

INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NSW

**PUBLIC FORUM INTO REVIEW OF THE COSTS, BENEFITS
AND FUNDING FOR UNDERGROUNDING ELECTRICITY CABLES**

**Held at the Wesley Centre
220 Pitt Street,
Sydney NSW 2000**

On Friday, 19 April 2002, at 9.40am

**Computerreporters Pty Ltd
Level 10
233 Macquarie Street
Sydney NSW 2000**

Tel: (02) 9221-6660

. 19/4/02 1

Transcript produced by ComputerReporters

1 MR COX: Welcome to our public forum on undergrounding.
2 Today is Tuesday the 19th of April and we are having
3 this public consultation session to assist us in
4 finalising the tribunal's work on undergrounding.
5
6 As you know, we released an interim report last
7 week. The purpose of this session is to get public
8 reaction and comments on that report which we will
9 then finalise and present to the Minister for
10 Energy. I should point out that the tribunal is
11 just working on some particular aspects of
12 undergrounding. We were asked to look at the costs
13 and some funding options. Obviously decisions about
14 whether undergrounding will proceed are ones for the
15 Government, not for us.
16
17 I would like to start by welcoming you all to
18 this meeting today. Thank you for giving up your
19 time and helping the tribunal in this very
20 interesting inquiry.
21
22 The purpose of the forum is for us to provide
23 you with a brief overview of the tribunal's interim
24 report and then we will provide an opportunity for
25 you to give your reactions back to us. To help us
26 to do that we have a panel of experts sitting on my
27 left, and we are interested in having questions and
28 comments from the floor.
29
30 The way we proceed is first of all Fiona Towers
31 from the tribunal will run through the review
32 process briefly. Then we will have a presentation
33 from Jeffrey Wilson from Meritec, who did work for
34 us on the costs, indicating what work he did and
35 what the results were. Then we will have a
36 presentation from Ross Chapman from the Centre for
37 International Economics on benefits and funding
38 options. We will run through that without
39 interruption.
40
41 Then we will move over to the panel on my left
42 and the way we might do that is each panel member
43 will speak in turn for no more than five minutes and
44 then we will ask Jeffrey and Ross to respond to any
45 particular points that might arise. We will then
46 have a very short break followed up by general
47 discussion. We have allowed an opportunity for
48 anyone to speak this morning and we will finish by
49 no later than about 1.30. That is the plan for this
50 morning.
51
52 Just a few housekeeping matters: As I said,
53 panel members will speak for about five minutes
54 uninterrupted. We will then follow up with general
55 discussion, comments and questions. I should also
56 point out that we have some transcribers here who
57 are taking a record of today's proceedings for the
58 benefit of the tribunal and the secretariat.

.19/4/02 2

Transcript produced by ComputerReporters

1
2 With that, I will pass over to Fiona who will
3 speak about the review.
4
5 MS TOWERS: As Jim pointed out, in late December the
6 Minister for Energy asked the tribunal to undertake
7 a review to identify the costs, benefits and funding
8 options of undergrounding cables in New South Wales.
9 In undertaking that review the tribunal has defined
10 the project area to be all urban centres with a
11 population greater than 30,000 people. This aligns
12 with the definition of the project area in the 1998
13 Commonwealth study that was done.
14
15 It also includes the undergrounding of
16 electricity wires with a voltage of 22kV and below
17 and the proposed undergrounding of the project area
18 is to be taken over a 40-year period.
19
20 In terms of estimating the costs, the tribunal
21 engaged an expert engineering consulting firm,
22 Meritec, to provide a high level review of the
23 likely level of costs in undergrounding. I must
24 emphasise that it was a high level review.
25
26 The costs presented in the tribunal's report
27 are broad estimates of the likely order of magnitude
28 of costs and, as the tribunal's report points out,
29 further work will be required to provide firmer
30 estimates of these costs. Jeffrey Wilson will
31 provide an overview of the way he approached the
32 work and his key conclusions.
33
34 The tribunal was also asked to look at the
35 benefits of undergrounding and funding options. The
36 tribunal asked the Centre for International
37 Economics to estimate those benefits that could be
38 quantified and Ross Chapman is here from the centre
39 and will talk about those matters.
40
41 In terms of the way forward, the tribunal
42 published its interim report approximately two weeks
43 ago, it is holding a public forum today and public
44 submissions are due on Friday 26 April by close of
45 business - they should be sent to the tribunal - and
46 the tribunal is required to report to the Minister
47 by 10 May. Thank you.
48
49 MR WILSON: You are setting a brisk pace. I want to
50 restrict myself to several important points. This
51 subject of undergrounding is obviously a very
52 important matter and not only in Sydney. There are
53 many other cities in the world presently considering
54 this issue, particularly with the extension of
55 telecommunications networks, although the whole
56 question of undergrounding networks is one of long
57 standing.

58
.19/4/02 3

Transcript produced by ComputerReporters

1 Our task in this work was to assist the
2 tribunal on the estimation of costs for the
3 undergrounding of electricity networks and the
4 likely programming of the expenditure. We also had
5 some other tasks to advise the tribunal on related
6 matters but that was the essence of our work.
7
8 We have produced a report on the matters within
9 our terms of reference and I think it's available on
10 IPART's website. By and large it is a technical
11 engineering report and I don't think it is
12 appropriate to go into too much of the engineering
13 detail today for what is essentially a public forum.
14
15 What I would like to talk about today are two
16 or three main points. Firstly, the fact that the
17 network concept, the replacement network concept,
18 has a significant impact on the cost estimates. The
19 second point I would like to discuss is the question
20 of cost drivers in terms of the main influences on
21 the costs of undergrounding programs. I would like
22 to briefly discuss the matters related to the choice
23 of unit costs that we used in our estimates and I
24 will briefly summarise the estimates for you and I
25 will just touch on avoided costs.
26
27 Over the last three years or so we have been
28 working on several major undergrounding studies for
29 major cities in other countries where the intention
30 is to convert existing overhead networks to
31 underground networks. In some instances the
32 networks have been run down and due for replacement;
33 in other instances with expansion the policy
34 decision is to shift towards undergrounding and to
35 develop plans for undergrounding for these cities.
36
37 The result of this work has been that we have
38 developed techniques and models for optimising a new
39 underground network, and I emphasise the word "new"
40 because in this state undergrounding has already
41 progressed significantly in Sydney, for example,
42 where I think 60 per cent of the existing network is
43 already underground.
44
45 What I will try to explain to you today is
46 based on that broad experience, although I am not
47 planning to go into the methodology in detail,
48 firstly, to deal with the question of replacement
49 network. If the existing network is to be replaced
50 with obviously a new network underground, the
51 question is what sort of network should be built.
52 The choice of network underpins the estimates of
53 capital expenditure.
54
55 An obvious possibility is to replace the
56 existing network, shall we say, like for like. By
57 that I mean that overhead lines would eventually be
58 taken down and laid in underground cables on much

.19/4/02 4

Transcript produced by ComputerReporters

1 the same routes and with the same type of network
2 configuration. Obviously some modifications would
3 be made to the network but in principle the broad
4 concept of the network would remain unchanged.
5
6 That type of an approach, which is followed in
7 some cases, is followed for example where decisions
8 are taken say to put underground the electricity
9 lines on main roads. For example, in Auckland at
10 the time of the Commonwealth Games, Vector, the
11 power company, embarked on a major program to
12 underground lines on main thoroughfares. It had a
13 very positive effect on the appearance of the city
14 but in terms of a widespread program for
15 undergrounding the entire network it also introduced
16 some problems.
17
18 One of the difficulties with replacing like for
19 like is that the approach tends to be incremental
20 and the problem with incremental approaches is that
21 over time they tend to use too much equipment and
22 they lock in the present network structure. The
23 present networks structure might not in fact be the
24 best structure for the future and to solve that
25 problem it is wide area planning that is required in
26 order to lay out a replacement network that is best
27 suited for the future electricity needs of the
28 state.
29
30 The 1998 Commonwealth study recognised this and
31 acknowledged that advantages could be achieved
32 through wide area planning although it didn't
33 actually carry those advantages through into its
34 cost estimates.
35
36 An alternative to replacing like for like would
37 be to plan the network optimally and embark on the
38 construction of perhaps a different type of network
39 which is best suited to the future electricity
40 distribution needs. In fact, DNSPs will adopt
41 optimal planning anyway. They do it all the time,
42 but the point to note on this occasion is that it is
43 the large scale of the proposed undergrounding
44 program that makes it different. If a program is
45 undertaken of the type that has been spoken of then
46 it presents a once in a lifetime opportunity to get
47 it right for the future.
48
49 To the extent of our work we have outlined an
50 optimal network. We have done so only for the
51 purpose of cost, only for the purpose of arriving at
52 broad estimates for the Government's present
53 purposes. I would like to emphasise that detailed
54 design, detailed investigation and the preparation
55 of preliminary designs still needs to be done before
56 any such networks could be confirmed as suitable.
57 By detailed investigation I mean essentially social
58 economic investigation and the projection of future

.19/4/02 5

Transcript produced by ComputerReporters

1 loads. And by preliminary designs I mean a thorough
2 engineering study to develop the best network
3 solutions for the urban areas in the state.
4
5 There could be several man years of engineering
6 work required to develop those concepts and test
7 them. We have been able to do no more than using
8 our existing experience and our model and adjusting
9 it and calibrating it for New South Wales to come up
10 only with the broadest of concepts and the point
11 that we really want to make is that like with like
12 is one approach but it is not likely to lead to the
13 best outcome in terms of the replacement network
14 either technically or economically.
15
16 A different and optimally planned approached is
17 probably a better solution but the work still has to
18 be done to develop that solution. Note that I said
19 optimally planned, not necessarily optimally
20 implemented, because we are working with an existing
21 network that will have to be taken into account and
22 the point that I will come to later in this
23 presentation is the high cost that arises if
24 serviceable assets are thrown away prematurely
25 purely out of a desire to have a different network.
26 I will return to that point.
27
28 In terms of looking at costs, firstly, it is
29 low voltage costs that drive the costs of
30 undergrounding most, particularly customer
31 connections. Actually, the treatment of customer
32 connections is one of the biggest bugbears in all
33 undergrounding programs because not all customers
34 favour an undergrounding approach and not all
35 customers wish to pay.
36
37 In terms of costing an underground program, the
38 focus is initially on the location of low voltage
39 customers. In fact, a question arises as to how
40 extensive the program might be because this also
41 drives costs. Clearly undergrounding is not going
42 to extend to rural areas but where exactly will an
43 appropriate boundary be around the urban areas which
44 are undergrounded. The difficulty is that no urban
45 areas are characterised by clearly delineated
46 boundaries. In fact, they are characterised by a
47 progressive reduction in low density and customer
48 density which reduces the economies of
49 undergrounding progressively as one moves away from
50 the centre.
51
52 This is another area of uncertainty in the
53 estimates which have been presented to you today and
54 that is that without detailed work in this area we
55 have all only been able to make broad assessments of
56 the areas which would be covered by a feasible
57 undergrounding program. Having said that, the
58 estimates that have been presented in the reports

.19/4/02 6

Transcript produced by ComputerReporters

1 cover virtually all of the population in the
2 designated towns Fiona mentioned and the assumptions
3 that had been made in areas which the Bureau of
4 Statistics classifies as urban. Anyway, I am just
5 pointing out to you another area where detailed work
6 is required to define this undergrounding program
7 and finalise its costs.
8
9 You need not necessarily be too worried about
10 that at this stage because it is probably costs per
11 kilometre that are of more interest at this point.
12 As far as unit costs are concerned, several sources
13 are available. A standard set of unit costs is
14 available in the state's valuation guidelines. Each
15 of the DNSPs have its own costs developed for the
16 undergrounding work it has carried out. There are
17 other sources reflecting prevailing international
18 prices for the construction of these types of assets
19 but a point which I would like to make and which I
20 mentioned before is that a widespread program of the
21 type envisage may generate its own set of costs
22 depending on how it is handled. Also, of course, it
23 will be important to make certain that account is
24 taken of the size of the program and that economies
25 are reflected. The principal uncertainty in the
26 estimates arises from the unit costs rather than
27 from the quantities.
28
29 The indicative estimates for this capital
30 expenditure program are between \$4m to \$8m per
31 square kilometre covered. A weighted average
32 expenditure per low voltage customer - for
33 electricity alone, I add - is of the order of around
34 \$2,170. These are in present day prices. In the
35 IPART report present calculations have been
36 presented for the program as a whole.
37
38 The main points I would like to make in respect
39 of costs are these: my first point, essentially -
40 to digress for a moment - was to highlight the
41 importance of the selection of the replacement
42 network in terms of determining costs. The second
43 point I would like to make is this: everyone likes
44 a simplistic view on costs but I would caution you
45 against attaching too much importance to any of
46 these numbers at this time, since the detailed
47 engineering work for the development of an
48 undergrounding program is still to be undertaken.
49
50 The expenditures for this program are vast and
51 I think we all owe the State a duty of care to get
52 it right. Getting it right in this context requires
53 detailed work to be undertaken by the DNSPs and for
54 a detailed program to be developed. In that
55 context, do bear in mind that the detailed
56 engineering work is yet to be done.
57
58 My third point, Mr Chairman, relates to the

.19/4/02 7

Transcript produced by ComputerReporters

1 program of expenditure. I would like to underscore
2 here the high additional costs that arise as the
3 program is accelerated. The most efficient program
4 would be to retain existing assets and service until
5 the end of their remaining serviceable life and then
6 progressively replace them with an underground
7 network.

8
9 If that approach is followed the program will
10 constitute about a 40-year roll out, consistent, I
11 might add, with the assumption that assets reaching
12 the end of their life generally are the assets that
13 are in the worst condition.

14
15 One might say that this approach is too
16 simplistic because the assets aren't dispersed
17 through the urban areas in convenient pockets of old
18 and new assets; in fact, they're mixed up together.
19 That is one reason why a fully optimal approach will
20 not be able to be achieved in practice.

21
22 The point I am making is that the most
23 efficient program is to retain serviceable assets in
24 operation until their life expires and then convert
25 the network underground progressively at that point.
26 To advance the program will require the writing off
27 of the residual value of serviceable assets, but
28 from an economic standpoint, in the State as a
29 whole, it constitutes an unnecessary advancement of
30 expenditures, with a consequential economic cost.

31
32 If the program were to be shortened to half the
33 time, the present value of the program would be
34 increased by 62 per cent. That is just to give you
35 a feeling for the additional economic cost involved,
36 from the viewpoint of the State, if the program is
37 accelerated.

38
39 The final point, Mr Chairman, that I would like
40 to make is this: do bear in mind that the existing
41 network is aging and will need to be replaced at
42 some point anyway. An important avoided cost to
43 remember with undergrounding is the cost of not
44 replacing the existing aging network at the end of
45 its life with another overhead network.

46
47 That avoided cost might constitute around a
48 half of the cost of the undergrounding program but
49 detailed work would be needed to confirm that
50 estimate. When Mr Chapman goes on to discuss the
51 benefits, he might refer to this point.

52
53 Mr Chairman, I have finished a little early but
54 they are the points I wanted to make - firstly, the
55 necessity of considering the network concept in
56 order to get it right for the future; secondly, the
57 necessity of confirming the estimates with detailed
58 investigation and design work, which is not yet

.19/4/02 8

Transcript produced by ComputerReporters

1 done; and thirdly, to highlight the magnitude of the
2 expenditures and to point out to you that the most
3 efficient program economically is to continue to
4 retain full use of the serviceable assets until
5 their life expires and as a result, make a
6 progressive conversion to undergrounding. I think
7 that covers the main points.

8
9 THE CHAIRMAN: Thank you very much for that very clear
10 presentation. We now move on to Ross Chapman from
11 the Centre for International Economics, who will
12 speak about benefits.

13
14 MR CHAPMAN: Ladies and gentlemen, the Centre for
15 International Economics has involved itself in work
16 of public interest for some years now and
17 particularly in work involving benefit cost
18 analysis. It is always gratifying to actually see
19 that you're working on a project where there is
20 public interest and I think that is testified to by
21 the attendance here today.

22
23 Let me also say that in working on both the
24 benefit and the funding side of this question we
25 enjoyed drawing information and ideas from the
26 public submissions that were made to this inquiry
27 and so when it came to the task of trying to
28 identify what benefits should be considered and
29 indeed the more complex task of how to quantify
30 them, we were helped by the obvious effort that had
31 been put into this by people with an interest in the
32 area; so we're grateful for that.

33
34 In moving along from Jeffrey's concern with
35 giving high level broad estimates to costs, what are
36 the next steps in a project of this kind? One is
37 to question what indeed are the benefits that could
38 be used to justify a project of this type and how
39 big are they, a very vexed question if one tries to
40 put dollar values on these things.

41
42 You have already heard Jeffrey speak of the
43 need to be extremely cautious and circumspect over
44 cost numbers. I could add that when it comes to
45 benefits you can say that in spades. It is at least
46 as difficult to put dollar values that are
47 meaningful on the benefits in this kind of exercise,
48 so I encourage you to read anything that is produced
49 in the Tribunal report with a good deal of caution
50 and treat those numbers for what they are.

51
52 How are the benefits to be distributed if
53 government decisions are to be taken wisely in
54 projects as important as this? Government needs to
55 give due consideration to who will enjoy the gains
56 from this and it needs to do that in order to safely
57 underpin a funding mechanism for allowing this
58 project to go ahead, if it were deemed to be a net

.19/4/02 9

Transcript produced by ComputerReporters

1 benefit to the citizens of the State.
2
3 One can't make sound decisions about putting in
4 place projects of this kind without grasping the
5 nettle of who should pay for them and how. Really,
6 our task covered each of those issues. Some of you
7 will have already looked at the Tribunal's report
8 and a way to summarise what we tried to do there is
9 to attack this question of the benefits of
10 undergrounding by being upfront about what we
11 considered to be broadly, if very roughly,
12 quantifiable and what benefits may well be there but
13 would be intangible and it would be unsafe to try
14 and put even a rough dollar number against.
15
16 I think it is useful to try and divide the
17 sorts of benefits that flow from undergrounding into
18 those two broad categories and we've tried to do
19 that in this box diagram. The "too hard" part on
20 the left-hand side of the picture, the
21 unquantifiable benefits, shouldn't be dismissed as
22 unimportant.
23
24 All we are saying is that when we looked at the
25 evidence and we looked at efforts elsewhere to delve
26 into these questions, we couldn't find reliable
27 methods or sufficient evidence to go forward with
28 confidence and say, "Yes, there are things here that
29 we can try to represent in dollar terms."
30
31 You will see some of the categories there that
32 may be important but we can't say how important in a
33 quantitative sense. There is the obvious improved
34 public amenity area where we've discussed issues of
35 views, improved streetscapes, all of the usual
36 things that people have drawn attention to in
37 submissions to this inquiry.
38
39 I must say that we tried quite hard to
40 investigate the possibility of putting dollar
41 numbers around that and concluded that that would be
42 a somewhat dangerous thing to do and could be
43 misleading.
44
45 Improved public and wildlife safety is another
46 thing that people had quite a bit to say about in
47 submissions. In fact, the public safety issues
48 often have been misconstrued in this area. We would
49 draw your attention to the difference between public
50 safety issues surrounding electrocution-type
51 problems and over here amongst the quantified
52 benefits, where we have had a go at putting some
53 dollar numbers up, the reduced cost of motor
54 vehicle-pole collisions.
55
56 I think it is important to keep separate in
57 one's mind this difference between public safety
58 issues surrounding electrocution and issues

.19/4/02 10

Transcript produced by ComputerReporters

1 surrounding motor vehicle accidents, where you can
2 have a stab at putting some dollar numbers on
3 things.
4
5 As we move through this list of unquantifiable
6 benefits, there are opportunities to increase
7 network efficiency. That proves to be at least at
8 this stage of the analysis a too hard question when
9 it comes to quantification.
10
11 Amongst quantified benefits, one that we've
12 reported to the Tribunal is that matter of reduced
13 cost of motor vehicle pole collisions and that is
14 one of the more important in a numerical sense when
15 it comes to quantified benefits.
16
17 At a lower order of importance in a dollar
18 sense is the improved reliability of energy supply.
19 I hasten to add this is again quite a difficult
20 number to construct, given the kind of information
21 that's available when comparing an existing system
22 with a system that is replaced with undergrounding,
23 because in all of this what we're asked to do is
24 quantify the incremental benefits of moving away
25 from a system that we've got now and replacing it
26 sequentially with an underground system.
27
28 The only benefits that should be captured here
29 are the difference in benefits that one enjoys now
30 and the benefits that could flow from an underground
31 system. Our whole approach is to look at those
32 incremental benefits.
33
34 In asking what are the benefits of improved
35 reliability of energy supply you have the difficult
36 issue of saying, "Well, how reliable is the current
37 system? How much more reliable is an underground
38 system and what does that mean in savings to
39 customers and in terms of revenue saved to
40 distributors?" That is not an easy question to
41 answer. We provide some indicative numbers on that.
42
43 Then there is the avoided maintenance costs
44 that will be enjoyed by distributors and indeed to
45 some extent by telecommunications operators. These
46 are issues like avoided tree pruning costs and any
47 costs that are greater in maintaining an overhead
48 system than in maintaining its underground
49 equivalent.
50
51 Again, it is this idea of incremental benefits.
52 In this case the benefits are in the form of an
53 avoided cost and one might just as usefully take
54 these avoided maintenance costs ideas and lump them
55 into Jeffrey's domain and say, "All right, we've
56 calculated what it might cost to roll out an
57 underground system. Now let's see what we have to
58 subtract from that by way of avoided costs to

.19/4/02 11

Transcript produced by ComputerReporters

1 distributors". And then ask the question, "And what
2 are the remaining incremental benefits that might
3 offset those costs?" That is a good way of
4 proceeding.
5
6 Just to give you a feel for what is relatively
7 important and what's not amongst these incremental
8 benefits, we've calculated some rough proportions
9 here of what contributes to the benefits that we've
10 been able to quantify. Leading those you will see
11 is the dollar contribution in terms of the avoided
12 costs of motor vehicle collisions with above ground
13 poles.
14
15 In putting that forward as an incremental
16 benefit, we are saying over a 40-year time horizon
17 if you replaced what is there now with an entirely
18 undergrounded system for the urban areas in
19 question, the kinds of savings that you're likely to
20 enjoy in terms of the saving of lives and other
21 injury costs compared to keeping the existing system
22 with its rigid poles in place, you might look to
23 about a little more than half of the quantifiable
24 benefits flowing from those reduced traffic accident
25 consequences.
26
27 With respect to improved reliability of supply,
28 again, I remind you that this is a difficult number
29 to calculate, one in which you can't have a high
30 level of confidence. It could be in a considerable
31 range. One would have to rely on a lot more
32 detailed study and detailed information than we had
33 available in the time of this report to become more
34 confident about that, but indications are that that
35 might be somewhere around the 15 to 25 per cent mark
36 in terms of the share of incremental benefits
37 flowing from undergrounding.
38
39 As to the avoided maintenance costs, as I
40 mentioned, you might think of those really, on the
41 incremental cost side, as something you could take
42 away from the true costs of doing the undergrounding
43 project because there are some savings to
44 distributors and, in fact, it is probably in one
45 sense better to regard them as such, but to give you
46 a dollar order of magnitude idea, they sit there
47 around that 20 to 25 per cent mark and there is some
48 small contribution in terms of the reduced losses in
49 revenue to the distributors as a result of this.
50 That gives you some rough idea of where we might
51 look for the benefits and how important they might
52 be.
53
54 If you will recall my introductory points, one
55 of the interesting things about identifying and
56 quantifying the benefits is that it helps us also
57 focus our minds on this question of who should pay
58 and how should those costs be distributed across the

.19/4/02 12

Transcript produced by ComputerReporters

1 community.
2
3 There are basically two approaches that are
4 adopted in any Government consideration of issues of
5 this kind. You can go in with a view of the world
6 that says impactors pay and some of the public
7 submissions reflected that view of life. That is
8 supported by the idea that this is rather like
9 polluter pays. Those responsible for the network
10 are inflicting incremental costs on society, so they
11 should pay for those costs in some sense.
12
13 This line of argument is one that really says
14 there are opportunities there for distributors to
15 underground. If they persist in maintaining a
16 system above ground, the costs that they are
17 inflicting on society as a result of that are not
18 being properly brought to account.
19
20 We considered that view and we've noted it and
21 noted the arguments behind it and passed those on to
22 the Tribunal. In the end, though, distributors have
23 inherited a system that is an above ground system
24 and that inheritance question, those legacy costs,
25 if you like, of the past, are there and you can ask
26 whether it's appropriate then for distributors and
27 perhaps electricity consumers to pay for the costs
28 of replacing that system when it is an inherited
29 system.
30
31 This kind of issue comes up not just in the
32 electricity field, I might add, but in the whole
33 area of paying for water, for dams in the country,
34 things of this kind. It is a widespread question.
35 On balance, we feel that a beneficiaries pays
36 approach is more appropriate, given that these
37 assets and where they are and what they do are
38 largely a legacy of what communities in the past
39 have enjoyed.
40
41 There will be opportunistic undergrounding
42 whether a widespread proposal goes ahead or not, but
43 looking forward, it's more appropriate to say,
44 "Well, if it's an undergrounding project that is
45 comprehensive, widespread, involving all large urban
46 centres in New South Wales, then it's appropriate
47 that the beneficiaries of that sort of project
48 should pay."
49
50 If they do, who are they and how should they
51 pay? We identified them in terms of beneficiaries
52 at the individual household level. There are
53 benefits that flow and can't be filtered down to
54 individual households at a local community level and
55 indeed at a Statewide level. Some of the benefits,
56 like avoided road accidents, could be said to be
57 benefits that accrue to the whole State in one way
58 another and then there are certain benefits to the

.19/4/02 13

Transcript produced by ComputerReporters

1 service providers themselves.
2
3 If beneficiaries pays is an appropriate way to
4 go - and certainly that was the view expressed in
5 the 1998 Commonwealth report on these issues - if
6 that approach is adopted, then what principles
7 should we use in finding ways of imposing cost
8 recovery on those beneficiaries?
9
10 That brings us to the funding options that are
11 discussed in the Tribunal's report. There are three
12 main areas where Government can look to fund the
13 costs of a project of this kind. Utility charges
14 and levies that are imposed by the distributors, or
15 by someone else on their behalf, is obviously one
16 simple way to go and it has been emphasised that
17 this is a straightforward means of funding an
18 exercise of this kind.
19
20 The incremental gains of an underground system
21 to electricity consumers as consumers do not
22 constitute a large proportion of the benefits that
23 we could quantify. I think that is an important
24 point to be borne in mind when considering how
25 enthusiastic the community should be about funding
26 this thing through either straightforward changes to
27 the price of electricity or, indeed, some kind of
28 fixed capital levy imposed by the distributors.
29
30 We find that when you examine that sort of
31 approach it distorts electricity prices
32 unnecessarily and is likely to be inequitable, since
33 the main beneficiaries as electricity consumers are
34 those who gain in terms of reliability and that is
35 not at all evenly spread through the electricity
36 consuming community.
37
38 Local government rates and levies would be a
39 funding approach that picks up on the idea that
40 well, possibly only 30 per cent of the costs of this
41 program might be recoverable in terms of
42 quantifiable benefits. I will come back to that in
43 a moment.
44
45 If there is a significant shortfall between the
46 quantifiable benefits and the quantifiable
47 incremental costs of a project of this kind, where
48 must we look for the benefits to fund the program?
49 Surely those benefits have got to be the amenity
50 type benefits, the hard to quantify - possibly
51 impossible to quantify - benefits that are out there
52 that somebody must demonstrate are sufficient to
53 outweigh the costs.
54
55 If there is a large lump of unquantifiable
56 benefits out there and it is a beneficiary pays
57 approach and if those benefits largely accrue at the
58 local community level, then beneficiary pays

.19/4/02 14

Transcript produced by ComputerReporters

1 suggests that local Government rates and levies is a
2 sensible place to look for a fair share of the
3 funding of an exercise of this kind.
4
5 Then there are State Government subsidies from
6 consolidated revenue and we discussed those in some
7 detail in the report. The problem with these is
8 that if you use Statewide taxes to fund a program
9 that has largely local benefits, then you're going
10 to have country taxpayers cross-subsidising urban
11 dwellers and to quite a considerable dollar value in
12 this case.
13
14 Some combination of the above might be
15 appropriate if we think there are sources of
16 benefits that are individual community centred and
17 statewide. It presents us with a more complex
18 funding option but it would have the advantage of
19 fairness in applying the beneficiary pays approach.
20
21 I would like to close with an observation that
22 in my view it is the obligation of governments in
23 considering projects of this kind to indulge to the
24 extent they can in some kind of formal benefit cost
25 analysis of the project, even where it is very hard
26 to measure benefits and where at an initial level at
27 least the costs are also hedged by uncertainty.
28
29 There is an obligation to look there for an
30 answer to the question, what are the incremental
31 costs of doing something like this, are they matched
32 by the incremental benefits, and if we can only find
33 quantifiable incremental benefits that are a
34 fraction of the quantifiable costs then we have to
35 look very carefully at how other evidence might be
36 brought to bear to say, yes, a program of this kind
37 is justified.
38
39 Jeffrey has put in front of you some very
40 preliminary broad costs of doing this kind of thing.
41 From the point of view of an optimised approach, as
42 he explained, we have to subtract from the point of
43 view of finding what sort of a gap has to be funded
44 here, we have to subtract from those costs any costs
45 that the distributors themselves would avoid by
46 going underground. One such cost is the cost of
47 replacing the existing system. As you go forward
48 you are going to avoid some costs of replacing what
49 is there. Just how big that is is a moot point as
50 well. It is going to vary with the way in which you
51 replace the existing system as much as anything else
52 but one needs to subtract that from the first cost
53 estimate to decide what these incremental costs are
54 of putting things underground. Then you need to
55 compare that with the quantifiable incremental
56 benefits.
57
58 What we have done is quantify as best we could

.19/4/02 15

Transcript produced by ComputerReporters

1 those incremental benefits. Our preliminary view is
2 that when you look at one compared to the other and
3 you say to yourself, out of every dollar of
4 incremental costs how much is likely to be there
5 offset by quantifiable incremental benefits, if you
6 ask that question, for every dollar of incremental
7 costs of undergrounding how much is likely to be
8 offset by quantifiable incremental benefits, you
9 can't be terribly certain in the answer to that, it
10 could be as high as about 33 cents in every dollar,
11 it could be less than 10 cents, depending on how
12 optimistic or pessimistic you are about various
13 assumptions.

14
15 The point is there is a big gap in every dollar
16 in what is, if you like, covered by incremental
17 benefits and that is the sort of thing that
18 government has to take into consideration in going
19 forward in its deliberations on a project of this
20 kind. Thank you.

21
22 MR COX: Thank you very much for a clear presentation on
23 what I think is a very difficult area. We will now
24 move onto the panel session and we ask our experts
25 to make brief presentations one after the other.
26 The first is David Neville from Integral.

27
28 MR NEVILLE: Integral energy is pleased to be given this
29 opportunity to present its views on IPART's interim
30 report on the undergrounding of electricity in New
31 South Wales. Integral supports the overall proposal
32 to underground electricity distribution assets in
33 urban areas of New South Wales. Like most attendees
34 at this forum, we agree that the undergrounding of
35 electricity cable is preferable to overhead lines
36 due to the benefits that result in terms of improved
37 safety, reliability, visual impact and maintenance.

38
39 While it is perhaps easier to identify the
40 issues that stakeholders agree on in terms of the
41 benefits of undergrounding, the real difficulty as
42 has been noted in the earlier presentations is in
43 building agreement across various stakeholders on
44 the relative costs and funding arrangements for a
45 large scale undergrounding program. For these
46 reasons Integral recognises the complexity of the
47 task undertaken by IPART and its consultants in a
48 short time frame and welcomes the interim report as
49 a serious attempt to quantify the costs and benefits
50 as well as outlining a reasonable approach to the
51 funding of undergrounding.

52
53 It is also important to note that the New South
54 Wales electricity industry has been proactive along
55 with local councils and developers in undergrounding
56 of electricity assets in new developments over the
57 last three decades. In Integral's case, this has
58 resulted in approximately 39 per cent of low voltage

.19/4/02 16

Transcript produced by ComputerReporters

1 mains and 17 per cent of high voltage mains being
2 placed underground.

3
4 In relation to IPART's interim report, Integral
5 and the other New South Wales distributors believe
6 there are some issues with the methodology used
7 particularly in relation to the optimally planned
8 network scenario.

9
10 An area of concern is the after diversity
11 maximum demand figure of 2.6MVA used in the report.
12 Integral believes this figure, which aims to measure
13 average capacity for the average home, is
14 understated, in our case due mainly to the increased
15 use of air conditioners in Western Sydney. Our
16 experience indicates that for design purpose an ADMD
17 of 7kVa per customer or greater would be more
18 appropriate. The use of the higher ADMD figure will
19 impact on the costs derived from the optimally
20 planned network model.

21
22 Integral and the other New South Wales
23 distributors would like to work with IPART to
24 resolve these issues prior to the release of the
25 final report. Despite these issues, Integral
26 accepts that the costs in the interim report
27 represent broad estimates of the order of magnitude
28 of the costs of undergrounding and further work is
29 required to provide firmer estimates on these costs.

30
31 We also note that the estimated costs of
32 undergrounding are considerably greater than the
33 directly quantifiable benefits. As the costs quoted
34 in the report clearly outweigh the benefits,
35 ensuring funding options match benefits and
36 beneficiaries is a key issue. Integral supports
37 IPART's observation that the key benefits of
38 undergrounding accrue to the local community and the
39 wider public. We therefore support the beneficiary
40 pays principle as the most efficient and equitable
41 means of allocating costs at the local level, to
42 members of the community who would derive most
43 benefits from undergrounding.

44
45 Based on the interim report the beneficiary
46 pays principle would involve 80 per cent of
47 undergrounding funding being collected via local
48 council rates or levies. We believe this approach
49 is preferable to the use of electricity charges for
50 this purpose. The use of electricity charges would
51 considerably distort relative prices and, as the
52 tribunal has noted, such an approach distorts the
53 funding mechanism from the allocation of cost
54 recovery on the basis of benefits derived.

55
56 We also strongly support IPART's proposal that
57 communities that place a relatively low value on the
58 local benefits of undergrounding should be given the

.19/4/02 17

Transcript produced by ComputerReporters

1 choice of opting out. While the issue of overhead
2 electricity lines is a concern for many members of
3 the community, there are likely to be significant
4 differences in individuals' willingness to pay for
5 undergrounding projects both within a local
6 government area and between local government areas.
7
8 We and the other New South Wales distributors
9 believe the current work that is being undertaken on
10 willingness to pay in relation to the next network
11 determination provides an opportunity to understand
12 and value customer preferences in relation to
13 undergrounding and other projects designed to
14 enhance network performance.
15
16 As the benefits of undergrounding are more than
17 just service related and the gap between benefits
18 and costs is substantial, it will be important to
19 establish whether customers within local communities
20 are prepared to pay the difference between the costs
21 allocated to other stakeholders and the overall
22 costs.
23
24 On this point we agree with IPART's observation
25 that without evidence on how members of local
26 communities value the benefits of undergrounding it
27 will be difficult to apply the principle that a
28 community should receive the level of undergrounding
29 that it is willing to pay for. We believe the
30 willingness to pay study that has been developed
31 presents an opportunity for IPART, local government
32 and the electricity distributors to work together in
33 gathering evidence required to support a large scale
34 undergrounding program in New South Wales.
35
36 Thank you.
37
38 MR COX: Thank you.
39
40 MR WELLSMORE: Good morning, all. I represent the Public
41 Interest Advocacy Centre. We have made a written
42 submission to the tribunal on these matters which
43 perhaps some of you have read. Can I just say at
44 the outset that we are not in principle opposed to
45 the idea of undergrounding electricity networks at
46 all. In fact, in our submission we made the point
47 that we saw some scenarios and some particular areas
48 within the metropolitan or urban areas of the state
49 where undergrounding would not only be feasible but
50 perhaps even desirable, and that is even taking into
51 account the difficulties that Ross Chapman has just
52 pointed out about quantifying in economic terms at
53 least the benefits in some of those cases, visual
54 amenity and so forth.
55
56 It is not that we have got a set against
57 undergrounding. Our issues are a bit more complex
58 than that. Firstly, I think, is the question about
.19/4/02 18

Transcript produced by ComputerReporters

1 the choices that we face as a community about
2 allocating funds and whether the enormous, at least
3 in our view, amount of money that would need to be
4 committed to a universal roll-out of undergrounding
5 might not be better spent in some other way.
6
7 It is about opportunity costs I suppose, as the
8 economists would tell us, and every dollar we put
9 into undergrounding is \$1 we don't have to spend on
10 something else. A 40-year roll-out would mean that
11 the opportunity cost is fairly small. 40 years
12 seems like a long time and obviously the per annum
13 cost is low. On the other hand, certainly we are
14 mindful that this is at the end of the day a
15 political decision and where I guess we are wary is
16 that a 40-year time line is probably not
17 particularly feasible in political terms, that there
18 will be a lot of pressure for a political decision
19 for a much shorter time span.
20
21 Certainly for those people who are paying, they
22 will want to get the benefits much quicker than 40
23 years, I suggest. Conversely, let's say the 40-year
24 figure holds up, that might be good. Our concern
25 then would be that in fact some people will in fact
26 pay and still be waiting to get the benefits or
27 indeed that at some point the temptation will be to
28 say, look, we have done enough, we will stop now,
29 enough people in the community are happy, we can
30 call it a day, finish the undergrounding; and those
31 who have paid will never see the benefit.
32
33 That is the way decisions get made about
34 distributing the benefits. Benefits is a tricky
35 thing, as Ross outlined, but certainly from what we
36 have seen in the report from the tribunal and in
37 this morning's presentations, costs, whilst
38 difficult to quantify, seem very much in our view to
39 outweigh the benefits. We concede not for some
40 areas or for some members of the community, but in
41 broad terms it seems to us that for most people the
42 costs of undergrounding will be much greater than
43 any benefit that they will receive in turn.
44
45 That is why we have been very pleased to see
46 the work the tribunal has produced and we are very
47 supportive of the outcome that it is proposing in
48 its draft decision, the draft report, to align
49 beneficiary pays. I suppose partly we support that
50 from the perspective of I guess implicitly designing
51 a scheme and the fact that it essentially reflects a
52 current opportunity that the community already has
53 and in some cases has taken up for beneficiary pays
54 for very localised undergrounding where
55 distributors, local government and residents have
56 seen, in their individual cases at least, their
57 specific circumstances, that they are prepared to
58 stump up the money to cover the cost that they
.19/4/02 19

Transcript produced by ComputerReporters

1 believe in their case they are prepared to carry
2 because of the benefits that will be commensurate
3 with that.
4
5 At the end of the day, from our point of view
6 it is really the issue about people not being asked
7 to pay for a benefit that they won't get or not
8 being asked to pay when they can't afford it and it
9 may in fact be the case that, look, over 40 years
10 no-one will really notice the extra money on their
11 electricity bills, that is fine, but if some areas
12 of the community are seriously convinced that they
13 will benefit from undergrounding, well, we think
14 that is fantastic and we think that there are
15 opportunities already in place for those people to
16 realise those benefits.
17
18 We would be very concerned that those benefits
19 are not actually being, if you like, subsidised and
20 certainly funded in some way by other members of the
21 community who do not have the same opportunity to
22 realise the same benefits. Thank you.
23
24 MR COX: Thank you very much. The next speaker is
25 Lynton Jamieson from EnergyAustralia.
26
27 MR JAMIESON: Mr Chairman, ladies and gentlemen, thank
28 you first of all for the opportunity to participate
29 in this very important debate for the community in
30 the way we move forward. It's sometimes unfortunate
31 that we are where we are in history and we would
32 like to change lots of things. Of course, we would
33 all like the complete network underground as soon as
34 possible.
35
36 However, it has 100 years plus of history there
37 and, as Jeffrey pointed out before, it is a little
38 bit like Paddy's axe, it has the same head maybe but
39 it has a different handle, or it has a different
40 handle and a different head, but it is still Paddy's
41 axe, and that is what the network is and that is
42 what the underground network is. We are where we
43 are and we are just continually rebuilding parts of
44 that network so the age of the distribution of that
45 across the network is quite variable. It is a very
46 complex issue.
47
48 Just to go to a few points I would like to
49 support in the draft report so far that has been
50 presented today, we believe that the 40-year time
51 frame referred to in the report is realistic. It is
52 something that enables us to move forward and work
53 out how we are best able to do this and how the
54 community is prepared to actually accept the way we
55 move forward as well.
56
57 The time frame would need to be linked very
58 closely and tested against community expectations.

.19/4/02 20

Transcript produced by ComputerReporters

1 Community expectations are very wide and very
2 varied, as are those expectations of the various
3 other stakeholders in this debate. We support the
4 beneficiary pays approach. We believe that because
5 this primarily is going to be done on a small sector
6 basis, whilst it is an overall plan of where we want
7 to be in 40 years time, that we would be delivering
8 such a program on a sector basis and therefore the
9 beneficiary pays approach and utilising local
10 councils who have very good understandings of
11 representations and negotiation skills, et cetera,
12 with the local community already established, that
13 that would be a very good way to go to move forward.
14
15 To move forward we would need a formal
16 undergrounding program that would identify what
17 areas need to be done first in what order. You
18 can't deliver it all tomorrow. That would be
19 community debate that would determine which areas
20 get done first and how these areas get done, in what
21 form.
22
23 Over a 40-year period it would be expected, of
24 course, that the way we do things would change. It
25 would have to be reiterative. Technology changes
26 over a period, people's expectations change over a
27 period, so it would have to be a very robust process
28 in place where we could get feedback from the
29 community and the other stakeholders.
30
31 We believe again, based on that, the local
32 councils are a very good representative of the local
33 community.
34
35 We would also support strongly the use of a
36 pilot program. EnergyAustralia has a considerable
37 history and considerable experience in
38 undergrounding, but on a fairly small scale if you
39 compare it with the scale of the projects that are
40 being considered here. But we believe that pilot
41 programming over the next 12 months or so would be
42 advantageous to get a better handle on the issues
43 involved and also how we would negotiation with the
44 local community for doing that.
45
46 It would also give us a better feeling of what
47 the span of actual costs may well be in a larger
48 scale program so, as I said, we primarily do smaller
49 scale programs, not something that is on a large
50 scale like we are talking about here.
51
52 That leads me on to the costings, which are
53 very variable. It has been talked about today that
54 they are broad estimates only. We would agree that
55 they are broad estimates only and we need to move
56 forward and look very closely at what those various
57 inputs are to the determination of those costs and
58 those estimates and what the risks are if we get

.19/4/02 21

Transcript produced by ComputerReporters

1 some of those costings incorrect.
2
3 As you appreciate, the costs of actually doing
4 work on a greenfields site are vastly different to
5 going in and retrofitting. If any of you have done
6 old houses up you will realise that you can actually
7 start doing things and then you get part way down
8 the track and you find out that you have to do
9 things slightly differently. It does not always
10 come out the way you estimated in the first place.
11
12 We support much closer scrutiny of costings, a
13 pilot project that would enable us to get a better
14 handle on where these costings might be variable or
15 not, and do that as soon as possible. Thank you
16 very much and I welcome questions during the panel
17 session.
18
19 MR COX: The next speaker is Peter Downey from Sydney
20 Cables Downunder.
21
22 MR DOWNEY: Thank you, Mr Chairman. Unfortunately I am
23 going to have to talk fairly fast, so I apologise
24 for that. First of all, let me say that this is a
25 very good report, but it is an academic one. The
26 problem is that academic reports don't address the
27 issues of real people in the real world. The real
28 issues are about winners and losers. If we get this
29 right, everyone will win. If we get it wrong,
30 everyone loses.
31
32 With this report, only those in the leafy North
33 Shore will afford it and not want to opt out, and
34 that creates a whole heap of problems, including one
35 of social equity. Before anyone gets this wrong, I
36 live in one of the northern suburbs.
37
38 Let's address the cost. The cost of burying
39 electricity cables is not \$5,000, it is between
40 \$1,800 and \$3,000, so let's take the median \$2,400
41 per property, less the cost savings. Amortise that
42 over an anticipated life of the project and we are
43 talking peanuts, but there are those in the
44 community, pensioners and those doing it tough, for
45 whom this is a lot of money, yet there is nothing in
46 the report that addresses this. So if I have to pay
47 a few more peanuts for something that is socially
48 equitable, so be it.
49
50 What we are seeking is an inclusive program,
51 not an exclusive one. The report says that you can
52 opt out, but what we need is a program that is
53 affordable and gives everyone a reason to want to
54 opt in. If an area is opting out you destroy the
55 economics of the project, remove the ability to
56 redesign the network and gain maximum efficiencies
57 that benefits everyone, whether it is overhead or
58 underground, and you create an administrative
.19/4/02 22

Transcript produced by ComputerReporters

1 nightmare.
2
3 What if you pay to have your poles removed yet
4 on the way to work you run into a pole in an area
5 that opted out. You would be pretty mad. In fact
6 you would be more than mad, you would be dead! But
7 then it says that the money could be better spent on
8 a road safety program. Well, please show me a road
9 safety campaign that has worked and continued to do
10 so. If they worked, we would not have speed cameras
11 or double demerit points. This is not just about
12 driver attitude but about the environment of our
13 roads which accounts for around 10 per cent of total
14 road fatalities.
15
16 A policeman once told me the worst collision
17 you can have is with a power pole because they are
18 hard and unforgiving. They concentrate the full
19 force of the collision over a small area and they
20 rip and tear through the car right into the
21 passenger compartment where you and your family are.
22
23 And where are those poles? Right behind the
24 kerb, waiting should you swerve to miss a kid who
25 runs onto the road or a soccer ball that rolled out
26 onto the road.
27
28 The report also says there are no economic
29 benefits during the construction phase. Then where
30 did the building booming come from during the
31 Olympics? Was it a myth. This is the real world,
32 not something out of a textbook.
33
34 I also note that the report talks about
35 underground cable limiting competition. But
36 something like 20 per cent of Sydney is already
37 underground and this is increasing. So where is
38 that argument going? Are we to accept an increase
39 in the existing overhead cables in the name of
40 competition.
41
42 Let me turn to the communications cables, and
43 please, the people from that area, I am not having a
44 go at you here, but it raises a whole host of other
45 questions. The cost is round \$2,000 to bury.
46 Costwise this is a separate issue, these are private
47 companies, and that raises some interesting points.
48
49 If you don't use these services, do you still
50 have to pay for them; or if you have paid to have
51 them buried does that constitute a change of
52 ownership of the cable from the carrier to you; or
53 is it a government subsidy of a private company; or
54 should it be seen as a legitimate cost in capital
55 works and upgrading and the cost spread evenly
56 across the total cost and revenue base of the
57 carrier? What are the tax implications? After all,
58 the current cable must have been written off years
.19/4/02 23

Transcript produced by ComputerReporters

1 ago but now they can start again.
2
3 I am not saying these companies should not be
4 treated with sympathy or helped. It is just that it
5 is a separate issue and needs to be treated
6 accordingly.
7
8 Let me now turn to the collection of the levy.
9 It is recommended that councils should collect 80
10 per cent of the cost, but that would add to the cost
11 and complexity. You would have 50 or 60 councils
12 investing in new systems and hardware, yet they have
13 nothing to do with power. They issue dog licences,
14 building permits and pick up the garbage. They
15 don't distribute power. So why not have the six or
16 so energy distributors involved, add a single line
17 to their account showing the cost, and then a second
18 line showing the cost saving of not having to
19 mutilate trees and fix termite infested power poles.
20
21 Finally, this is not an issue about economics.
22 We have always known that at Sydney Cables
23 downunder, not because the argument is not sound, it
24 is just that the data is not there because no one
25 has ever recorded, collected it or collated it.
26 Believe me, we have tried. So let's put that
27 argument aside side for a moment.
28
29 This is an issue about a vision, a dream. I
30 was told not to use that word, that it would send
31 the wrong message, but if Martin Luther King can
32 have a dream, why can't we? The mayor of New York
33 had a vision or dream, in 1884 he took an axe to
34 that city's power poles. But even he was preceded
35 by London in 1882, while Paris and Rome followed
36 later, so where does this leave us?
37
38 This is a vision about clean, safe, uncluttered
39 streets adorned by beautiful trees that wildlife can
40 populate and kids can climb. It is about a safe and
41 reliable supply of electricity devoid of blackouts
42 whenever one of our ever increasing storms happens
43 along throwing thousands of people out of work for
44 up to a week. And if you think the situation will
45 improve, I ask you to think again, because we are
46 now experiencing a climate change that will only
47 make it worse.
48
49 It was reported that Bob Carr once had a dream,
50 that soon after becoming Premier he looked out of a
51 window at a pole and thought, "God, that is ugly, I
52 have the power to have it removed but if I did so,
53 it would be an abuse of my powers", so the pole
54 stayed. Well, Bob, come and talk to us and we will
55 show you how to get rid of your pole and ours at the
56 same time because if Premier Carr doesn't do it,
57 then Premier Brogden or some other Premier will,
58 which means we will be back here again in six
.19/4/02 24

Transcript produced by ComputerReporters

1 months or two years and the whole thing will start
2 over again, so let's get it right the first time.
3 Thank you.
4
5 MR COX: Thank you, Peter. The next speaker is Warren
6 Taylor, from the Local Government and Shires
7 Association.
8
9 MR TAYLOR: Thank you, Mr Chairman, for the opportunity
10 to speak to you today and welcome to everybody. It
11 is of course an early stage for the Association of
12 Local Governments to have any firm policy on the
13 process. We believe we are disadvantaged by having
14 a steering committee that doesn't have any local
15 government representation on it.
16
17 There is membership on the technical committee
18 in the form of three local government people and a
19 gentleman from the Department of Local Government
20 but in light of the report recommending as a last
21 resort, I guess, that local government rates bear
22 80 per cent of the revenue bearing process, we
23 believe there should at least be membership in the
24 committee that makes those sorts of decisions.
25
26 There have been two main issues in local
27 government in recent times. There have been many
28 more issues than two but I want to refer to two of
29 them. One relates to tree vegetation management. I
30 have been inundated by more than 100 councils around
31 the State in the last 12 months about the tree
32 management requirements of energy distributors,
33 relating mainly to introduced trees and the
34 requirement that councils have tree management
35 practices to overcome what we believe are problems
36 of the distributor in the first place.
37
38 Those costs are very significant. In leafy
39 Wahroonga, for instance, tree management is an
40 accepted discipline by that particular council in
41 some streets because of the heritage value of those
42 trees.
43
44 In some cases where tree management has not
45 taken place because of a difference of opinion
46 between the energy distributor and the council - and
47 I can think of three locations, North Sydney,
48 Holroyd and Marrickville where there have been
49 significant concerns in recent times about tree
50 vandalism - tree management is a significant problem
51 within local government and within the community.
52
53 The Association suggests that the IPART report
54 and the figures that have been quoted in that do not
55 bring into account those significant costs. In the
56 long term we believe they would be avoided costs and
57 they are probably twice the extent than have been
58 quoted by Mr Chapman today, in our view.
.19/4/02 25

Transcript produced by ComputerReporters

1
2 We have been unable to obtain those direct
3 costs because they come in three different levels.
4 There are costs paid by councils direct under
5 dispute on introduced trees. They are the costs
6 paid by the energy distributors themselves, when
7 there is a priority emergency situation, in an
8 attempt by them to try and negotiate the situation
9 with councils. In the third area there are those
10 trees that no-one is touching at this stage and they
11 are becoming a time bomb in terms of future
12 maintenance and future management.
13
14 We believe that one of the criteria in the
15 report should really look at trees and tree
16 management and we believe further information should
17 be sought to go in that direction.
18
19 The associations and councils have also for a
20 number of years wanted to have the undergrounding of
21 cables accelerated and the Minister for Energy has
22 steadfastly refused to take on the suggestions made
23 by councils. Councils did suggest that energy
24 distributors be required to do a five year
25 management plan and that it be required for each
26 council area that they indicate in their annual
27 report what plans they've put in place for
28 undergrounding.
29
30 We recognise that that is probably a blank spot
31 on the report but that was the purpose of the
32 exercise, to draw to the public's attention the fact
33 that undergrounding plans rarely take place by the
34 sole initiative of and financial payment by energy
35 distributors.
36
37 For a long time also the associations have been
38 supportive of there being some pilot projects,
39 because we heard of the costs in the report at the
40 Commonwealth level a number of years ago and we've
41 advocated some physical program pilots be
42 undertaken.
43
44 We are supportive of the process that is
45 currently being discussed by energy distributors and
46 councils for a number of pilot programs to go into
47 place because we believe they will uncover exactly
48 the range of direct and indirect costs that have
49 been discussed today, possibly at an academic level.
50 We support that process.
51
52 However, we are concerned that those pilot
53 projects close on 8 April. Yes, the period of time
54 has been extended. We don't know how long it has
55 been extended to because that extension date hasn't
56 been determined. We are also concerned that there's
57 no criteria yet adopted for that pilot program. How
58 will the actual locations be selected?

.19/4/02 26

Transcript produced by ComputerReporters

1
2 I am hearing from councils every day at the
3 moment with ideas, with programs that they have in
4 mind to be included and really, I can do nothing
5 more than refer them to the energy authority
6 relative to that particular council area.
7
8 I am told that the steering committee will be
9 the authority that determines which of those pilot
10 programs will be adopted. Local government does not
11 have representation on that steering committee and
12 the criteria has not been adopted. Therefore, local
13 government considers rapid changes need to be made
14 in that area.
15
16 There has also been very little attention given
17 to street lighting and whilst the associations and
18 local government and many people in the community
19 advocate removal of poles and Mr Downer earlier
20 spoke about poles near the curb line, the fact of
21 the matter is current street lighting in many
22 locations is not up to the Australian Standard.
23
24 In some cases - I don't know - that is possibly
25 a deliberate decision because of the costs involved
26 of paying for electricity which is not metered. I
27 go back to my Burns Road, Wahroonga example where
28 plane trees and a very beautiful streetscape would
29 not permit street lighting to be put into place at
30 the Australian Standard.
31
32 Who would provide the new street lights if it
33 was obligatory for street lights to be done at the
34 Australian Standard or if councils chose not to
35 adopt that standard when everything else was
36 undergrounded, would that attract some public
37 liability issue upon the council?
38
39 We believe there are a lot of issues yet to be
40 discussed and whilst there is a technical committee
41 to look at those, it will take time and it will take
42 a fair bit of concerted effort to come to those
43 situations.
44
45 Beautification and tree management are issues
46 that also deserve further attention. I know
47 Grafton, for instance, with its lovely rows of
48 jacaranda trees, would be very reluctant to put in a
49 high tech street lighting process because that would
50 automatically detract from what is after all very
51 much a tourist situation.
52
53 Having expressed those few thoughts, thank you,
54 Mr Chairman, for the time you have given me and
55 we'll hear how the matter progresses. Thank you.
56
57 THE CHAIRMAN: Thank you very much, Warren. The next
58 speaker is Judy Anderson from Optus.

.19/4/02 27

Transcript produced by ComputerReporters

1
2 MS ANDERSON: Thanks very much to IPART for inviting me
3 to speak today. I know the undergrounding of
4 overhead cables and the existence of overhead cables
5 is something that is dear to the hearts of people
6 here in New South Wales.

7
8 Optus has a valuable network which is installed
9 nationally - it is in Melbourne, Brisbane and
10 Sydney - and we find our network --

11
12 SPEAKER: In the face of much community opposition.

13
14 THE CHAIRMAN: Can you let her talk please? We will
15 come to your points later on.

16
17 MS ANDERSON: I recognise that the people of New South
18 Wales aren't happy about overhead cables. Our
19 broadband network is important to us and basically
20 that is why we welcome this review and a close
21 examination of all the issues.

22
23 Optus's key issue with the IPART report is
24 basically that any decisions about undergrounding
25 will impact on telecommunications carriers and these
26 issues need to be considered carefully and made more
27 prominent in the report.

28
29 Where principles are adopted about the
30 undergrounding of overhead cables and decisions are
31 made about who benefits and who should pay according
32 to those benefits, basically the telecommunications
33 carriers should be included in this.

34
35 Questions have been asked to the effect of why
36 can't the telecommunications carriers carry the
37 costs of undergrounding overhead cabling? We were
38 not the ones who initially installed this overhead
39 cable. We would have undergrounded the cable if we
40 could. The reason why we couldn't is twofold.
41 Often there wasn't enough capacity in Telstra's
42 existing ducts and also it would have basically
43 doubled the cost of building the network.

44
45 The network is broadband and the provision of
46 broadband services is very costly. It involves high
47 capital costs and it takes a long time to recover
48 those costs. That is why there has been a lot of
49 coverage in the press lately about the network.
50 What is happening on our network is that we're still
51 recovering the costs of installing that network and
52 that takes a long time.

53
54 The network isn't really making us any money.
55 Basically, Optus is constantly reviewing the
56 viability of our network and if we're forced to pay
57 for the costs of undergrounding, its viability would
58 be threatened. It won't just be threatened in New
.19/4/02 28

Transcript produced by ComputerReporters

1 South Wales, it will also be threatened nationally.
2 We basically can't afford to pay for the
3 undergrounding of the network.

4
5 SPEAKER: It should never have been there in the first
6 place.

7
8 THE CHAIRMAN: Do be quiet, please. I think we should
9 allow her to continue.

10
11 MS ANDERSON: I understand your concerns. I know it
12 is --

13
14 SPEAKER: Well, do something about it.

15
16 MS ANDERSON: In conclusion, Optus has been working with
17 the New South Wales Government and particularly
18 IPART and the Ministry of Energy in looking at this
19 issue and it will continue to do so. We are happy
20 to participate in forums and discussions, wherever
21 we can, to look at the issue closely and to make
22 sure all the issues are examined and decisions are
23 made in the appropriate manner. Thank you very
24 much.

25
26 THE CHAIRMAN: Thank you. The next stage of the hearing
27 involves moving on to comments and questions from
28 the floor. I suggest before we do that that we take
29 a very quick five minute break. You can get up,
30 stretch, talk to someone else, but don't go too far
31 away because we want to hear your comments. We
32 would like you to be back here in five minutes.
33 Thank you.

34
35 (Short adjournment)

36
37 THE CHAIRMAN: Ladies and gentlemen, I would encourage
38 you to resume your seats. The way we'll do this is
39 if you want to ask a question or make a statement,
40 put up your hand. Renee will walk around and give
41 the microphone to you. Could you then introduce
42 yourself and name the organisation you represent, if
43 you do represent an organisation.

44
45 If you want to make a statement, that's fine.
46 If you want to ask a question we will ask the
47 particular panel member involved to respond to it.
48 In the case of general discussion, I think we'll let
49 that flow. We will let one person follow another
50 and we'll end up with some final comments on the
51 questions. If there is someone from the audience
52 who would like to ask the first question, please put
53 up your hand. Yes, please, sir.

54
55 MR WOODS: I would like to make a brief statement and
56 then ask a very brief question. My name is
57 Bill Woods and I am a communications consultant. I
58 was astounded by the submissions of both Telstra and
.19/4/02 29

Transcript produced by ComputerReporters

1 Optus. They gave the impression that they were
2 refugees from the Third Reich because they seemed to
3 give the impression that they were going to last one
4 thousand years.
5
6 The fact is that both of these networks are
7 virtually archaic and hybrid. Coaxial optic fibre
8 is technically obsolete and will need to be replaced
9 in a very short number of years. I can see no basis
10 for any compensation to these companies.
11
12 My other question related back to undefinable
13 benefits and that is if Sydney wishes to remain a
14 regional hub, to remain a First World centre in this
15 region, it has to have modern, up-to-date
16 distribution facilities and for suburbs such as the
17 Eastern Suburbs, the North Shore, et cetera, which
18 are the hubs of the high tech areas of Sydney, to
19 remain with an archaic Third World distribution
20 system seems to me astounding.
21
22 THE CHAIRMAN: Do you want to respond, Judy? Not at
23 this stage? Next question. Yes, please, over
24 there.
25
26 MR DOWNING: My name is Rob Downing and I am an
27 interested electricity consumer. I would like to
28 ask a couple of questions through the Chairman. I
29 would like to know why the scope of the Terms of
30 Reference did not include high voltage 132kV
31 undergrounding, particularly in relation to their
32 health effects or potential health effects.
33
34 MS TOWERS: The Minister for Energy tasked us to look at
35 low voltage undergrounding only. You would have to
36 inquire of the Minister as to high voltage 132kV.
37
38 MR DOWNING: Could I ask the gentlemen from Meritec
39 whether he believes high voltage 132kV would benefit
40 by being included in the scope?
41
42 MR WILSON: Mr Chairman, the principal driver of costs
43 is low voltage connections followed by high voltage
44 mains, which are principally at 11kV. The higher
45 level voltages have some consequential impacts but
46 they're not the focus of the study and they wouldn't
47 be in a study of this sort.
48
49 THE CHAIRMAN: Do you want to add something, Peter?
50
51 MR DOWNEY: There are a whole lot of things that haven't
52 been included but I think that if we look at this as
53 a war then this is a battle and the first battle is
54 to get the principle accepted. I look around here
55 today and it's obviously accepted by a large
56 cross-section in the community, otherwise you
57 wouldn't be here.
58

.19/4/02 30

Transcript produced by ComputerReporters

1 As part of the war the next battle has to be
2 the sort of thing that you're talking about. From
3 our perspective, we would like to see them designed
4 out in the network, but we are to some degree
5 getting down to the detailed stage. I think it is
6 very good that you have raised it but I really
7 believe that that's where it fits in.
8
9 It has to be discussed at a later stage. We
10 are currently just looking at the overall concept at
11 this stage and as was said, they were following the
12 directions that were given to them by the Minister.
13 If you don't like it I'd suggest you write to the
14 Minister.
15
16 THE CHAIRMAN: Thank you. Another question?
17
18 MR DOWNING: Could I ask one more question?
19
20 THE CHAIRMAN: Yes, one more very quickly.
21
22 MR DOWNING: Hopefully, it is not in 41 years that we
23 discuss that issue. On page 23 of the report you
24 talk about reduction of lost revenues and I would
25 just like to investigate whether there is a flaw in
26 the assumptions.
27
28 You are talking about revenue losses in the
29 order of \$500,000 to \$700,000. The assumption is
30 that undergrounding will take losses from
31 5.5 per cent down to 4 per cent of the energy that's
32 input into the network. On my calculation that
33 would mean that over 40 years we're assuming that
34 energy input is of the order of \$40m. That is the
35 100 per cent calculation. I would have thought
36 there would be a couple of extra noughts on that.
37
38 MR CHAPMAN: I think there may be an issue as to how
39 you're interpreting these numbers. These are
40 present value numbers here. They are the result of
41 discounting over 40 years.
42
43 MR DOWNING: I understand that.
44
45 MR CHAPMAN: We can undertake to have another look at
46 that but I wouldn't move away from these numbers at
47 this stage.
48
49 THE CHAIRMAN: Another question? There is one at the
50 back.
51
52 MR VINEY: My name is Allen Viney, I am a private
53 citizen but also a former member of the New South
54 Wales Parliament and that's where the start of my
55 interest in this comes. I want to give a little bit
56 of history and go back to the days when county
57 councils ran the electricity system before we got
58 bigger and bigger corporatised bodies that you can't

.19/4/02 31

Transcript produced by ComputerReporters

1 deal with.
2
3 In my area we had two councils covering the
4 Mackellar County Council and there was a progressive
5 move for undergrounding. It was going on all the
6 time because the citizens wanted it. You could
7 reach around and get your hands around the throats
8 of local councillors and they got the message
9 through to the county council and it worked.
10
11 We've lost that. The late Pat Morton was the
12 Minister for Local Government. He lived in Mosman
13 and that was his electorate. Mosman is
14 undergrounded. The Minister said "Do it" and it was
15 done. There was no argument. Everybody shared the
16 cost and in Mackellar those of us who didn't have
17 the undergrounding still got the benefits when we
18 went shopping and saw good tree-lined streets that
19 weren't being hacked around.
20
21 We've been there, we've got the experience of
22 undergrounding, but maybe it has all been forgotten
23 by the new people who have taken over the
24 electricity distribution system.
25
26 I raise the question of benefits. What
27 estimate was made of the future of
28 telecommunicating? More and more people will work
29 at home and their computers have got to be working
30 otherwise the system breaks down, if there's no
31 power you've got no computers, so you're cutting
32 right across the future progress of keeping the size
33 of Sydney in check and giving more people a better
34 economic return through telecommunicating.
35
36 The next question is what estimate was made
37 about avoiding litigation costs? For a long time
38 the electricity industry thought it was inviolate
39 and then an invalid pensioner took on the Shortland
40 County Council, I think it was, for damage to his
41 computer because of a power surge and got awarded
42 costs.
43
44 The day the community wakes up and starts suing
45 for unreliable power supply and those affected claim
46 damages for loss of income and the loss of food in
47 supermarkets when you've been blacked out for 24 or
48 36 hours, the cost of litigation is going to be
49 astronomical.
50
51 Where our problem came from was when the Wran
52 Government came into power it saw an opportunity of
53 plundering the reserves of the county councils and
54 putting them into consolidated revenue, so that
55 money was taken out of the system, where it directly
56 belonged, for improving the power facility.
57
58 Then the Greiner Government came into power and
.19/4/02 32

Transcript produced by ComputerReporters

1 they came up with "We want dividends". They
2 demanded dividends and so the revenue that is being
3 earned by the distributing authorities, instead of
4 being ploughed back into upgrading their system, is
5 being paid to the Treasury. That is not well
6 understood. Everybody lies down and has their belly
7 tickled. They are amused by it.
8
9 We need to come around more to the question of
10 future management. The distribution system, the
11 high voltage distribution system, is now managed by
12 Transgrid. Did anyone have a look at the
13 possibility of a commercial investment, funded by
14 the superannuation funds, in order to set up an
15 infrastructure program for the complete
16 undergrounding of the power supply?
17
18 One of the sources of revenue could well be
19 18 months away with the provision of broadband
20 facilities coming out of your power point, so that
21 you've got an opportunity for the telecommunications
22 industry getting another competitor. That is a
23 source of revenue and that kind of revenue would be
24 an ongoing revenue and be of interest to
25 superannuation funds. Has there been any discussion
26 in this city about ways of raising funding for this
27 ongoing project?
28
29 THE CHAIRMAN: Thank you.
30
31 MR BEWLEY: Hello, my name is Lex Bewley and I am a
32 resident of Sydney. The issue raised by Mr Viney
33 was interesting because he talked about management -
34 management of finances, of services and of
35 infrastructure.
36
37 It appears to me that one of these central
38 divides coming out of the costing strategy is who
39 pays, the beneficiaries or the providers. Mr Viney
40 referred to history. Generally, history is that
41 people might inherit their farm and as the economy
42 changes, if there's a social change, if that farm
43 isn't brought up to scratch, if it isn't made ship
44 shape again, then their business isn't going to be
45 viable.
46
47 People are always going to be saying "Tidy it
48 up" and their public image isn't going to be so
49 good. At the end of the day, no matter the cost
50 that has to go into fixing up the farm, it doesn't
51 allow you to tell the Japanese that we're going to
52 put another \$2 per kilo on their beef.
53
54 I am just wanting to understand as you work
55 through a very difficult situation in allocating the
56 things about costs, et cetera, et cetera, that the
57 philosophy isn't just taken for granted, that user
58 pays is the main paradigm we should be operating
.19/4/02 33

Transcript produced by ComputerReporters

1 under and forget about the others. History and
2 inheritance of that farm still has its ongoing
3 obligations to the owner. Thank you.
4
5 THE CHAIRMAN: Thank you. Next?
6
7 MS PALLIN: I am Nancy Pallin. I represent the
8 Ku-ring-gai Bat Conservation Society and although
9 you probably haven't heard about us, I am going to
10 attempt to represent the people of the future.
11
12 Although we wrote a submission and the
13 submission was about the electrocution of flying
14 foxes, it wasn't just that. In the report it has
15 been lumped under "amenity" and okay, there is a
16 minor aspect of it in that you've got these animals
17 dying on power lines. To me that isn't an amenity
18 issue and a cost for clearing them off the power
19 lines.
20
21 However, what is far more important is we're
22 talking about a threatened species, a species in
23 decline - 30 per cent in decline over the last
24 decade. It is necessary for the Government to
25 produce a recovery plan for them. What is even more
26 important is the ecological values of these animals.
27 They actually are pollinators and rainforest seed
28 dispersers. They are very mobile. They are an
29 integral part of the natural ecosystems of
30 Eastern Australia.
31
32 This aspect of an unquantifiable benefit has
33 been left out. It should be on page 20. It should
34 not just be lumped in with "improved amenity". It
35 should be a completely separate box called
36 "ecological ESD", if you like, or you can call it
37 "ecosystem processes". That is one aspect.
38
39 I am not suggesting that electrocution of
40 flying foxes is the only cause of death. We can at
41 the moment differentiate the incidence of death or
42 decline in the population between a number of causes
43 but it is certainly one aspect and should be
44 included.
45
46 Another aspect of all of this is that
47 indigenous trees in many urban areas, which are
48 remnants of the original forests, are still
49 important in supporting our native wildlife. A
50 whole range of birds rely on them. Without those
51 old, indigenous trees we are going to have a black
52 hole in these urban areas as far as wildlife is
53 concerned and it is now understood ecologically that
54 we've got to stop this fragmentation because
55 ultimately there will be a decline in our national
56 parks because they don't stand alone as islands in
57 the sea of suburbia.
58

.19/4/02 34

Transcript produced by ComputerReporters

1 There are implications for the ecology and for
2 the people of the future that need to be included in
3 the report and attempts made to estimate the value
4 of those and this has been done around the world.
5 It is a new area and we've got a way to go but it
6 certainly has to be included. Thank you.
7
8 THE CHAIRMAN: Thank you for your comments.
9
10 MR MOORE: Peter Moore, a member of the public. I would
11 just like to ask the representative for Integral
12 Energy how much profit it made last financial year,
13 whether he thinks that the public contributed to
14 that profit, how much of that profit was actually
15 paid out in dividends to the State Government and
16 why in general don't the energy suppliers,
17 authorities, believe that they have to join in the
18 technological revolution and why they are still
19 proceeding with power lines on hardwood poles in
20 this day and age? I would also like to ask him a
21 personal question, whether he still drives a car
22 with a crank handle sticking out the front and a
23 battery on the running board?
24
25 MR NEVILLE: I am not sure of the exact figures in terms
26 of our commercial performance. Roughly, based on
27 our annual report, I think it is in the vicinity of
28 \$100m profit. As a State owned corporation we pay a
29 dividend to government, so a large proportion of
30 that was returned to government. I think that is
31 roughly the number in terms of the dividend.
32
33 MR MOORE: I am trying to get clarification.
34
35 MR NEVILLE: I think it is in the vicinity of \$100m.
36 That is the amount that was paid.
37
38 MR MOORE: Is that the total profit you paid? Was that
39 your total profit?
40
41 MR NEVILLE: That is the number that I am referring to.
42 It is in our annual report, which is available to
43 the public and is on our Internet site, so it is
44 very transparent. That is returned to government
45 via a dividend. We operate as a State owned
46 corporation, which has been discussed. Obviously
47 consumers contribute to that via our pricing. I am
48 not sure what more I can add to that question.
49
50 MS CLOVER MOORE: What about EnergyAustralia answering
51 that question?
52
53 MR JAMIESON: I am not too sure again on the figures.
54 They are published in the Annual Report and freely
55 available for anyone to look at. We are a State
56 owned corporation. As such, we provide money back
57 to our shareholder and the shareholder then decides
58 how to distribute that money for hospitals, schools
.19/4/02 35

Transcript produced by ComputerReporters

1 or police stations. It is the Government's decision
2 as the shareholder. We provide money back and it is
3 quite public as to how much money we provide back to
4 the shareholder.
5
6 MR WILLIAMS. Walter Williams, from the Epping City
7 Trust. I am a retired engineer. In just looking at
8 the report as such and the terms of reference and as
9 a reader trying to balance out the pros and cons,
10 there seems to be some limitation in the terms of
11 reference, if I may say, particularly in relation to
12 overhead networks scrapping. Under the existing
13 set-up, which has existed for the last 50 years or
14 more, overhead networks in New South Wales have to
15 be maintained in accordance with government
16 regulation. Therefore, it is very difficult to say
17 that any one section of the network will be
18 finishing its life, as I think one of the previous
19 speakers referred to, as an exact situation, because
20 in the case of the overhead networks at any one time
21 if they are not in good condition the service
22 provider is subject to massive penalties.
23
24 This raises a question that, firstly, how do
25 you allocate priorities in the underground program
26 if that is the case? Secondly, in the cost
27 comparison referred to by Mr Chapman and the
28 variables involved, how do you account for the
29 writing off of that massive public asset? A rough
30 guesstimate I would say, the worth of the existing
31 overhead network, is 1 billion at least, and whilst
32 it is desirable for all of us to have a full
33 underground system, nevertheless in the long run the
34 fact is that we are left with that system that has
35 grown and is used throughout the world for its most
36 economic purpose.
37
38 The other point is because overhead networks
39 don't have a finite life, they go on forever so to
40 speak providing maintenance is kept up, underground
41 cables do. A classic case, of course, is the
42 Auckland example of about three years ago when the
43 whole of Auckland was shut down because of cable
44 failure. The life of the cables we are speaking
45 about, particularly the high voltage, the shorter
46 the life. Roughly we are talking about a 40- to
47 50-year implementation program for such a program.
48 That equates with a life of the underground system,
49 so as soon as we finish that period we have to start
50 all over again and if you look at the fundamental
51 engineering aspects, underground systems have to
52 have total replacement; they can't have a unit
53 replacement like with the overhead. Overhead, you
54 can replace a pole or insulator, but the underground
55 system, once the cable's life has had it, it has had
56 it, you have to replace the cable from A to B. And
57 in this case you are talking about the whole of
58 Sydney.

.19/4/02 36

Transcript produced by ComputerReporters

1
2 Alternatively, to mitigate those costs, you
3 have to have big upfront initial costs in duct
4 systems that enable ready replacement of the system.
5 The point I am coming to is that in the report, the
6 terms of reference, it only covers benefits. It
7 does not cover disadvantages. Whilst table 3.1 and
8 4.1 I think cover benefits of undergrounding, there
9 should be tables that list disadvantages,
10 particularly this aspect of the finite life of the
11 underground systems matching the implementation
12 period.
13
14 MR WILSON: Firstly, thank you for your comments. You
15 made several points. I am not quite sure how to
16 respond other than to say that all assets do have
17 some finite life or other and whatever view might be
18 taken of that, there will be an accompanying program
19 of refurbishment or replacement in whatever form is
20 most economic associated with the existing network.
21 My point really is that if the existing network is
22 to be replaced by another network that fulfils the
23 same purpose but happens to be underground then
24 account needs to be taken of the projected program
25 of expenditures for either refurbishment or
26 replacement of the existing network and that was
27 what we attempted to do in forming a profile of
28 replacements.
29
30 MR CHAPMAN: I suppose we tried to bring up the issue of
31 avoided costs in all of this. I think you have
32 touched on this question of how hard it is to talk
33 about what costs you precisely do avoid when you
34 replace one system with another. The fact that an
35 existing network has to be maintained in safe
36 condition indefinitely suggests that there will be
37 maintenance costs of one kind or another attached to
38 that life profile of the existing network. If you
39 put a system underground, depending on the way and
40 the phasing of that activity, you will avoid some
41 replacement cost; to the extent that there is
42 genuine replacement of the existing system, you will
43 avoid some maintenance cost. On the other hand, you
44 will confront yourself with other maintenance costs.
45 I think that is the point you are making.
46
47 The difficult task is netting those things out
48 so that you know what the true net costs of an
49 underground system are going to be, the true
50 incremental costs of an underground system. To try
51 to get a precise fix on what those avoided costs of
52 going ahead are, maintaining the existing network,
53 that is quite a challenge. Jeffrey has mentioned
54 that that could be under some assumptions as much as
55 50 per cent of the costs of a new optimised network.
56 Under other assumptions it might be a lot lower than
57 that if you have to actually scrap a lot of existing
58 equipment before its economic life has expired, then

.19/4/02 37

Transcript produced by ComputerReporters

1 the true costs you face of the undergrounding system
2 are higher than they would otherwise have been. But
3 if, indeed, you are avoiding all of these
4 replacement costs that brings down the true net
5 cost.

6
7 We don't have enough information at this stage
8 to put a pinpoint number on that net incremental
9 cost of the system. But your points are well taken,
10 those are precisely the kinds of things that would
11 have to be drafted into a fully designed and costed
12 project.

13
14 MR DOWNEY: A couple of things. I don't know how much
15 you know about this report but if you check through
16 it you will find that on historical data that was
17 provided by a number of people such as Integral,
18 EnergyAustralia, Mercury and so forth, that
19 historically underground systems are five times more
20 reliable than above and they cost half as much as to
21 maintain. That is on historical data in the report.
22 There are a lot of people who would say that is
23 conservative.

24
25 If I can just go back to what was being said
26 about profits that both these organisations, EA and
27 Integral, make, at the end of the day we have to
28 realise that one way or another we, as taxpayers, as
29 shareholders through the government or whatever, are
30 going to have to pay for this. If you are going to
31 go taking money out of the profits of EA or Integral
32 to pay for it, that is money that is not going to
33 the Government, which is money that is not going
34 into schools.

35
36 I know you are probably sick and tired of
37 hearing this, but that is money not going into
38 schools or law and order or it is not going into
39 health. My organisation right from the very
40 beginning said, that is not on, it has to be done
41 via a levy but that levy has to be affordable and it
42 has to have social equity as we spoke about earlier.
43 If somebody would like to go into that a bit
44 further, well, we will talk about it then.

45
46 MR WILLIAMS: In reply to those comments, the question of
47 reliability of underground systems versus overhead
48 is such a wide one, you definitely cannot rely on
49 historical data. Firstly, there are technological
50 developments, then you have the matter of finite
51 lives of underground cables. That is an engineering
52 fact that cannot be denied.

53
54 I refer you to the classic case in Auckland
55 three years ago where the whole system was shut
56 down. The other point is that the overall
57 assessment of cost, surely as I think one of the
58 previous speakers said, must be the subject of a

.19/4/02 38

Transcript produced by ComputerReporters

1 major trial with, firstly, the type of design of
2 system which can alter the initial capital cost by
3 an order of magnitude. Until we get a firm design
4 that is acceptable to everybody that will be the way
5 we go, the cost factors will be way out. There can
6 be many orders of difference.

7
8 MR DOWNEY: First of all, the Auckland failure was a
9 very high voltage cable, not low voltage such as we
10 are talking about. You mentioned that things are
11 changing and you cannot rely on historical data. I
12 totally agree, but this does say the reliability
13 factor is one to five and with modern technology you
14 would expect that to increase in favour of
15 undergrounding, not decrease.

16
17 MR WILSON: On the question of reliability, an important
18 point to note is that all DNSPs are greatly
19 improving the reliability and performance of their
20 existing overhead networks at present and the
21 improvements are significant. They are coming,
22 firstly, through the reduced cost of automation and
23 the increased application of automation on the
24 networks and they are coming also through different
25 management policies for the control of planned work
26 on the networks and you will find in many companies
27 very significant reductions in the minutes lost on
28 systems from shutdowns to less than 100, getting
29 down to 50 or 60 minutes, and in considering
30 therefore the benefits of an underground system over
31 an overhead one those margins are reducing.

32
33 MS CLOVER MOORE: Clover Moore, member for Bligh. I
34 would just look to say that I am really disappointed
35 this morning that we seem to be talking about
36 whether it is a good idea to underground cables
37 rather than how it is going to be done because when
38 I raised this in parliament as a matter of public
39 importance that cabling be undergrounded in New
40 South Wales, I got bipartisan support from all
41 political parties. The Minister spoke in that
42 debate and the Premier made a public statement that
43 day that he was asking Minister Yeadon to produce an
44 implementable plan by June and here we are in April
45 talking about "whether" rather than "how".

46
47 That debate in parliament and unanimous support
48 came hot on the heels of unanimous bipartisan
49 support from the Local Government Association
50 representing communities right across New South
51 Wales and I would just like to say that whilst my
52 electorate is an inner city electorate, I have had
53 feedback again from across New South Wales that
54 communities are sick of their environments being
55 ravaged by the distributors and there is incredibly
56 strong support out there in the community and I am
57 just really disappointed that in April you are not
58 presenting to us a draft plan about how this is to

.19/4/02 39

Transcript produced by ComputerReporters

1 be done as the Premier requested Minister Yeadon to
2 do. I think that you really better get a hurry on
3 since you have only a couple of months to do it.
4
5 MR DOUGLAS: My name is Bryan Douglas. I represent the
6 Australian Electrical and Electronic Manufacturers
7 Association. We represent the electrical capital
8 equipment industry and the lighting industry through
9 lighting councils. I would certainly like to
10 support the comments that Warren Taylor made about
11 lighting. I would also like to add that we feel
12 that the costs for street lighting have been
13 overestimated in the report and we'll be working to
14 refine those costs and we'll be giving you further
15 information on those.
16
17 THE CHAIRMAN: Thank you.
18
19 MR DOUGLAS: The other comment I would like to make
20 about lighting in Sydney is that it's characterised
21 by a lot of very old fashioned, energy inefficient
22 lighting and the opportunity to replace that with
23 much more energy efficient luminaires will have
24 significant benefits for energy savings and
25 greenhouse gas emissions savings.
26
27 THE CHAIRMAN: Thank you.
28
29 MS McLEAN: My name is Lyn McLean and I am from the EMR
30 Association of Australia. I would like to say,
31 first of all, that the association is supportive of
32 the concept of undergrounding cables but what we
33 would like to see reflected in the report is
34 something that hasn't been even considered in this
35 report and that is electromagnetic radiation and its
36 potential health effects.
37
38 I know that IPART has received quite a number
39 of submissions about that and that is a very
40 important issue for the community because there's a
41 great deal of information coming out about the
42 health implications of this radiation at the moment.
43
44 The reference to it in the main report is on
45 page 27. It consists of two paragraphs and it does
46 not deal with the issue of concerns about health
47 impacts and I think that that's a little bit
48 unfortunate. I would like to ask that that be
49 rectified.
50
51 Certainly there are ways of undergrounding
52 these cables without increasing the amount of
53 radiation that people are exposed to. We would like
54 to see that implemented and that sort of thing being
55 considered at the design stage. I think that it's
56 terribly important to be looking at this now because
57 if we're talking about costing it, how can we be
58 costing it if we don't know what we're designing
.19/4/02 40

Transcript produced by ComputerReporters

1 for? Could I ask that that situation be considered
2 as a matter of urgency. Thank you.
3
4 THE CHAIRMAN: Thank you. Is there another comment or
5 question?
6
7 MS ROLFE: My name is Hilda Rolfe. I did have a past in
8 the electricity industry but it seems a long time
9 ago; I am a private citizen now. I want to comment
10 on the component of your report that talks about the
11 change in risk to electrical workers from
12 undergrounding. In that rather deadly past of mine
13 I was chairman of a board safety committee. One of
14 the things I think I learnt was that it's desirable
15 to minimise the incidence of exposure to what I
16 could only call a deadly force. Electricity is
17 deadly; electrocution is death.
18
19 The attitude that I read in the draft report is
20 rather regrettable I think because it just says the
21 potential change is probably minimal, given they
22 receive extensive electrical safety training and
23 where cables are located injuries should be
24 minimised. Just because people are trained doesn't
25 excuse you from the obligation to ensure minimum
26 exposure.
27
28 I would really appreciate it if the Tribunal
29 and those who advise it would look at that section
30 of the drafting very carefully and perhaps in the
31 final report give due weight to this issue, which is
32 very important I think for employees, those people
33 who get out in the storms and do incredible things
34 with a deadly force.
35
36 THE CHAIRMAN: Thank you for your comment.
37
38 MR DUNSTAN: My name is Ron Dunstan and I am from the
39 Epping Civic Trust. I would like to support what
40 Peter Downey said in his presentation. What we're
41 really talking about is a sort of mission and vision
42 statement and it is something that we should be
43 doing something about immediately. As Peter said,
44 in New York, Paris and London they saw fit to see
45 out this work well over 100 years ago, in the late
46 1800s.
47
48 I think really if Sydney wants to maintain its
49 sort of upmarket vision or upmarket situation as a
50 First World type of city - after all, we've had the
51 Olympics and we're doing all sorts of other big
52 things - we have to get with it because there are
53 many, many parts of Sydney, I think you'd agree,
54 that are incredibly ugly and a lot of this ugliness
55 is caused by power poles and wires.
56
57 For instance, if I drive from my place to the
58 National Park near Sutherland I would probably go
.19/4/02 41

Transcript produced by ComputerReporters

1 through five different council areas. They all do
2 everything a different way. There is no such thing
3 as uniformity; they have different street signs,
4 different roundabouts, everything is different.
5
6 I agree with Peter that there should be no such
7 thing as an area opting out. We have to realise
8 that we are talking about a statewide and a citywide
9 concept. If I can drive through another suburb and
10 see that they've achieved beautification, that
11 they've got nice trees in the street and they've got
12 some kind of uniformity in their streetscapes, I'm
13 just as happy as if it's happening in my own street.
14
15 I would like to support what Peter said and I'd
16 ask you all to consider looking at this project as a
17 statewide and citywide project that will really
18 benefit everybody. Thank you.
19
20 THE CHAIRMAN: Thank you.
21
22 MR ZANOTTO: My name is James Zanotto and I'm from the
23 office of Clover Moore. If we were talking about a
24 product like a computer or a mobile phone, a
25 technologically better product would be coming on
26 the market fairly quickly and consumers would be
27 driving it to happen, but because we're talking
28 about a technologically better product for putting
29 cables underground, you can't have both products on
30 the market at the same time. Someone is not going
31 to look out their window and say, "Well, it's
32 costing me less to have it underground but I've
33 still got the cables above ground. Therefore, I'm
34 going underground".
35
36 I think ultimately one of the drivers in this
37 is that energy is a naturally monopolistic market
38 and at the moment it is heavily regulated by
39 government and at the moment the direction of the
40 Premier is that an implementable program be put in
41 place. The policy is that the regulation is to
42 shift and what we actually need now is the effort
43 going into how to achieve that and I am not hearing
44 that today.
45
46 I think we need to have a look at how many of
47 the institutional people who benefit from the
48 current system are holding on to the barriers. I am
49 particularly concerned that the LGSA and Sydney
50 Cables Down Under, which are the voices calling for
51 something different to our current system, are not
52 being incorporated centrally into the process and
53 instead all of the institutional corporate players,
54 who have a vested interest in keeping things how
55 they are, are the ones controlling the process.
56
57 THE CHAIRMAN: There is a comment over here, I think.
58

.19/4/02 42

Transcript produced by ComputerReporters

1 MR JANTHES: Bill Janthes, Sydney Cables Down Under,
2 Manly-Warringah. Over the past 30 years I've been
3 entertained, disappointed and horrified at the
4 vacillation and the lack of political, community and
5 commercial will to get this job done.
6
7 We are going to have to do it. We are going to
8 have to make a start, so let's do it now. I have
9 been affected in almost every way that we've talked
10 about here. When I arrived in Fairlight they'd just
11 put the power underground - it was Mackellar County
12 Council - and promises were made to underground
13 additional cables to use later.
14
15 One of my neighbours hit the very first pole
16 that wasn't underground when he passed that point.
17 He badly damaged his leg and his car. That is why
18 you don't opt out of a system like this; you get it
19 done.
20
21 I live in a different place now where we were
22 promised to have cables undergrounded by the
23 Bicentennial in 1988. It wasn't done. Two of those
24 poles collapsed right out in front of my place.
25 They are right in front of the ocean. The power
26 should have been undergrounded but it wasn't. Every
27 three weeks we have a power interruption. I have
28 lost a refrigerator, I've lost food and I've lost a
29 computer at one time.
30
31 The work has to be done. We need to do it.
32 Specifically, we're talking about economies of scale
33 here. When you take into account the fact that we
34 may want to do those areas where the infrastructure
35 has broken down and things need to be updated,
36 there's a problem here in that if you start moving
37 your equipment around every time there's an old bit
38 that has to be replaced, you're going to spend a lot
39 of money moving your horizontal borers and all of
40 your equipment and your people around to do the job.
41
42 We need to do it in a way that impacts on
43 safety first and then look at other areas.
44 Certainly, it needs to be done in a structured way
45 that doesn't waste money. We talk about replacing
46 things at the end of their life, which is a good
47 idea certainly and I agree with it generally.
48 However, if you have an area that's ravaged by
49 bushfire, naturally they put up poles and they put
50 up lines on a regular basis; those items are new and
51 they'll go next time as well.
52
53 You have to use an intelligent way of looking
54 at things. You can't necessarily just follow a
55 given rule. Certainly, to reinforce the point that
56 the beneficiaries include impactors, this is largely
57 because of maintenance savings. I don't think, for
58 instance, that Ross Chapman's measure took full

.19/4/02 43

Transcript produced by ComputerReporters

1 account of the cost of mutilating the trees. I
2 imagine that it's going to cost a lot more to trim
3 those trees or cut them down or take them back to
4 stumps, as the case may be.
5
6 When we're talking about maintenance we also
7 need to think about motor vehicle accidents, their
8 cost and their impact on our insurance premiums.
9 Certainly the insurance companies do pay out. Going
10 back to what Peter said earlier, it certainly is
11 difficult to quantify the benefits because it has
12 been impossible in many instances to quantify the
13 costs. Insurance companies have just not kept tabs
14 on the amount of spoiled food that has to be thrown
15 out from supermarkets, for instance.
16
17 I am talking about a small amount of money.
18 They haven't kept account of lost production costs,
19 wages and probably lost markets from time to time.
20 I think all of these things have to be taken into
21 account, but let's start the ball rolling and begin
22 to put in the cables. That is what we need to do.
23 Thank you.
24
25 THE CHAIRMAN: Thank you. There is another question
26 down the front.
27
28 MS IRVINE: Rebecca Irvine from AGL. This question is
29 directed to Peter Downey. Peter, it sounded like
30 you weren't really pro the funding that is suggested
31 in the report. I was just wondering what sort of
32 funding mechanism you would like to see for this
33 sort of project?
34
35 MR DOWNEY: When we sat down initially what we did was
36 we looked at funding. We didn't look at the cost,
37 we looked at funding and then we tried to work
38 backwards from there. The sort of thing that we
39 came up with is that it doesn't matter if you live
40 in an area that has already been undergrounded. You
41 are going to be affected on a road safety basis.
42
43 If you take my area for example, Pennant Hills,
44 the next suburb to that is Cherrybrook. Cherrybrook
45 is already underground but every day people have to
46 leave Cherrybrook to go to school, to go to work, to
47 go to the shops, to go to see a show, or whatever
48 else they do, and they drive through Pennant Hills,
49 they drive through Beecroft or Normanhurst or
50 Hornsby and so there's a road safety aspect there
51 that they should be asked to contribute to.
52
53 We would really like to sit down and talk this
54 through but before we can we need data. We don't
55 have that data. We need information from the
56 Ministry, from our friends from Energy Australia and
57 Integral Energy and we need information from the
58 RTA.
.19/4/02 44

Transcript produced by ComputerReporters

1
2 I would propose that without that information,
3 let's just say that we put the equivalent of \$20 per
4 electricity consumer on to motor vehicle
5 registrations to cover the road safety aspect.
6
7 On the consumer side, if you're in an area
8 which has overhead power, as I said earlier, we're
9 really talking peanuts when you look at the costs
10 and extrapolate that over 40 years and then you work
11 that backwards to a small cost per week which would
12 go on to your electricity account.
13
14 That is as far as we've taken it. We would
15 like to take it the next step and the next step is
16 that nobody has really defined a benefit at this
17 stage. When we say the beneficiary pays, I would
18 like to propose that the benefit is also about
19 reliability and the more electricity you use the
20 greater the benefit you're going to get from
21 reliability.
22
23 Why not have it on a sliding scale so that
24 pensioners and those who are hard up against it and
25 would normally use theirs fairly frugally, they'd
26 use a small amount of electricity, so they pay a
27 small amount. A business may have to put off their
28 workers for a week because they have no power and
29 that happened in Hornsby in November and December,
30 when it has been estimated 3,000 people were thrown
31 out of work for up to a week.
32
33 I notice that didn't get in the press but
34 that's actually what happened. They're not my
35 figures. They are figures that are coming to me
36 from aldermen and various other sources and small
37 businessmen and so forth, so they pay a little bit
38 more.
39
40 If that creates big distortions, you can also
41 put a cap on the bottom to protect the pensioner and
42 the person who is hard up and you can put a cap on
43 the top so that perhaps the business doesn't pay an
44 exorbitant amount. That is the vision I have and I
45 would like to pass it over to you. I don't know
46 what you think. You tell us. Does that sound
47 reasonable?
48
49 MR WELLSMORE: I would just like to turn around this
50 perception about geographical inequity, "my suburb,
51 we have street poles and that is unfair because the
52 mob next door don't". As I said at the outset, we
53 contemplated the idea you might want to say there
54 are some areas, the peninsula might be one area,
55 that have significant issues because of physical
56 environment and historical decisions that perhaps
57 have particular problems and they ought to be
58 addressed in some holistic way and let's find a pot
.19/4/02 45

Transcript produced by ComputerReporters

1 of money which tries to get reliability and so forth
2 for those people in those areas roughly comparable
3 with other areas of the urban areas of the state.
4
5 That is fine, but the issue then is, how do we
6 pay for that and the two main goers in this debate
7 seem to be, well, let's just slap everybody with a
8 charge on their bill somehow, we will take it out of
9 the consumers that way, or just slap the cost onto
10 the distributors or government or just take it out
11 of everyone's pocket that way, because at the end of
12 the day it is the same thing, it is money not being
13 spent on other things.
14
15 It is fine to talk about the invalid pensioner
16 and the small flat out in the Western suburbs not
17 using much electricity, but the no income family
18 with quite a high electricity consumption, what are
19 you going to do about those people, how do you build
20 in social equity in those kinds of situations? I
21 find it a pretty sort of defying approach but, be
22 that as it may, if we talk about geographical
23 inequity let's talk seriously about it and look at
24 the mapping that has been done about equity in New
25 South Wales and other places. The data is there and
26 the mapping has been done.
27
28 If you look at maps of New South Wales or the
29 Sydney metropolitan area, employment, transport,
30 education, health services, where are they all
31 cluttered and concentrated? They are on one side.
32 You can draw a line around the post codes and you
33 can say these people have got different outcomes to
34 these people. Yet the proposal that seems to be
35 coming up about undergrounding says, well, the
36 people out where they have less of all those things,
37 their priority will still be undergrounding, they
38 will value undergrounding ahead of perhaps the old
39 age pensioner who actually puts a premium on
40 mobility and hence public transport or mobility and
41 perhaps even their own personal safety in terms of
42 money being spent on footpaths, let say.
43
44 It is a pretty tricky debate I submit to you
45 all and it seems to me that if we are going to talk
46 about equity in that way, you have to weigh up
47 exactly what it is you are trying to offer to people
48 and you have to make that choice, as we said at the
49 outset, that every dollar spent on undergrounding is
50 \$1 less you have to spend somewhere else. They are
51 the choices that we have to make.
52
53 MS CLOVER MOORE: My constituents in Redfern don't like
54 their neighbourhood being ravaged either and they
55 are not on very high incomes.
56
57 MR DOWNEY: I don't disagree. We have to sit down and
58 work our way through the equity issue. I don't
.19/4/02 46

Transcript produced by ComputerReporters

1 disagree with any of it.
2
3 MR BLEAZARD: Greg Bleazard, I am a concerned resident
4 of Sydney. I would just like to start off by saying
5 the thing that concerns me about what I am hearing
6 this morning is not when are we going to do this and
7 how, it is, will we do it, and the impression I am
8 getting from the people sitting up the front,
9 forgive my political cynicism, we are looking for
10 excuses not to do it. As Peter Downey says, if
11 Premier Carr won't do it, maybe Premier Brogden
12 will. It has to be done in the future.
13
14 I had the pleasure last week of being in
15 Raratonga in the Cook Islands way out in the
16 Pacific. One of the pleasure of Raratonga is their
17 cables are underground. They are a developing
18 country and they have already put their cables
19 underground. A couple of years ago I was in Cairo,
20 arcs sit I, a city of 21 million people, a third
21 world country, and their cables are underground. I
22 went to Harare, which we all know is going through
23 political turmoil, a backward third world country,
24 and their cabling is underground. I wonder if they
25 went through all this to get their cables
26 underground? This is the thing that worries me.
27
28 Another thing that worries me is the lack of
29 vision that is being shown. I am old enough to
30 remember when Sydney didn't have sewerage on. We
31 all used the sewerage system sometime today. We
32 have come to accept the fact that we can do what we
33 want to do, press the button or pull the chain, and
34 off it goes. Think back to the days when you sat on
35 the can and the sani-man came around once a week.
36 We had a system in place, it was working, but we
37 improved it with a situation that has come now to be
38 recognised as the norm. What we are talking about
39 here in 40 years time, in 20 years time, will be the
40 norm. It is the norm that is accepted as the norm
41 in most of the Western world, so what I am saying in
42 conclusion is, let's cut the crap and get on with
43 doing it. Thank you.
44
45 MR STEFFEN: Brian Steffen, Acting Director-General of
46 the Ministry of Energy and Utilities. There are a
47 few things we have to clear up about what Minister
48 Yeadon's responsibilities are. As Clover said, the
49 Premier did ask Minister Yeadon to investigate
50 undergrounding for electricity cables in the greater
51 Sydney basin.
52
53 MS CLOVER MOORE: To come up with an implementable plan.
54 It is embedded in my mind.
55
56 MR STEFFEN: And mine too. It is a big project. The
57 matter that Minister Yeadon has asked IPART to look
58 at are three issues, the costs, the benefits and
.19/4/02 47

Transcript produced by ComputerReporters

1 funding options. Funding options are critical. The
2 Minister is very keen to come up with an equitable
3 funding option.
4
5 The reason these three issues were put to IPART
6 is that it is independent, it can conduct an
7 independent consultation, and that is evidenced by
8 today, with everyone having their say and everyone
9 listening. What I need to do for Minister Yeadon
10 and what he need to do for the Premier is canvass
11 all the views, all the issues that are being
12 discussed today and in written submissions, and
13 incorporate that in a report to the Premier or to
14 the cabinet. I hope I have cleared that up.
15
16 I am happy to take any questions on this but
17 the specific terms of reference for IPART was the
18 cost, benefits and funding. That is why you are not
19 hearing an implementable plan today. I don't think
20 there is an argument about whether or not to do it
21 in this, it is the cost and benefits and the funding
22 options that need to be discussed today, and
23 everyone is to be heard. There are lots of
24 submissions on the IPART website, I have read all of
25 those and so have my staff, so thank you.
26
27 MR VINEY: You wanted the job, someone has to make a
28 quid out of it, that is what has improved our
29 telecommunications, that is why Optus got in the
30 business, they could make some money out of it. Why
31 don't you go to the people in the city just like
32 Macquarie Investments have done with their trusts,
33 they have seen the opportunity of making money for
34 investors by providing for public utilities.
35
36 I am sorry, I believe that as far as entering,
37 any of your distributors are concerned, they are
38 overwhelmed by the fact they have to dance the
39 Treasury tune, that whatever money they make
40 Treasury will have an influence as to whether it is
41 paid a dividend or can be used for the benefit of
42 the community. Therefore, if you look at the
43 question of an infrastructure company that will take
44 over the cables, it will have shares in it, so give
45 it to someone else whose sole business is to develop
46 that infrastructure and make money out of it.
47
48 I indicated earlier that the reports are that
49 we are on the verge of having broadband facility
50 coming out of power lines. That is a source of
51 revenue which could interest someone like Macquarie
52 Bank and if you don't talk to them, you won't know.
53
54 MR PUIE: A comment please - Dominic Puiu, manager for a
55 non-profit association called Dial before you Dig.
56 Our 30 members are very well represented here today.
57 Our members for the most part own, operate or manage
58 underground pipes and cables. Many of our members
.19/4/02 48

Transcript produced by ComputerReporters

1 also have above ground assets and are therefore
2 interested in this argument from both points of
3 view.
4
5 I would just like to say, please, that from the
6 public debate that I have seen up until now in terms
7 of the eventual development of an implementable
8 plan, I think the costs involved in actually placing
9 the electricity cables underground from the point of
10 view of minimising or avoiding damage to existing
11 pipes and cables under footpaths and roads has been
12 greatly understated. In my line of business we see
13 damages every day - and again this is not to throw
14 any spanners in the works, I think it is a very
15 noble idea and I agree that data is a very important
16 part of the process of coming up with an
17 implementable plan - I just believe, though, that
18 the risks are twofold if the dangers to the existing
19 network are not taken into account.
20
21 The first one is that the cost for putting
22 cable underground will be greatly understated
23 because there are costs involved in pole holing and
24 locating and making safe existing assets when you
25 are putting cables underground and, secondly, if
26 that is not done the potential costs and loss of
27 business through loss of supply through a cut to
28 electricity cable or optical cable can run into many
29 millions of dollars. We have had instances in New
30 South Wales in the last year or two where cuts to
31 sunk optic fibre cables has led to business losses
32 in the order of many millions of dollars. I just
33 add that to the debate.
34
35 MR FENSON: Glen Fenson, from Ku-ring-gai Council. Has
36 the issue of carbon credits been considered as part
37 of this in terms of if we do go underground we can
38 have obtain 10 per cent more of street sites for
39 more substantial tree planting, which would have an
40 impact on carbon uptake and, considering the energy
41 industry has a role to play in carbon emission, has
42 that been considered as part of the process?
43 Secondly, a comment to David, the cost of
44 airconditioning, the cost of energy in Western
45 Sydney, work is being done up in Brisbane on the
46 positive effect on vegetation from airconditioning
47 reductions. Has that been considered as well?
48
49 MS VISSEL: Frances Vissel, a Councillor with Lane Cove.
50 First of all, I would like to complement Peter
51 Downey on his presentation. Many of us support his
52 views. However, I was listening today to the talk
53 about the beneficiaries. I would just like to say
54 that I don't think it is just the consumer who is
55 the beneficiary. It is quite obvious that the
56 providers are also great beneficiaries. If we are
57 talking about costs, they have to be shared in my
58 opinion, not just the user pays and the community.
.19/4/02 49

Transcript produced by ComputerReporters

1 That is very important.
2
3 Secondly, I would like to pick up on Warren
4 Taylor's presentation about the LGSA and local
5 government has not been represented on the steering
6 committee. I think that is something that should be
7 rectified. After all, local government is a very
8 important factor in this instance. Thank you.
9
10 MR DOWNEY: Can I answer that. In my presentation I
11 said that what I would like to see on the
12 electricity account is how much it is going to cost.
13 What I meant by how much it is going to cost is the
14 levy I have to pay, then a second line showing the
15 cost saving, and I would expect that that cost
16 saving would then come off my electricity account.
17
18 On the issue of carbon credits, again I would
19 like to go back to this report I referred to
20 earlier. They made some very bad assumptions in
21 here, nonetheless they give a figure of \$240 per
22 kilometre of line per year saving. That goes all
23 the way back to the power station. That is power
24 you don't have to generate, that is greenhouse
25 gases, whatever, up the smoke stack that have to be
26 accounted for. So you have a saving there.
27
28 Secondly, as somebody else did mention, you do
29 get also a saving because you are putting carbon
30 sinks in, rather than planting trees and not
31 allowing them to grow to full height instead of
32 mutilating them around power lines.
33
34 MR BLEAZARD: A simple question of the Chairman.
35 Mr Downey over there seems to have all the answers.
36 Why isn't he on the steering committee?
37
38 MR COX: I do want to clarify one point. We represent
39 IPART. IPART has been asked to do a specific task,
40 which is to report. We are here representing IPART.
41 IPART has been given a specific responsibility in
42 this process, which is to report on costs, benefits
43 and funding options. That is all that we are going
44 to do. We will listen to what has been said today,
45 finalise our report, and present the report to the
46 Minister for Energy. What happens after that is his
47 responsibility but it is not something that we can
48 discuss today. I am sure that the points you are
49 making have been noted.
50
51 MS CLOVER MOORE: Can I just take that a bit further and
52 ask that you take back to Mr Yeadon a specific
53 request that Peter Downey go on the committee and
54 the LGSA also go on the committee?
55
56 MR STEFFEN: We will certainly take that back. Peter
57 has been extremely helpful to the industry and Peter
58 Woods from the LGSA has presented to the steering
59 committee all the issues of that organisation and
60 the various technical reports.
61
62 MR BLEAZARD: He needs to be on it. That has to go back
63 to the Minister.
64
65 THE CHAIRMAN: I am sure the point has been made.
66
67 MS MOORE: And also the LGSA.
68
69 MR McNALLY: My name is Ray McNally. I am from
70 Integral Energy and as David was saying at the
71 start, contrary to perhaps what most people think,
72 we are not opposed to the projects that are being
73 put forward. In fact, we're generally the ones who
74 are out late at night in the storms trying to fix
75 lines.
76
77 It obviously boils down to where do we find the
78 money and how do we fund it, et cetera, et cetera.
79 Have backhoe will travel. There are a couple of
80 points that I feel obliged that I should comment on.
81 It was mentioned a couple of times that the overhead
82 network is getting older and it's going to be
83 replaced anyway.
84
85 I know that a couple of people have commented
86 on that but I think that it should be clearly
87 understood that the overhead network is like
88 grandfather's axe. It isn't like the car that's
89 getting old and takes a bit of maintenance but at
90 some time you have to replace it.
91
92 In that way you can compare undergrounding to a
93 car: some day you've got to replace it. All of our
94 earlier underground areas in the new subdivisions
95 have been underground since about 1969. With some
96 of those earlier ones, for instance, at Kings
97 Langley, we're back out there now and having to
98 replace those. That is an expensive exercise.
99
100 We are talking about grandfather's axe. We
101 change a pole here and an insulator there and it is
102 really just ongoing maintenance and those
103 maintenance costs are those that are being factored
104 into the calculations of avoided maintenance, so
105 they're already counted in. If we count wholesale
106 replacement we would be double-counting, in general
107 terms, in most cases.
108
109 There is a second point I would just like to
110 comment on. I think we're all going away with the
111 concept in our minds that the costs are somewhere
112 between \$1,800 and \$3,000 a block - out of the
113 Meritec report - but you must read after those costs
114 that it is net present value. The net present value
115 is an actuarial treatment which is used to compare
116 options - say two or three options - and you're
117 .19/4/02 51

1 committee all the issues of that organisation and
2 the various technical reports.
3
4 MR BLEAZARD: He needs to be on it. That has to go back
5 to the Minister.
6
7 THE CHAIRMAN: I am sure the point has been made.
8
9 MS MOORE: And also the LGSA.
10
11 MR McNALLY: My name is Ray McNally. I am from
12 Integral Energy and as David was saying at the
13 start, contrary to perhaps what most people think,
14 we are not opposed to the projects that are being
15 put forward. In fact, we're generally the ones who
16 are out late at night in the storms trying to fix
17 lines.
18
19 It obviously boils down to where do we find the
20 money and how do we fund it, et cetera, et cetera.
21 Have backhoe will travel. There are a couple of
22 points that I feel obliged that I should comment on.
23 It was mentioned a couple of times that the overhead
24 network is getting older and it's going to be
25 replaced anyway.
26
27 I know that a couple of people have commented
28 on that but I think that it should be clearly
29 understood that the overhead network is like
30 grandfather's axe. It isn't like the car that's
31 getting old and takes a bit of maintenance but at
32 some time you have to replace it.
33
34 In that way you can compare undergrounding to a
35 car: some day you've got to replace it. All of our
36 earlier underground areas in the new subdivisions
37 have been underground since about 1969. With some
38 of those earlier ones, for instance, at Kings
39 Langley, we're back out there now and having to
40 replace those. That is an expensive exercise.
41
42 We are talking about grandfather's axe. We
43 change a pole here and an insulator there and it is
44 really just ongoing maintenance and those
45 maintenance costs are those that are being factored
46 into the calculations of avoided maintenance, so
47 they're already counted in. If we count wholesale
48 replacement we would be double-counting, in general
49 terms, in most cases.
50
51 There is a second point I would just like to
52 comment on. I think we're all going away with the
53 concept in our minds that the costs are somewhere
54 between \$1,800 and \$3,000 a block - out of the
55 Meritec report - but you must read after those costs
56 that it is net present value. The net present value
57 is an actuarial treatment which is used to compare
58 options - say two or three options - and you're
59 .19/4/02 51

1 wanting to see which one is the cheaper.
2
3 For example, if you have a program that is
4 going to cost \$1m per year for 40 years, the net
5 present value is not \$40m, it's about \$17m or \$18m
6 because it's discounted back. It is more or less
7 the amount of money you need now to put aside, to
8 invest, to pay for your program as you go.
9
10 We have been coming up with numbers like \$5,000
11 or \$7,000, which is a lot. If we want to go out
12 tomorrow and do a thousand lots it's going to cost
13 us \$7m, so that we're talking about, more or less,
14 the real cost of doing a job. I think what did
15 happen in the report is that there was a comparison
16 made between \$1,800 to \$3,000 and prices quoted by
17 electricity distributors of \$5,000 or \$7,000. Those
18 numbers are different, they are apples and oranges
19 and can't be compared, so that has to be borne in
20 mind.
21
22 What we're about is getting down and
23 establishing what the real costs are and then, if we
24 can come up with a funding arrangement, we'll start
25 our backhoe and off we'll go. Thank you.
26
27 THE CHAIRMAN: Thank you.
28
29 MS MOORE: We would never have built the Harbour Bridge
30 if this had been the attitude.
31
32 MS VISSEL: I just want to make a comment on you taking
33 out the backhoe. Some years ago to build a road
34 tunnel, or any tunnel, you'd use drilling equipment;
35 nowadays you'd use boring equipment. I am just
36 wondering how much the costs might actually reduce
37 over a period of years with technological advances
38 in boring equipment and cable laying.
39
40 MS MOORE: Given the tollway is going up.
41
42 MR DOWNEY: Mr Chairman, I believe I can answer that.
43 From figures that I've received - am I allowed to
44 mention names here?
45
46 THE CHAIRMAN: It depends upon what is involved.
47
48 MR DOWNEY: Might I refer to the names of equipment
49 manufacturers?
50
51 THE CHAIRMAN: I don't see why not.
52
53 MR DOWNEY: The figures I have received have come from
54 Vermere. Vermere make trench diggers. They also
55 make horizontal boring equipment. If you're going
56 to trench it costs you \$20 a metre, if you're going
57 to bore it costs you around \$40 a metre, but the \$20
58 a metre to trench is only the cost of digging the
.19/4/02 52

Transcript produced by ComputerReporters

1 trench. You then have to reinstate it and the
2 reinstatement cost is higher than the cost of
3 boring.
4
5 The technology is galloping ahead at a
6 tremendous pace at the moment. It costs very little
7 extra to go through rock these days than it does to
8 go through clay and it's easier to go through clay
9 than it is to go through sand, believe it or not,
10 because sand has a tendency to collapse and you've
11 got to put expensive additives in to prevent it
12 collapsing. If it does collapse you cut the bore
13 right off and then you have to start again and that
14 can be very expensive. Does that answer your
15 question?
16
17 MS VISSEL: It wasn't a question. I was actually making
18 a statement that long term advances in technology
19 are going to bring costs down. That was what I was
20 trying to say.
21
22 MR DOWNEY: Could I also take this up to the gentleman,
23 Dominic, from Dial Before You Dig? Along with this
24 equipment what normally happens is as one guy is
25 setting up his machine, you've got another guy who
26 goes down with a laptop and a hand held ground
27 piercing radar and he can plot where all the
28 obstacles are and put that into the laptop.
29
30 When he's finished he then goes back and gives
31 it to the operator or the driver of the machine.
32 They are directional, you can steer the thing
33 underground, but when he gives that to the driver he
34 puts down his ground piercing radar and he picks up
35 a sonar device and he walks his way along tracking
36 the cutting head.
37
38 The technology is advancing at a tremendous
39 rate and it is possible to go around all those
40 obstructions that we talked about earlier, which a
41 backhoe can't do.
42
43 MR McNALLY: Could I make a further comment on that? I
44 apologise for using a backhoe as an example. I have
45 paid that price. I have also been the Chairman of
46 the New South Wales Street Opening Conference that
47 manages policies associated with opening streets and
48 we would certainly be looking very closely at
49 directional boring technology.
50
51 Please bear in mind that in this exercise we
52 most certainly would be looking at joint
53 undergrounding, so that you're not just talking
54 about a trench or a duct or an electricity cable,
55 you're looking at Optus and Telstra as well and then
56 the services at every second lot.
57
58 Directional boring has quite some inherent
.19/4/02 53

Transcript produced by ComputerReporters

1 difficulties in its applications for a project like
2 this. We would certainly use it and recommend it
3 where possible, but it's not a panacea on a project
4 like this.
5
6 MR DOWNEY: Why are they using it in Western Australia
7 then?
8
9 MS MOORE: We are looking for solutions.
10
11 MR WILLIAMS: Could I make a final comment on
12 reliability, Mr Chairman? Unless there is some
13 transmission system undergrounded as well, there'll
14 be no effect on the liabilities statistics for major
15 outages.
16
17 THE CHAIRMAN: Thank you. Is there another comment?
18
19 MR DOWNEY: Could we have a reply on that, perhaps from
20 Meritec?
21
22 MR WILSON: I wonder if that last observation could be
23 repeated? I was distracted while the gentleman was
24 talking, I am sorry.
25
26 MR WILLIAMS: The point I am making is that unless the
27 overhead high voltage and subtransmission systems
28 are undergrounded conjointly, there will be very
29 little cost offset on the reliability of major
30 outages because it's those particular components of
31 the system that cause the major outages.
32
33 MR WILSON: That is undoubtedly so, Mr Chairman and that
34 is covered in our report in some detail.
35
36 THE CHAIRMAN: We received a question from a member of
37 the public which I thought I ought put before the
38 panel in case any of them want to respond to it. It
39 was given to us as an email message yesterday. The
40 question is this:
41
42 In view of the fact that the term of this
43 project is envisaged to be over 40 years
44 would it not be better to spread the cost
45 across the whole community for the whole
46 period, as the whole of the community will
47 benefit in the end, such as a small
48 percentage increase in electricity charge?
49 From an equity point of view the
50 community, via its normal electricity
51 bills and general revenue, has already
52 paid for the undergrounding in some areas,
53 such as town centres and highway
54 upgrading. It is not unfair now for those
55 people to pay for undergrounding in their
56 street where others have had underground
57 power provided at no additional cost in
58 the past.

.19/4/02 54

Transcript produced by ComputerReporters

1
2 I wonder if someone would like to respond to some of
3 the equity aspects?
4
5 MR WELLSMORE: Yes. I do think a lot of the answers to
6 those questions are actually in the draft report
7 that the Tribunal and the staff have so thoughtfully
8 produced. I suppose at the end of the day the kind
9 of complexities that are built into that is one of
10 the reasons PIAC ended up opting for the approach
11 which says that those communities or those groups of
12 householders or those areas - shopping centre
13 developments, whatever - where people really think
14 undergrounding is the way to go, there's
15 particularly clear benefits, then all right, fine,
16 those people themselves can manage that kind of the
17 cost benefit trade off and manage their own equity
18 in that sort of circumstance.
19
20 The difficulty is expecting everybody to
21 contribute to the cost. Again, I am not - and
22 neither is PIAC - fundamentally opposed to the idea.
23 For goodness sakes, that is what taxation is all
24 about. The community puts a value on things and
25 says that we have to do them.
26
27 The problem with a specific service or a
28 specific thing like undergrounding, as has been
29 pointed out, is that people's willingness to pay to
30 some extent depends on their ability to identify
31 their benefit from it, but from a taxation point of
32 view or from a broad community sweep that's not
33 necessarily the most important thing.
34
35 However, it does get very complex. Some people
36 have paid for undergrounding. Should they pay
37 again? I don't necessarily have a view on that but
38 what is the answer? Some people live in areas where
39 in the last 30 years developers went in and the deal
40 was that everybody paid for the undergrounding and
41 it is factored into rents and those people are
42 paying for undergrounding.
43
44 I don't have an answer. What is the answer
45 going to be? What are we going to say to those
46 people? If it is going to be a flat rate you're not
47 back to people's willingness but their capacity to
48 pay. It may well indeed be a very, very small
49 amount of money spread across a bill for 40 years;
50 that may be true.
51
52 Does that amount of money then militate the
53 actual principle of the matter, which is there are
54 some people in the community, many people in the
55 community, who have a very, very different ability
56 or capacity to pay and do we breach this principle
57 and say, "It's for your own good and you've got to
58 have it"?

.19/4/02 55

Transcript produced by ComputerReporters

1
2 I like the idea of having street poles
3 disappearing but you have to pay for that. How do
4 you weigh those things up? As I say, if you're
5 going to do it as a proportional thing, as a
6 proportion of your consumption, unfortunately you're
7 back to the same issue. How do you weigh up those
8 equity issues? You could see it either way.
9
10 You might have six people living in a house.
11 Because there are six people in the house there is
12 more social utility, so should they pay more? If
13 they've got a larger bill should they pay less? I
14 would challenge any of us to come up with the right
15 answer to those things.
16
17 It comes back to a value judgment or in this
18 case it will be a political decision and our view
19 most certainly, as I've said before, is that for
20 areas of the community that really want this stuff,
21 that's great.
22
23 MR ZANOTTO: Are you saying this problem can't be solved
24 and therefore, you're opposed to the undergrounding
25 of cables?
26
27 MR WELLSMORE: I am not and I've never said I am and
28 neither is PIAC.
29
30 MR ZANOTTO: Do you say the problem is solved?
31
32 MR WELLSMORE: I am saying the problem can be avoided
33 and our option essentially is in line with what the
34 Tribunal is proposing, which is beneficiaries pays;
35 that is, those people who want it pay for it.
36
37 MR ZANOTTO: This is an all or nothing gain. Either we
38 do the whole State or we continue with the same
39 policy that is happening at the moment, which is
40 individual groups in individual areas who want to
41 have it get it.
42
43 MR WELLSMORE: Then you have a political decision and
44 someone - not me fortunately - will have to make a
45 political decision which says either you people will
46 wear the costs or you people won't.
47
48 THE CHAIRMAN: A number of people want to get into the
49 discussion. We might take them and come back to
50 Jim, if necessary, a bit later on. You have been
51 waiting for a while, thank you.
52
53 MS McLEAN: This argument bothers me considerably
54 because I really object to having public money spent
55 on a vast number of things that I think are bad for
56 all of us such as some large roads when better
57 public transport would be better. It is a non-issue
58 that you are talking about. Those people, maybe
.19/4/02 56

Transcript produced by ComputerReporters

1 they chose to have five children. I chose not to.
2 We all make choices through life. You end up where
3 you are and sometimes because you manage your money
4 better off, those people don't get looked after
5 better.
6
7 Your arguments are crazy, if I may say so.
8
9 MS CLOVER MOORE: We are talking about a political
10 decision. We are talking about benefits, and I am
11 not going to repeat them all because we have heard
12 them, but this is the quantifiable and the
13 unquantifiable. I don't believe that you can
14 measure everything in economic terms. There are a
15 whole lot of other values that we have in a
16 civilised society. Peter has already answered it
17 when he said about the issue of road safety, that
18 you don't have to be driving in your own
19 neighbourhood to have a deadly accident in someone
20 else's neighbourhood, so we have to revisit what
21 Peter Downey said earlier.
22
23 MR BROWN: Robert Brown, I am a councillor with Hornsby
24 Shire Council. I will briefly make a couple of
25 comments and have a couple of quick questions
26 answered. I have waited for sometime to make this
27 comment because I am coming back to the issue of
28 benefits. I have to say that I was somewhat
29 surprised, even shocked, to think that the value
30 that is being placed on the benefits over a 40-year
31 infrastructure project such as this is only \$480m.
32
33 Maybe the terms of reference have something to
34 do with that because it would appear, I am not a
35 rocket scientist in this area but I have been
36 involved on this issue for some six years, I am not
37 as read as Mr Downey and others in the room,
38 although we certainly have been very supportive in
39 Hornsby and, for those that don't know, we moved the
40 motion at the local government conference last year
41 that was supported across all political spectrums.
42
43 In terms of quantifiable benefits, unless I
44 have misread something it seems to me that it is
45 generally concentrating on the matter that relates
46 to distribution of the infrastructure only - this is
47 generally. There are issues of collisions, et
48 cetera, but there are a lot of other benefits the
49 community sees. Clover Moore just raised that there
50 are a lot of things you can't measure, that we don't
51 know how to do it, that there are a lot of
52 environmental measures we cannot put values on.
53 That does not mean they don't have value and have
54 considerable value in the minds of the community.
55
56 I don't know how we do that in terms of what
57 Treasury might be looking for but certainly there
58 are examples in other countries, particularly where
.19/4/02 57

Transcript produced by ComputerReporters

1 they have tried to actually do that. I am sure with
2 a bit more work we could come up with something.
3
4 A couple of other issues I don't see anything
5 mentioned about. One is, trying to pay substantial
6 insurance premiums, should I be killed in a car
7 accident or something, and the public liability
8 issue. I thought there would be substantial
9 insurance reductions to the general public. That in
10 itself is a benefit to the community. It may not be
11 a benefit to do with infrastructure issues but
12 certainly I would have thought with the
13 infrastructure issues we are talking about there are
14 considerable expected employment opportunities as a
15 result of such an infrastructure project, the issue
16 of the increase that will create in employment and
17 most, as I understand it - I have been somewhat
18 briefed by Mr Downey - most infrastructures around
19 Australia actually come from Western Sydney from
20 companies that I will not mention.

21
22 In terms of exactly where those employment
23 opportunities will be, I thought the people of
24 Western Sydney would be most stirred up about those
25 opportunities in terms of employment.

26
27 I would like to refer to a recent approach I
28 had from EnergyAustralia. Two days ago they were
29 trying to sign me up for a three-year contract and
30 agree, for doing that, they will reduce my current
31 usage over three years to - there will be a
32 reduction of \$100 approximately for my energy bills
33 over those three years. Like anybody, I would like
34 to save money but, going to the point that was
35 raised earlier, I know there is some criticism has
36 been given to Jim regarding this, I would prefer to
37 pay that \$100 over three years, or even more, if I
38 could be assured that we will be looking at actually
39 getting rid of what not only is an ugly site but a
40 very inefficient system. So if that is what it
41 costs then I am prepared to pay it.

42
43 I don't want to get into social equity issues,
44 we have dealt with those. It is my belief that when
45 the point was made, we don't want to see money taken
46 out of one bucket to pay something else, health,
47 education, the usual issues that are on the front
48 pages every day. No one is suggesting that. The
49 community in my opinion, given my background in
50 local government and being involved on this issue
51 for sometime in the general community, is that
52 people clearly don't want to see that happen. If
53 this is to occur you would expect it would be a
54 substantially large infrastructure project, that it
55 is appropriate, having a national banking background
56 of my own I know there are - comments were raised
57 about a particular bank that might be interested. I
58 am sure there are others that would be particularly

.19/4/02 58

Transcript produced by ComputerReporters

1 interested in getting involved in such an
2 infrastructure. It is not that difficult, I can
3 assure you, and if anyone wants to make money, there
4 is always someone who will make a buck out of
5 something.

6
7 The questions I have, the community would not
8 agree with seeing money taken out of these other
9 buckets but it would in terms of a benefit,
10 irrespective of whether it can be measured or not,
11 they would be prepared to pay that extra money.

12
13 Now my questions relate to Mr Chapman, if he is
14 able to answer them. Would you like to comment in
15 regards to the cost issue per se, how do you see
16 this actually - I have read the report, but can you
17 expand in terms of the actual cost of cabling? I
18 understand if you take off the telco costing we are
19 looking not at 4.3 but in fact around about 2.4;
20 would that be roughly correct?

21
22 MR CHAPMAN: It wasn't my calculation. The costing side
23 of things was calculated by Meritec. If you want to
24 ask questions about how the total cost was arrived
25 at, you have to go to their replacement, their
26 optimisation methodology, and then we have to go to
27 how many households were involved and scale it up by
28 that. I thought you were asking me a question about
29 benefits.

30
31 MR BROWN: Yes, I may have written down the wrong note.
32 The second question is to Mr Downey in terms of the
33 infrastructure, if this project actually gets off
34 the ground, what would your view be about how in
35 fact this would be enacted and brought about,
36 whether by a separate infrastructure body; and if I
37 could then leave the last question to Mr Taylor, in
38 terms of the collection of the levy, Mr Taylor, in
39 terms of local government, would you like to expand
40 on just what is going to be involved in terms of the
41 Local Government Act and how councils in their
42 current state of affairs will be able to collect
43 that levy?

44
45 MR DOWNEY: Those people that are here from the
46 Department of Energy will have heard me say this
47 before and are probably getting sick of hearing me
48 say it but, honestly, there is only one way to do
49 this, set up one body that is responsible for doing
50 the whole lot.

51
52 There are various ways you can do that. It
53 could end up owning it at the end of the day or it
54 can be doing it under contract to Integral and EA or
55 to Optus or to Telstra. I believe both Optus and
56 Telstra have said this, that you need one
57 independent body to go ahead and do the work.
58 Whether it is done under contract or whatever, that

.19/4/02 59

Transcript produced by ComputerReporters

1 is a detail you can work out later.
2
3 The reason that you do that is that is the only
4 way you will get the real economies, number one.
5 Number two, forget about the rest of the State for a
6 moment, just think about Sydney. I know we will do
7 other areas in the state - you notice I am saying
8 "we are going to do it", not "if". These two
9 gentlemen to my right, if they are let loose, with
10 all due respect, EA and Integral, represent two very
11 large organisations that will be out there competing
12 to buy cable, transformers, with whoever is going to
13 bore the holes, pour the conduit, pull the cable and
14 make the connections, and they will be competing
15 against each other for resources.
16
17 That is the way you drive up the cost. We
18 don't want to drive the cost up, we want to drive it
19 down. That is why you have one body responsible. I
20 am sure that my friend from Optus and my friend from
21 Telstra would expand on that.
22
23 There was another issue earlier and somebody
24 said, yes, but if your property doesn't get done
25 until the 40th year you pay for it all the way
26 along. We produced a publication which some of you
27 will have seen and in the back of that there is a
28 schedule for undergrounding. A lot of what I have
29 said is simplistic because if I go right into the
30 details we will be here all day and I will bore you
31 silly. This is simplistic but it can be worked into
32 the overall scheme.
33
34 The first area you do is main roads and
35 secondary feeder roads in areas adjacent to them.
36 It does not matter that your property is the first
37 to be done or the last to be done after 40 years,
38 you have the benefit of driving down a main road, so
39 a road safety benefit, an environmental benefit,
40 call it whatever you like, and you have that from
41 day one. I can't remember who posed that question,
42 but does that answer it?
43
44 Unless I have not covered all the points, I
45 will leave it at that.
46
47 MR TAYLOR: Western Australia has been doing a fair
48 degree of undergrounding and in that state the
49 finance is provided through the Local Government
50 Association and councils at a rate of 50 per cent.
51 They have a very, very different rating structure
52 and a very different government policy on financing
53 and local government procedures.
54
55 In New South Wales both the opposition and the
56 existing government strongly favour - they are rock
57 solid - rate of pegging legislation. Each year the
58 Government announces the maximum amount by which a

.19/4/02 60

Transcript produced by ComputerReporters

1 council may increase its total rate collections and
2 two days ago the next financial year was announced
3 for New South Wales, being 3.3 per cent. With
4 rising costs there is no way that that 3.3 per cent
5 would fund this undergrounding process.
6
7 I note the draft report from IPART has an item
8 suggesting that if the recommended financing
9 structure was for local government financing 80 per
10 cent of the undergrounding, that a refinement to the
11 rating process would need to be established. There
12 would have to be major legislative change and a
13 major departure from existing philosophies.
14
15 Our association, whilst it has not had time to
16 consult councils on this, is of the view that it
17 should be a state tax and there should be a
18 transparent deduction of the avoidable offsets in
19 the entire outfit so the total cost on a taxing
20 annual basis would be shown and to that would be a
21 credit for the amount that various authorities would
22 no longer be requiring to pay out on their existing
23 infrastructure.
24
25 MS JUDY ANDERSON: Just responding to the issue about
26 having one infrastructure provider, it has been
27 discussed a fair bit and I am sure Telstra has a
28 similar view to us. Basically the reason why Optus
29 is here is because the Federal Government has a
30 policy for broad-based infrastructure competition
31 and Optus installed its cable network so it could
32 compete head-to-head with Telstra. If basically we
33 were forced to pay at the end of the day, we would
34 exit the industry potentially and there would only
35 be one infrastructure provider left. You would see
36 no competition in the market.
37
38 If there was a single infrastructure provider
39 that was independent to us, that would reduce the
40 level of competition and the effect of that is it
41 means at the end of the day the services that come
42 out of that cable will be limited because you will
43 have one piece of infrastructure that provides a
44 certain range of services, Telstra and Optus won't
45 have the flexibility to design our services to meet
46 what we feel are our customer needs and competition
47 will be reduced. I am not sure that answers the
48 answer either.
49
50 MS CLOVER MOORE: Can I just say, I don't see how the
51 community has really benefited from having Optus. I
52 understand Optus has benefited, but I don't really
53 think that is a very important consideration for
54 IPART when we are looking at something that is a
55 community benefit.
56
57 MR CLARKE: Laurie Clarke, Telstra. I think the issue
58 with a single provider, the key issue, is about

.19/4/02 61

Transcript produced by ComputerReporters

1 coordination and planning so we can keep the costs
2 down. Whether a particular party owns it or not is
3 a debate we can have and spend many hours on and the
4 impact on competition, but the key issue is we need
5 a coordinated and planned approach that involves
6 all of the parties from the initial stages.
7
8 MR BEWLEY: I wanted to know, first, two propositions:
9 How long the present committee will be sitting for
10 before it finishes its present duty? Does that
11 finish with the report?
12
13 MR COX: IPART will finish its report, give it to the
14 Government, and the consideration of the report is a
15 matter for government.
16
17 MR BEWLEY: Is that the committee which is being --
18
19 MR COX: We are nothing to do with the steering
20 committee. We have no link with them.
21
22 MR BEWLEY: The steering committee --
23
24 MR COX: -- is a government body. We are independent of
25 government. We will do a report and give it to the
26 Government.
27
28 MR BEWLEY: The second question, what I really wanted to
29 know is, what is next? After you have submitted
30 your report, and picking up particularly on comments
31 from Clover and others, implementation, what is
32 next; and what type of public consultation might be
33 coming out of the recommendations of the IPART
34 report for how that implementation begins and how
35 the community is kept involved? I certainly would
36 think that the community would be interested in that
37 aspect more so than the important need to have
38 better representation on the committee alone, so
39 there is more than just putting the right balance on
40 the committee, it is having continuing public
41 consultation on the public's needs and how that
42 might be done and how regular.
43
44 MR COX: I understand the issues. They are matter for
45 government rather than IPART.
46
47 MS CLOVER MOORE: Should that question go to Mr Yeadon's
48 representative.
49
50 MR STEFFEN: Certainly the steering committee, the
51 inter-government steering committee, has a
52 requirement to report to Minister Yeadon and that
53 will come after the IPART report. We are here today
54 observing and listening. There is public
55 consultation through the IPART website and when this
56 review was announced the department's website was
57 also advertised. We have received lots of
58 submissions there, lots of them, that there were
.19/4/02 62

Transcript produced by ComputerReporters

1 quite a few people who weren't prepared to pay and
2 people who were already underground and not prepared
3 to pay, so we have got lots of arguments, both sides
4 of the coin.
5
6 All of that will be taken into account in the
7 report to the Minister, to the Premier and then to
8 cabinet. If cabinet decides on further
9 consultation, that is its call. If they ask the
10 Minister to do it, he will continue the
11 consultation, but we have certainly spoken to lots
12 of people, with Peter and with Professor Ray
13 Stirling on trenchless technology. The consultation
14 has been happening as we go along. It is no use us
15 doing a report out of our heads, presenting it
16 publicly, then having consultation. It has been all
17 the way along.
18
19 THE CHAIRMAN: We would like to start winding up soon.
20 Perhaps we could have a couple of final questions -
21 one at the back and one over there.
22
23 MR VINEY: This relates to a comment from both Optus and
24 Telstra. When fibre optics was being rolled out
25 there was an argument that Telstra could have taken
26 the role of a common carrier and had everybody's
27 program content going down there. There was the
28 capacity and the new technology was making more and
29 more capacity available. We had two systems being
30 rolled out to suit the partners of Telstra, with Fox
31 and others, and so now we don't have a common
32 carrier.
33
34 In regard to electricity, I could have five
35 different suppliers coming down the one set of
36 wires. The same applies to the gas that comes to my
37 place. I have five different suppliers of gas.
38 There are other carriers available by legislation.
39 That has not been imposed by Telstra.
40
41 THE CHAIRMAN: There is a comment over here.
42
43 MR BROWN: Thank you, Mr Chairman. I have finally
44 worked out what I wrote down earlier. My apologies
45 to Mr Chapman. Could I clarify some points raised
46 earlier, particularly by the gentleman down here,
47 concerning suggestions about what we may see as the
48 future in terms of the steering committee and what
49 the Government should be doing.
50
51 Am I to understand that you in fact report that
52 back as a suggestion or are you saying that it's not
53 for you to consider?
54
55 THE CHAIRMAN: I think it is a matter for the
56 representatives of the Government to take forward
57 the views expressed here to the Government and
58 indicate what they were.
.19/4/02 63

Transcript produced by ComputerReporters

1
2 MR BROWN: It won't be part of your final report?
3
4 THE CHAIRMAN: No.
5
6 MR BEWLEY: It will be in the comments.
7
8 MR BROWN: That was my next question. Where would we
9 record it? This is a public hearing.
10
11 THE CHAIRMAN: We would be willing to make the
12 transcript available, if there are no objections to
13 that course.
14
15 MR BROWN: It should be made available somewhere. My
16 question is - and I didn't mean to make a big issue
17 about it but I thought it was worth clarifying and
18 Mr Chapman, I apologise - irrespective of whether it
19 is 4.3 or 4.4 to actually run with this project, do
20 you have a feeling for what they would have to
21 borrow or what would have to be made available in
22 terms of funds initially to kick this off?
23
24 Obviously, we won't be going and borrowing
25 \$4.3 billion or finding \$4.3 billion in Treasury's
26 coffers. What do you see as the actual amount?
27
28 MR CHAPMAN: We were asked to look at funding options,
29 not financing options and these are often confused
30 in the public's mind. The question you're asking
31 now is really a financing question, not a funding
32 question.
33
34 Financing goes to the matter of who is going to
35 raise loans, if loans are appropriate. If this fell
36 back on the DNSPs then that would become a financing
37 question for them. The funding question is quite a
38 separate issue. Can I point you back to the Terms
39 of Reference. We were not asked to address
40 financing.
41
42 MR BROWN: In light of the answer that was just given -
43 and I thank you, Mr Chapman - I would like simply to
44 make the point that too often we're seeing out in
45 the public arena at the moment the comment that it
46 is this big, awesome amount of money and therefore,
47 the public won't accept it.
48
49 The actual amount of money - from whatever
50 source it is raised, in terms of infrastructure
51 loans or however it is done - is nowhere near
52 \$4.3 billion or even \$2.4 billion; it is a far
53 lesser amount. I haven't done the sums here, maybe
54 somebody has done some preliminary estimation, but
55 it is nowhere near that figure.
56
57 Unfortunately, at the moment the press in
58 particular paints a very dark picture about what the
.19/4/02 64

Transcript produced by ComputerReporters

1 actual cost is. Everyone thinks, "Oh, my God, I'm
2 going to have to pay \$5,000", like it's going to
3 happen now or the Government is going to have to
4 raise \$4.3 billion, like they're going to have to do
5 it now. That is not the case at all.
6
7 If there was some way of actually, shall we
8 say, clarifying that issue and placing it in the
9 public arena, I think it would be worthwhile, once
10 this project goes forward.
11
12 MR CHAPMAN: I can appreciate your difficulties. It is
13 often very hard to bring things back to one number,
14 which is required. When doing a cost benefit
15 analysis you have to discount all the future
16 benefits, discount all the future costs and try and
17 present them as one number.
18
19 It becomes very confusing when people start
20 asking, "But what has to be borrowed or financed in
21 the first instance? What has to be laid out in the
22 first year?" A single number can't answer those
23 kinds of questions.
24
25 It is difficult for reports like this to ever
26 make that completely transparent but we can have a
27 go at improving that aspect of clarity in the final
28 report.
29
30 MS MOORE: You talked about improved public safety.
31 Does that include the State Emergency Services
32 workers and if it doesn't could they be specifically
33 included, because every time they go out after a
34 storm their lives are put at great risk; and could
35 you also include employment opportunities as a very
36 important benefit.
37
38 MR BEWLEY: Also, when SES workers go out on calls they
39 are sacrificing their job opportunities at that time
40 and that is a cost which I think is measurable.
41
42 THE CHAIRMAN: Thank you. We will note those matters.
43 What I would like to do now is give the members of
44 the panel the chance to make any final comments they
45 might wish to and then we'll ask Ross and Jeffrey to
46 respond, to the extent that they wish to do that and
47 then we will wrap things up. We might start with
48 David.
49
50 MR NEVILLE: In conclusion, Integral would like to
51 restate its support for an undergrounding program.
52 Clearly, what has come out of this forum is that the
53 funding issue needs to be resolved, so that is a
54 critical issue that we need to work on.
55
56 We would also like to restate our support for
57 the use of pilot programs and the willingness-to-pay
58 study as a mean of testing community support for
.19/4/02 65

Transcript produced by ComputerReporters

1 future undergrounding. Thank you.

2

3 MR WELLSMORE: From PIAC's point of view I say again
4 that we are not opposed to the idea of
5 undergrounding and we welcome the Tribunal's draft
6 proposal. As we said in our written submission to
7 the Tribunal, we think that pilots and so forth
8 would be a good way to explore some of the other
9 issues that have been raised today. I thank David
10 for reminding me about that.

11

12 MR JAMIESON: I would again like to thank the Tribunal
13 for giving us the opportunity of participating in
14 this debate and I expect that there will be a number
15 of issues still to be discussed in the future,
16 particularly on the detail of the costing
17 methodologies, et cetera, where there are some
18 misunderstandings in certain areas, we believe, on a
19 number of fronts. We will talk to the Tribunal a
20 bit more about that. Overall, we support the
21 project to do undergrounding and support the
22 beneficiaries pays approach. Thank you very much.

23

24 MR DOWNEY: First of all, I would like to correct
25 something that I said earlier because I believe it
26 came out the wrong way. When I raised the
27 possibility of the company or the organisation which
28 ends up putting the cable underground owning the
29 cable, that wasn't directed at Telstra or Optus.
30 That is water under the bridge, unfortunately,
31 whether you like it or not and can't be wound back.

32

33 I can only reiterate some of the things that
34 I've said earlier. It doesn't matter a damn what
35 Peter Downey wants and it doesn't matter a damn what
36 Sydney Cables Down Under wants, it's what you want,
37 that's what matters; it's what you want. You have
38 to get that message over to the Government.

39

40 You have obviously been getting it over to me
41 because I'm not in the habit of belting my head
42 against a brick wall. You have obviously got it
43 over to me and you've obviously got it over to my
44 organisation but you need to get it over to the
45 Government.

46

47 The other point that I would like to make is
48 that really this is something that will benefit
49 everyone. One thing that has been overlooked here
50 is that if a storm comes along and blows down the
51 power lines or the phone or the pay TV cable, who
52 pays for it? The whole community pays for it, not
53 those living in Hornsby because it was blown down
54 there, or those in Sutherland or Blacktown or
55 wherever else it happened.

56

57 It is spread across the whole community, so the
58 whole community will benefit, the whole community

.19/4/02 66

Transcript produced by ComputerReporters

1 will be winners from any undergrounding. We have to
2 find out a way to embrace the whole community and
3 bring the whole community into it. We have to give
4 them a reason why they want to opt in and not opt
5 out.

6

7 That is going to take leadership and
8 unfortunately that's not something that this forum
9 is about; that is for our politicians. It will take
10 leadership and it will take vision. I spoke earlier
11 about a dream. Martin Luther King had a dream. Why
12 can't we have a dream? What we're really seeking
13 here is a program which is inclusive and includes
14 everyone, that pulls them in, that makes them part
15 of the same dream. We are not looking for an
16 exclusive program for the people in Hornsby or
17 Wahroonga or Ku-ring-gai or any of those areas.
18 What we need is an inclusive program, not an
19 exclusive program. Thank you.

20

21 MR TAYLOR: Thank you. The associations do believe the
22 funding process needs a complete shakeup, a complete
23 revision of what has been suggested. We strongly
24 recommend that pilot underground examples be
25 undertaken. There are a number of projects already
26 that I'm aware of which have a degree of funding
27 from councils and I believe they are capable of
28 implementation at a fairly early stage. That should
29 be done so that all our discussions about costs -
30 hidden costs, overheads, underheads, all the rest of
31 it - should be sorted out from observance of
32 performance in the undergrounding process.

33

34 I don't believe the steering committee will dry
35 up in the middle of June when the Premier makes his
36 statement about where we go from here. I believe
37 the steering committee will continue in its present
38 form, or some other form, and I would certainly
39 believe the steering committee should include local
40 government representation.

41

42 There are still many technical issues in the
43 background. I referred earlier to trees and to
44 street lighting. There are many issues associated
45 with those which probably haven't been raised yet.

46

47 MS ANDERSON: Optus's view is basically that this is a
48 difficult issue; it's not easy. We think, however,
49 that IPART has taken a sensible approach to this
50 problem. We think the Government should be careful
51 in making its decision because there will be
52 implications beyond the immediate implications of
53 undergrounding cables and those will have a
54 financial impact on providers.

55

56 Finally, Optus's view is that we're more than
57 happy to continue talking about this issue so as to
58 find a resolution and we'll work with the New South

.19/4/02 67

Transcript produced by ComputerReporters

1 Wales Government in helping them to do that. Thank
2 you.

3
4 THE CHAIRMAN: Jeffrey and Ross, do you have any final
5 thoughts?

6
7 MR WILSON: Mr Chairman, firstly, I would like to thank
8 all the contributors who have offered thoughts
9 today. It has been a very interesting session. Our
10 object was to listen to what you all had to say and
11 I've noted several points that we will look at
12 carefully and some areas where we might make some
13 modifications to the report.

14
15 Could I be permitted to make a personal
16 observation, Mr Chairman? I would say that the
17 group here has a good grasp of the issues and the
18 various concepts. I think you will recognise, as we
19 do, that some of the various points and ways of
20 going about this work are mutually at odds with some
21 other possibilities and that is the difficulty in
22 our work.

23
24 What we'll attempt to do is give all the
25 various prospects even consideration and put forward
26 a balanced view. I would like to thank everybody
27 for the contributions they've made. This exercise
28 has been very helpful to me.

29
30 MR CHAPMAN: I would like to endorse those observations.
31 I have been gratified to see how people have
32 appreciated how difficult it is to come to grips
33 with quantification issues, especially on the
34 benefits side of things. I detect I think a broad
35 appreciation across the audience of those kinds of
36 difficulties.

37
38 We have gained some insights today and we might
39 need to clarify some of the things we have said. We
40 have some suggestions about things that may have
41 been left out that we need to give emphasis to and
42 we're grateful to you for that.

43
44 THE CHAIRMAN: It remains for me to close the session.
45 Could I perhaps remind you of a couple of dates. We
46 would like to get further submissions from you by
47 26 April, which is Friday of next week. I apologise
48 for the short timeframe but we're required to report
49 to the Minister by 10 May.

50
51 As we have stressed throughout the session, we
52 are just one part of the Government's consideration
53 on the issue of undergrounding cables. Our task
54 involves us considering what has been said here,
55 looking at the report and revising the report, but
56 it is then for the Government to take the project
57 forward. I am sure the Government will be
58 interested in the views expressed today.

.19/4/02 68

Transcript produced by ComputerReporters

1
2 It remains for me to thank Jeffrey Wilson and
3 Ross Chapman for their presentations today, the
4 panelists for their interesting and stimulating
5 contributions and you for coming along, being
6 interested in our work and helping us to the extent
7 you have. With that note of thanks I would like to
8 close the session and we will proceed to consider
9 what we need to do with our report. Thank you very
10 much.

11
12 (At 1.26pm the Forum was adjourned accordingly)

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58

.19/4/02 69

Transcript produced by ComputerReporters