

**Office of the General Manager**

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IPART	
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Mr T G Parry
Chairman
Independent Pricing and Regulatory Tribunal
Of New South Wales
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Dear Mr Parry

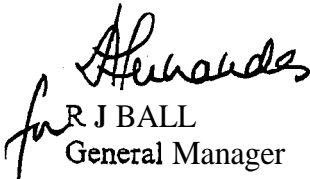
IPART Interim Report - Undergrounding of Electricity Cables

Thank you for your letter dated 9 April 2002 and the opportunity to comment upon the Interim Report.

Whilst the Council appreciates the opportunity provided to make input to the Tribunal's deliberations, it is obvious that Council has been constrained. Similarly, the Tribunal has been constrained in being able to give a complete comprehensive analysis for all of the issues.

Under the circumstances, however, enclosed is a copy of Council's response to the Interim Report.

Yours faithfully


for R J BALL
General Manager

**SUBMISSION BY
HORNSBY SHIRE COUNCIL IN RESPONSE TO
THE IPART INTERIM REPORT
"UNDERGROUNDING ELECTRICITY CABLES IN NSW"**

The Independent Pricing and Regulatory Tribunal (IPART) has released its Interim Report regarding the subject matter. It **was** released from the Tribunal's website on Tuesday, 9 April 2002 **and** received by Council on 11 April 2002. The **Tribunal is** seeking submissions on the Interim Report by **26 April 2002**.

The Report indicates that the cost of undergrounding electricity distribution cables would be between **\$2.6** and **\$4.3** billion over forty years, representing a cost of \$1,800 - \$3,000 **per** household. It estimates **the** benefits to be derived **over** the **same** period **would** amount to \$400 - \$480 million, representing 15-20% of the cost. **These** quantified benefits exclude the **value** to the community of the following:-

1. improved public **amenity**;
2. improved **safety** to the public **and** wildlife;
3. reduction in health **risks** **from** electromagnetic radiation;
4. the opportunity of increasing the efficiency of electricity **and** street lighting distribution network;
5. the human cost of the loss **of** life from motor vehicle accidents; and
6. improved **property** values.

It is these matters however that have not **had** quantifiable **benefits** assessed against them 'upon which the **public** have demanded the undergrounding of electricity cables.

In the limited time available, Council's **submission** on the Interim **Report will** concentrate its comments **upon** section **4 Funding** Options.

Council's original submission stated:

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

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

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

Unfortunately, little consideration appears to exist in the **Report** in relation to **these** options **which** are worthy of detailed consideration.

Little consideration also appears to have been **given** to the possible **funding** options outlined in the **ACG Report (1997)** detailed on page **33**. **This** analysis **would** have been extremely useful.

The State Government **also** receives **significant** dividends from **statutory corporations** including electricity supply authorities. These dividends allegedly amounting to hundreds of millions of dollars **are** equitable for re-distribution to fund undergrounding.

The beneficiary **pays** approach does not appear to **have** justified the utilisation of these dividends for a **variety** of purposes.

These **funds** could be **utilised** equitably **and** more equitable forms of income production **used** for the other **purposes**.

The Report accepts that there will **be** **savings** in motor vehicle **accidents** and so surely savings in insurance premiums **and** compensation payouts **will** automatically **flow**. **This** being the case, **the** Tribunal should have detailed its consideration of the possibility of a levy on motor vehicle insurance policies.

This is particularly **important**, when one notes the comment on page **iv** of the Executive **Summary** where it refers in the last paragraph to the *“undesirable cross subsidisation of urban dwellers by rural residents outside the project area and violates the principle that beneficiary pays in proportion to the benefits they receive”*.

Insurance companies do undertake quite complex and complicated actuarial **studies** and levy premiums based upon **many** factors including geographical location. It is **not** difficult to accept that **the** government can levy charges **through** insurance policies based upon geographical location **and** **this** could be **fair and** equitable.

The Interim Report **recommends** that local **government** rates or charges **be** the **main** vehicle for **cost** recovery, with the State Government **and** electricity **distribution** companies **meeting** the balance of the cost. The Report **goes** through a very **torturous** argument to recommend local government **as** the **only** ‘equitable’ means of **raising** the revenue. It **argues** that **otherwise** there **would** be **inappropriate cross-subsidisation** within the community. **This** appears **as** no more **than** a political endeavour to dissuade Councils **from** **pursuing** the undergrounding of electricity distribution cables **by** **making** them collect the revenue.

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It is difficult to understand why *the* philosophy behind the undergrounding of electricity cables **should** be any different **from** taxation to pay unemployment benefits or to establish new **transport** infrastructure in a particular locality. Cross-subsidisation through taxation is **a necessary means** of **achieving** broader public benefits for the community. **The** fact that persons may live **within** areas in which electricity has already been undergrounded does not negate the **many** benefits to them including that of increased public safety **arising from** the **removal** of power **poles from** areas where overhead cabling would otherwise remain through which they may **travel** or achieve benefit.

Levying on Local Government rates may appear, to the Tribunal, to be **the only** equitable **means** of raising the revenue, **but** the Report does not analyse **the** equity of this approach.

The justification **for** local government rates **appears** to be based around the private amenity **gains** of improved views **and** local public benefits (improved street lighting opportunities, improved streetscapes **and** **footpaths** space etc.) (page 36).

Local Government rates are levied on land value, which bears no relationship to development on the **land**, intensity of use, occupancy levels or **any factors** which **have** a direct relationship to improved public safety, reduced costs **related** to motor vehicle accidents, improved reliability of electricity supplies etc.

This inequity appears to **have** been totally overlooked in contrast to the considerable efforts, which **are** made to argue the **inequities** of placing a burden upon the distribution network service providers.

The burden of levying the **cost** through **rates** only appears to be related to the inability of the Report to properly or seriously value or quantify **all** benefits. Local Government is an advocate for the community view on this issue. **This** administrative burden could **only** be **proposed** to dissuade Councils **from pursuing** the undergrounding of electricity distribution cables by **making** them collect **the** revenue.

Reference **is** also made to levies upon electricity charges likely to be "distorting and inequitable". Currently, **the** provision of gas services is provided underground **and** local government levies a small charge upon gas mains within the public domain.

If it **is** considered that the undergrounding of electricity mains may be distorting, presumably **against** electricity supply authorities **and** in favour of alternatives, **then** the gas suppliers have operated in an uncompetitive environment for a long time and the existing distortions **may** be at last remedied.

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Providing the choice of opting out to communities, who according to the Report, "*place a relatively low value on the local benefits of undergrounding*" is not supported by Council. The Interim **Report** clearly identifies that **many** of the benefits do extend beyond the local area and its amenity. To enable communities to **opt** out would create **an** even more complicated administrative system in which to operate and would **make** it extremely difficult to implement an undergrounding process which optimised the benefits and minimised cost outlays.

Unfortunately, it is also easy to **talk** of "*hard to quantify amenity benefits and other gains that are largely local in nature*", but **if** an economic decision **is** to be made, then **a** serious attempt must be made at quantifying these benefits.

If it **is** to be a political decision **and** a government can foresee **the** community benefit which can come **from** a particular course of action where pure economic conditions may present an argument to do otherwise, then this should be a consideration and one **which is** not hidden in economic discourse. It is in areas such as **this**, where leadership by government **must** be shown, otherwise the **opportunity** passes.

Finally, IPART recognises that the undergrounding of electricity **distribution** cables **will** require overhead telecommunication carriers to relocate their cabling underground in accordance **with** the requirements of the Telecommunications Act. IPART cites **the fact** that Optus would **regard** its multi-media services **as being** unviable in the event that it had to sustain the costs of relocating its overhead **cabling** underground. However, the question **of** viability depends upon over what **period** of **time** the costs are amortised **and** the undergrounding of all electricity **cabling** implemented.

It is most unfortunate that in negotiating a rollout for Telecommunication Carriers, the Federal Government saw the speed of the rollout as **an** imperative, which overrode any environmental concerns, publicly pronounced at the time. It **is** inappropriate for Telecommunication Carriers now to use their publicly unaccepted rollout behaviour as a justification for not remedying the ills of **the past**. **A** stitch in time would have saved nine. It should have been done properly in the first place,

Carriers such **as** Optus **now** should be more proactive in providing **a** methodology whereby the undergrounding of cables **can** become a reality.

It is extremely unfortunate that the **Tribunal** was provided with only a limited **time** within which to provide a report.

Whilst the Council appreciates the opportunities provided to **make** input to **the** Tribunal's deliberations, **it** is obvious that Council **has been constrained**. Similarly, the **Tribunal has been** constrained in being able to **give** a complete **and** comprehensive analysis of all of the issues.

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It is a time for **the government** to **show** leadership. This is no more evident **than in** areas of government policy such **as** the environment and public transport, **where** significant investment in the short term must be made to accumulate accepted **long-term** community benefits.

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