in its enquiries and in response to the following Terms of Reference.

“This review is to be conducted by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act*. The review is to identify the costs, benefits and funding options for undergrounding electricity cables in NSW. In considering these matters, the Tribunal shall have regard to:

1. The level of capital expenditure required for putting electricity distribution cables underground in NSW urban areas (including Sydney and regional centres)
2. The feasibility of undergrounding electricity cables with other utility services including telecommunication, and any economy of scale that can be achieved;
3. A comparison of the costs associated with maintaining the current network compared to undergrounding;
4. The types of costs which are avoided as a result of undergrounding;
5. The distribution and timing of benefits to those who benefit including an appraisal of the overall public benefit to the wider community;
6. Options for funding undergrounding projects having regard to:
 - * improvement to the urban environment and public amenity
 - * reliability of electricity supply
 - * types of undergrounding projects including main roads, CBD/regional centres, shopping centres and residential streets
 - * impact on electricity pricing
 - * those who benefit and those who pay.
7. The impact on customers and in particular any differential impact on rural or urban customers, pensioners and low income households”.

In conducting this review, IPART has been requested to:

- * provide an interim report to the Minister for Energy in March 2002
- * undertake consultation including a public workshop in April 2002
- * provide a final report by 10 May 2002.

In the first instance, it is important therefore to ensure that the Independent Pricing and Regulatory Tribunal (IPART) sees as its Charter,

“a responsibility to assist the Premier and the NSW Government and the people of New South Wales to find an achievable plan to remove the overhead power cables”.

To do other than find an achievable plan would not interpret the Terms of Reference in a manner which would fulfil the Premier’s request “*to place power lines underground*”.

It is and should not be unusual for government to foresee the community benefit which can come from a particular course of action where pure economic considerations may present an argument to do otherwise. It is in areas such as this where leadership by government must be shown, otherwise the opportunity passes.

This is no more evident than in areas of government policy such as the environment and public transport where significant investments in the short term must be made to accumulate the accepted long-term community benefits.

History will recognise the brave when they are prepared to defend the overall long-term gain, rather than pursue the short-term political attraction.

In November 1998, Hornsby Shire Council passed a resolution as follows:

THAT Council:-

1. *Support the undergrounding of all overhead cables;*
2. *Write to all local Members of State Parliament, requesting that they lobby the Government to actively pursue a policy of retro undergrounding of all overhead cables;*
3. *Write to Baulkham Hills and Kuring-gai Councils in order to gauge their interest in participating in a co-operative approach to this issue; and*
4. *Advise Mr Peter Downey from Sydney Cables Downunder of Council’s decision.*

Since that time, there has been increasing support from Sydney Councils and most recently from the Local Government Association of New South Wales at its Annual Conference.

Council considers that there has been considerable research into the costs **and** benefits of undergrounding.

In response to widespread objections by local government and residents to the paid television aerial cabling installed during 1996 and 1997, the Senate amended the Telecommunications Act 1997 to cause the Federal Minister for Communications, Information Technology and the Arts to investigate the options for putting existing communications and electricity cabling along local streets underground throughout Australia.

In fulfilment of this requirement, the Government established a “*Putting Cables Underground Working Group*”. The Group’s membership included representatives of Commonwealth, State and Territory governments, electricity distributors, telecommunications carriers, user and consumer groups and manufacturers organisations. The Australian Local Government Association represented local government.

The report of the Working Group entitled “*Putting Cables Underground – Report of the review of options for placing facilities underground as required under Clause 49 of Schedule 3 of the Telecommunications Act 1997*” was tabled in Parliament on 8 December, 1998. Forty-four findings are contained within the reports, the most significant of which include:-

1. The total cost of putting existing overhead electricity and telecommunications cable underground in urban or suburban Australia was estimated at approximately \$23 billion representing an average of \$5,516 per household.
NB: This estimate is for the undergrounding of both overhead electricity and telecommunications cables.
2. The total quantifiable benefits of putting cables underground include:-
 - * reduced motor vehicle collisions with poles;
 - * reduced losses caused by electricity outages;
 - * reduced network maintenance costs;
 - * reduced tree pruning costs;
 - * impact on property values;
 - * reduced electrical transmission losses;
 - * reduced greenhouse gas emissions (due to reduced transmission losses);
 - * reduced electrocutions;
 - * reduced bushfire risks; and
 - * any beneficial indirect effects on the economy such as employment.

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3. The net quantifiable financial benefit of undergrounding cabling was estimated at between \$1,141 and \$5,736 per kilometre of line attributed to the following factors:-
 - * Reduced motor vehicle accidents.
 - * Reduced maintenance costs.
 - * Reduced tree trimming costs.
 - * Reduced transmission losses.
 4. A “*Small Costing Tool*” and related software to provide a detailed approach for the assessment of costs of undergrounding cabling applicable to a local area.
 5. From a list of forty-eight potential sources, the Working Group identified four underlying sources of funds for the relocation of cables underground, namely:-
 - * Property owners.
 - * Electricity and communications suppliers.
 - * Tax payers.
 - * A composite funding source comprising property owners and tax payers through consolidated revenue.
 6. There is a need for appropriate environmental management strategies in any programme to put cables underground.
 7. Any undergrounding of cabling should provide additional duct space to enable future users access to underground connections.
 8. The most effective scheme for putting cables underground could include a combination of a top-down approach administered by a State or Territory body to achieve proper coordination between different areas and economies of scale, and a bottom-up approach to provide the necessary responsiveness to a commitment by local government and residents.

Notwithstanding the recommendations, there remains no commitment by Federal or State governments to finance the cost of placing cables underground. The matter has been left to local government and public lobby groups such as Sydney Cables Downunder to actively pursue and to identify local costings. Such an exercise could unrealistically raise community expectations in the event that finances were not made available to relocate the utilities underground. Consequently, Council has not undertaken a local costing analysis and has held back until such time as definitive funding capabilities are identified by the levels of government which have the responsibility for administering and regulating the utility authorities concerned.

The financial benefits identified in the report of up to \$5,736 per kilometre of line undergrounded excludes an estimate of the benefits attributed to:-

- * the impact on property values;
- * reduced greenhouse gas emissions;
- * reduced electrocutions;
- * reduced bushfire risks; and
- * any beneficial indirect effects on the economy, such as employment.

In addition there are obvious benefits related to the potential to utilise this opportunity to implement improved technology which can lead to lower maintenance and environmental gains.

The Premier's News Release of 28 November 2001, clearly places in perspective the fact that the NSW Government accepts that putting overhead power cables underground will reduce:

- * power failures following storms;
- * network maintenance cost;
- * electrocution;
- * bushfire risks; and
- * car accidents with poles.

The benefits are obviously significant and have been never more emphasised than in the recent storm events when there were substantial disruptions to power supply as a result of storms and of bushfires. However, the issue is obviously one of funding as opposed to one of cost.

Savings in insurance premiums, savings in the provision of medical services, savings in compensation payments, savings in reduction of business losses and savings in maintenance and repair costs do not overtly provide a cash flow for funding the undergrounding of electricity cables. The avenues for savings however, provide a significant opportunity for the Tribunal to prepare a feasible funding proposal based upon the acceptable principles of equity of the distribution of the burden and ease of collection.

It is unrealistic to expect that the residents of a local government area individually would pay to relocate utility services underground. Consideration must be given to a co-operative approach by all spheres of Government, Federal, State and Local. Alternative funding sources must be found to remove this urban blight. There are obvious difficulties from a Federal perspective in that any charges must be levied across Australia as a whole, however the Federal Government should be encouraged to consider the distribution of funds specifically for this purpose, whether by grant or otherwise. This however, may be beyond the Terms of Reference or the authority of the Tribunal but should still be canvassed.

To this end, it is appropriate for consideration to be given to user charges being placed upon the utilities, levied by Federal and/or State governments, to provide a sinking fund for allocating cables underground. The sinking fund could be distributed to local governments or the utility services themselves through grants to facilitate the works. The Commonwealth Parliament has a general power to impose taxes including duties of excise. Taxes imposed by the Commonwealth cannot discriminate between the State or parts of States nor can they give preference to any one State or any part thereof over another State or part thereof.

It follows, therefore, that the Commonwealth could not impose a tax in respect of overhead lines in a particular State or particular part of a State. Any tax would need to apply uniformly throughout Australia. Such a law in its practical application might impose a greater burden to some States or areas than other (because there are more overhead lines in some States or areas) or probably not in the present case, result in an impermissible discrimination or preference. The Commonwealth could however still impose a tax on overhead lines within Australia.

The one significant qualification on Commonwealth powers under Section 114 of the Constitution is that the Commonwealth cannot impose a tax on property belonging to a State. Generally speaking, any tax on the ownership of State overhead lines would be an impermissible tax on State property for the purposes of Section 114. Tax revenue raised by levy would need to be credited to consolidated revenue fund in accordance with Section 81 of the Constitution. The Commonwealth could appropriate a corresponding amount for the purpose of making grants to the States under Section 96 of the Constitution or grants to other bodies, such as telecommunications carriers under Section 81 so as to fund the removal of overhead lines and the installation of the underground cables.

The Federal Government has not progressed this option. Consequently, it befalls either local government and/or the State to once again establish the lead and to this end to pursue an equitable taxing regime to relocate cabling underground. To demonstrate Local Government's commitment to this project, it could commit any rate revenue it raises from overhead utility installations for this purpose.

The report of the Putting Cables Underground Working Group also proposes a private sector financing approach which deserves special consideration but again Federal Government support appears essential. Consideration of this approach will give the Federal Government the opportunity of considering GST or general tax exemptions. Additionally the opportunity exists for the NSW Government to consider the separation of the infrastructure provider from the customer service provider.

There are obvious difficulties from a Federal perspective and although it may be beyond the Terms of Reference or the authority of the Tribunal the Federal Government should be encouraged to be an active participant in this worthwhile process. If the Federal Government lacks the foresight to appreciate the community gain in this exercise the proposal in NSW should not be stalled.

It also must be accepted that the whole community will benefit, not just isolated areas.

Car accidents occur randomly and can involve people outside their general home environment. Business and industry serve communities beyond a local area and reliability of electricity supply can benefit all, not just local customers.

As a result it is obvious that undergrounding in one area can still be of benefit to the whole community and therefore, there must be a contribution by the whole community; business, industrial and residential. This obviously strengthens the argument for government involvement and leadership and a broad base for an income stream.

As previously stated, there will obviously be savings in insurance premiums, savings in the provision of medical services, savings in compensation payment, savings in reduction of business losses and savings in maintenance and repair costs. These potentially are avenues for the Tribunal to consider as possibilities for an equitable distribution of a financial burden.

Avenues such as car registration charges, car insurance, general insurance, a special levy on local government rates, an electricity consumer levies are all potential sources of revenue which must be assessed.

Obviously percentage levies are less regressive than flat charges as they are more inclined to relate to usage, benefit received or the ability to pay.

Whilst Hornsby Shire Council has been a forerunner in the promotion of a feasible solution to the undergrounding of electricity cables and welcomes the IPART Inquiry, concern must be expressed in relation to the limited time available for the preparation of a Submission.

In this regard, the Hornsby Shire Council is currently in recess and the right is reserved to make a supplementary submission following the Council's recall from recess in February.

In particular however, the Council will look forward to consultation and the public workshop in April 2002. The Tribunal's interim report, if properly progressed with an interim or draft plan, will provide a real opportunity for comment upon a feasible alternative, which can be anticipated to have the potential to receive full government support.