

CR13.33 UNDERGROUND POWER PROGRAM - RESULTS FORM A SURVEY OF PROPERTY OWNERS

PURPOSE OF REPORT:

To report the results of a survey of property owners who do not have an underground power service in their street, on their propensity to pay for the installation of underground power.

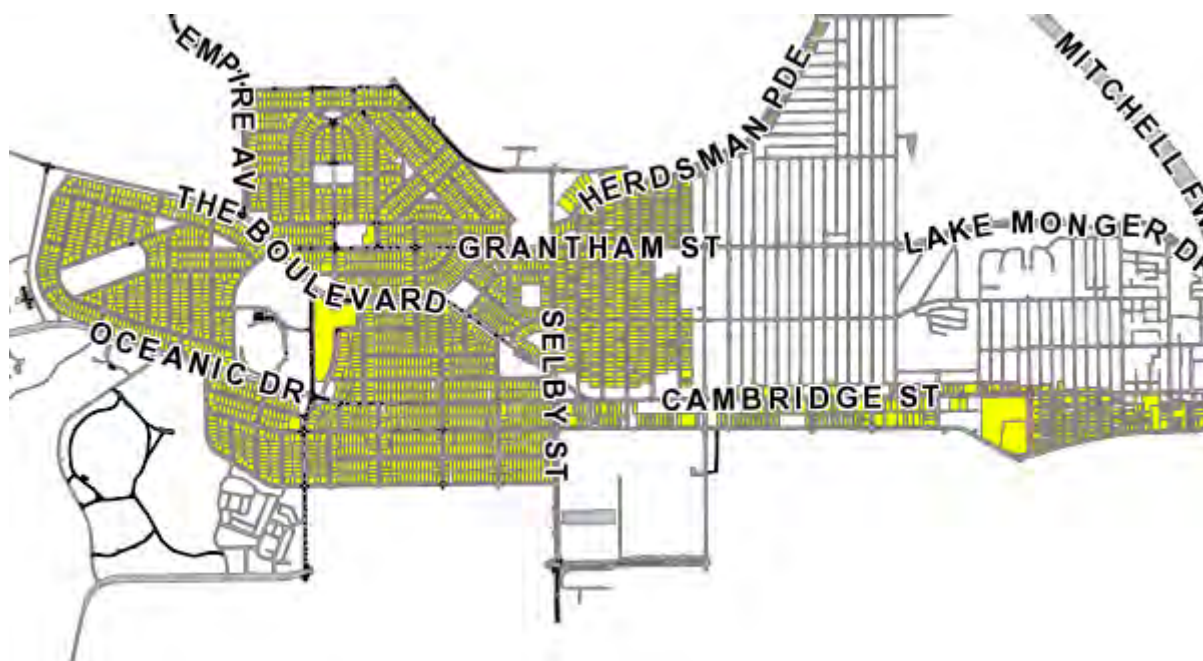
BACKGROUND:

Previous reports on report on underground power refer:

Date	Item no.	Purpose
December 2006	CCS06.133	Review of UGP Strategy; Comprehensive Report including history of previous projects.
December 2009	GC09.97	Application to Round 5 of the SUPP; policy options for Town funding, Survey
March 2012	CR12.36	Endorsement of a survey of Property Owners; Background on SUPP and the reviews by the ERA
June 2012	CR12.99	Endorsement of a survey of Property Owners; Costings; Cashflows, Funds

Specifically, the June 2012 decision of Council was that:

- "(i) a survey be undertaken of those property owners within the Town who do not have underground power to evaluate their propensity to pay for underground power;
- (ii) the survey incorporate a proposed subsidy by the Town of one third of the costs;
- (iii) the Chief Executive Officer be authorised to engage a research company to design and undertake the survey and an amount of \$20,000 be included in the 2012/13 Budget for this purpose."



Underground Power Survey Area

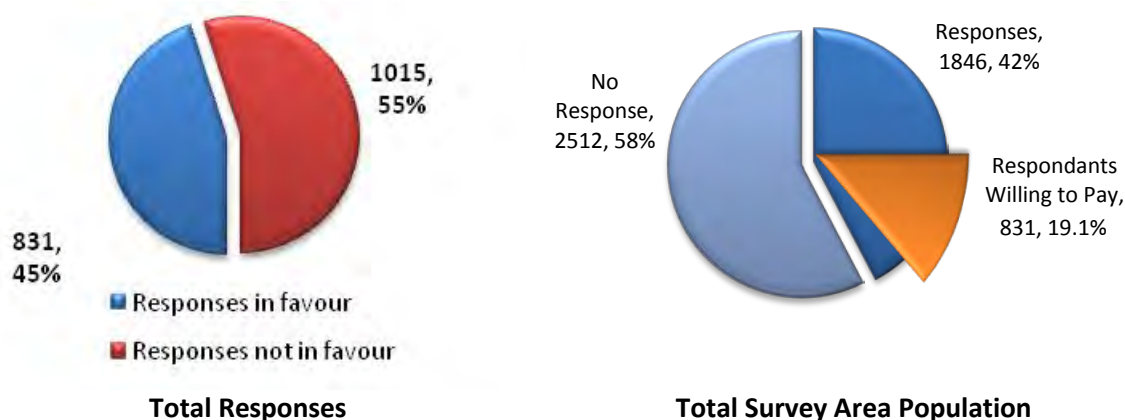
The Survey form and information brochure is shown in attachment two and was developed in conjunction with the research consultants and Elected Members. The survey was mailed on Thursday 6 December 2012 and remained open until Friday 25 January 2013. A small number of additional responses have been received after the closing date and are incorporated in the results presented in this report.

DETAILS:

Willingness to Pay

The total statistical population of the survey area is 4,360 properties. The Town received a total of 1846 responses, which represents 42% of the survey area population.

The headline result is that out of the total responses received (1,846), 45% indicate a willingness to pay. Breaking this down by suburb, there is a greater willingness to pay from property owners in Floreat, at 50.6%, than in Wembley and West Leederville at 36.3% and 39.5% respectively.



Included in the survey area population are 1,434 residential strata titled units. We found that there is less propensity to pay for the installation of underground power from these owners, with only 31.5% of the responses in favour, that's 11.3% of all residential strata title owners in the survey area.

Conversely, when we isolated the responses from single residence home owners (i.e. those with ordinary 'green title' homes), the responses were more favourable. 51% of the responses received were in favour, equating to 24% of all single residential property owners in the survey area.

The final analysis was to examine the single residential property owner responses by suburb. We found greater support in Floreat than in Wembley and West Leederville.

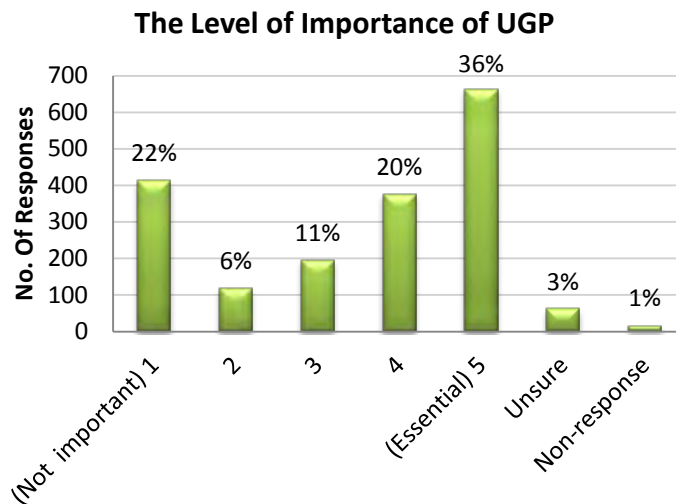
Single Residential Property Owners	Responses In favour	Total Responses	Total Population	% Responses in favour	% Population in favour
Floreat	484	934	1945	52%	25%
Wembley	78	162	372	48%	21%
West Leederville	24	53	118	45%	20%
Total	586	1149	2435	51%	24%

We further analysed the data by spatially mapping the responses to examine whether there were small pockets of support, which may enable the Town to pursue a smaller project. Responses were sporadic and mixed and we were unable to identify a particular area for this purpose.

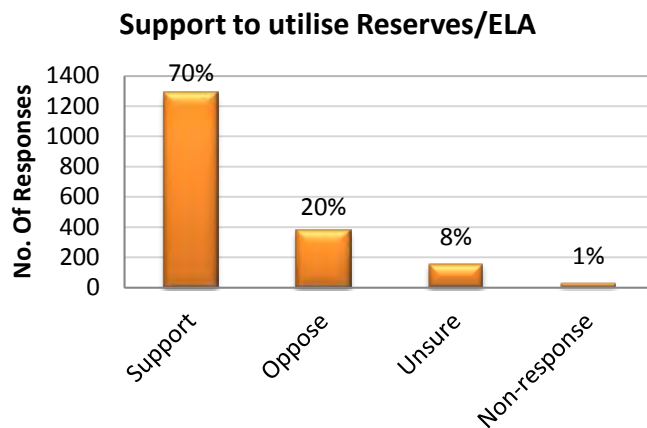
Other Survey Questions

In addition to 'willingness to pay', two other pertinent questions were asked in the survey regarding the perceived level of importance and support for using the Town's cash reserves.

Q. How important do you feel it is to have underground power in your local area?



Q. Do you support or oppose the Town of Cambridge using funds from the Town's cash reserves (estimated at 12.5 million) to install underground power?



Comments received

During the period of the survey, a number of comments were received from affected property owners outlining their views. Two main issues emerged.

Cost	"too prohibitive, the estimate and cost escalation from previous projects costs too excessive."
Equity	"It's simply not fair and equitable to ask property owners to pay more than 50%, based on previous State Underground Power Projects only requiring 50% from property owners."

Other comments include that some property owners are at the stage of life where they would not necessarily realise the benefit of underground power, and that the Town should not be paying for Western Power's infrastructure.

It should be noted that the Town has not subsidised property owners in the three previous Underground Power projects implemented by the Town through the State Underground Power Program (SUPP).

If the Council was to consider increasing the financial subsidy, it is recommended that all property owners in the Town be canvassed about using Town funds in this way.

Response Rates

Council has not formed a position on what an adequate response for the survey might be to advance to the next stage. To assist the discussion, the following table is provided outlining the previous underground power projects delivered by the Town under the State Underground Power Program.

Project	Project Date	No. of Properties	Response Rate	Survey Results - Willingness to pay	Funding Share	Average Property
Wembley (Pilot Project)	Jun-98	1,166	38%	68%	33%	\$1,190
Nth Wbley/West Leederville*	Jan-99	1,981	61%	72%	50%	\$1,610
Daglish/Jolimont	Feb-99	24	refer above	refer above	50%	\$1,950
City Beach	Aug-04	1,630	49.30%	77.40%	50%	\$3,500
Remaining Area (Dec 2012 Survey)	Dec-12	4,360	45%	42%	60%	\$8,000

Possible change to Government policy

The March 2012 report to Council made reference to two impending State Underground Power Program reviews by both the Minister for Energy and the Treasurer. Of note, both reports highlight an alternate model based on a differential contribution from property owners, which in turn is based on the median house price of the project area.

Put simply, it suggests that property owners in higher valued project areas would pay more than those in lower valued areas.

A similar concept was contemplated at workshops convened by the Economic Regulatory Authority (now the Public Utilities Office), which was attended by Local Government representatives.

In the lead up to the State Election, both the Government and the Opposition will be monitored for their policy position on the State Underground Power program moving forward.

Options moving forward and basis for the recommendation

The previous commentary in this report has indicated that overall, support is not overwhelming and that there is no particular subset of the survey area where the majority of property owners indicated strong support for the proposal. However, Council may consider that there is merit in proceeding to do a detailed design and costing of a small project area, at the very least to ascertain current costings. This exercise would assist in considering future proposals, whether under the State Underground Power Program or a revised Town of Cambridge approach.

Round 6 of the State Underground Power Program (SUPP)

Despite the current review of the underground power program, it is anticipated that the *Guidelines for Round Six Major Residential Projects* will be released later this year along with a call for expressions of interest from local governments. Round six may commence from 2015.

POLICY/STATUTORY IMPLICATIONS:

There are no Policy or Statutory Implications related to this report.

FINANCIAL IMPLICATIONS:

In 2012, the Town met with the State Underground Power Program unit of Western Power to discuss the preliminary project parameters for undergrounding power to the remaining areas of the Town.

A basic desktop analysis suggests that the total cost of the project would be in the vicinity of \$47.5 million, but that this estimate could be reduced to \$41.5 million if an alternate internal cost recovery model was adopted by Western Power. In addition, with a contribution by Western Power of 10% (recognising the financial benefit they would enjoy from underground power to reduce their overhead power costs), the cost to the Town/Property Owners would be approximately \$37.4 million.

Consistent with the March 2012 decision of Council, a one third contribution by the Town would require \$12.5 million from the Town's reserves and the Endowment Lands Account, with the balance of \$25 million being funded by the property owners.

STRATEGIC DIRECTION:

The Strategic Plan states:

"Financial Sustainability - Ensure strategies are in place for maintaining the Town's wealth. We will plan to prudently invest the land proceeds due to the Town over the next five years, such that both current and future generations benefit."

COMMUNITY CONSULTATION:

The Town will consult with the community to obtain feedback on alternatives to assist decision making, using surveys, advertisements' etc.

ATTACHMENTS:

1. Underground Power Survey Summarised Results
2. Underground Power Survey and Information Brochure

ADMINISTRATION RECOMMENDATION:

That:-

- (i) it is concluded that there is not sufficient support to proceed to the next stage of the Town's underground power proposal, to undertake full design and costing for installing underground power to the remainder of the whole Town without underground power;
- (ii) the results of the survey be noted and that all property owners surveyed be advised accordingly;
- (iii) future proposals for underground power be only considered through the State Underground Power Program, ie not an independent Town initiated program.

Committee Meeting 18 February 2013

Amendment

Moved by Cr Carr, seconded by Cr Grincer

That clause (iii) of the motion be deleted.

Amendment carried 5/0

COMMITTEE RECOMMENDATION:

That:-

- (i) it is concluded that there is not sufficient support to proceed to the next stage of the Town's underground power proposal, to undertake full design and costing for installing underground power to the remainder of the whole Town without underground power;
- (ii) the results of the survey be noted and that all property owners surveyed be advised accordingly.

Council Meeting 26 February 2013

Amendment

Moved by Cr Walker, seconded by Cr Bradley

That a further clause be added to the motion as follows:-

- (iii) the residents who have not responded to the initial survey in the two pockets of West of the Forum as detailed on the accompanying plans be surveyed by door knock or phone

call to obtain a conclusive result regarding their propensity to pay two thirds of the cost in respect of the installation of underground power. Senior residents are to be fully informed of their concession entitlements.

During discussion, Members agreed that this item be deferred for further investigation. Cr Walker therefore withdrew his amendment.

COUNCIL DECISION:

That consideration of the item relating to Underground Power Program be deferred for further investigation.

FURTHER REPORT (Post Council Meeting 26 February 2013)

Irrespective of the survey, it is the intent of the Town to continue to submit applications to the SUPP.

During the recent election campaign, the Liberal Party on 3 March 2013 made the following policy statement:

- *\$30million to expand State Underground Power Program over next four years*
- *Increases total investment in underground power program to \$40million*
- *Commitment will complete Round 5 of the program and start Round 6*
- *Liberals' plan will deliver significant benefits to private residents, local government authorities and the State Government*

Source: <http://www.wa.liberal.org.au/article/liberals%E2%80%99-underground-power-expansion>

The current Round of the State Underground Power Program (SUPP), which commenced in 2012, was expected to cost around \$77M to provide underground power to approximately 8,200 households. It was anticipated that this would take three to four years to implement. Assuming four years, the SUPP budget required would be as follows:

Round Five	Current Budget 2013/2014 \$M	Year 2 \$M	Year 3 \$M	Year 4 \$M	Total \$M
State	\$5	\$5	\$5	\$5	\$20
Western Power	\$5	\$5	\$5	\$5	\$20
Local Government*	\$10	\$10	\$10	\$10	\$40
Total	\$20	\$20	\$20	\$20	\$80

*funds raised though underground power charges to property owners

Without further information, it is difficult to suggest from the policy statement above whether there is an uplift in the level of funding. For instance, does the policy statement incorporate both Western Power's and the State Government's contributions.

On the face of it, it appears that the Government's intentions are to continue the SUPP with the same level of funding.

There is also no mention of taking a differential approach to the SUPP, as was suggested in the SUPP review reports presented to the Minister for Energy and Treasurer in 2011 (refer previous report to Council CR12.36, March 2012).

**COMMITTEE RECOMMENDATION:
(REFERRED BACK RECOMMENDATION)**

That:-

- (i) it is concluded that there is not sufficient support to proceed to the next stage of the Town's underground power proposal, to undertake full design and costing for installing underground power to the remainder of the whole Town without underground power;
- (ii) the results of the survey be noted and that all property owners surveyed be advised accordingly.

Committee Meeting 18 March 2013

Amendment

Moved by Cr Walker, seconded by Cr Grincerì

That a further clause be added to the motion as follows:-

- (iii) an update on Government policy be provided for the October 2013 Council meeting.

Amendment carried 5/0

**COUNCIL DECISION:
(COMMITTEE RECOMMENDATION)**

Moved by Cr Langer, seconded by Cr Carr

That:-

- (i) it is concluded that there is not sufficient support to proceed to the next stage of the Town's underground power proposal, to undertake full design and costing for installing underground power to the remainder of the whole Town without underground power;
- (ii) the results of the survey be noted and that all property owners surveyed be advised accordingly;
- (iii) an update on Government policy be provided for the October 2013 Council meeting.

Carried 9/0



**COMMUNITY AND RESOURCES
COMMITTEE MEETING**

MONDAY 18 MARCH 2013

ATTACHMENT 1 TO ITEM CR13.33

**UNDERGROUND POWER PROGRAM - RESULTS
FROM A SURVEY OF PROPERTY OWNERS**

Underground Power Survey

Willingness To Pay

Underground Power Survey

	Floreath		Wembley		West Leederville		Total	
	no.	%	no.	%	no.	%	no.	%
Total number of lots in survey area*	2169	-	728	-	256	-	3148	-
Total number of properties in survey area**	2308	100%	1537	100%	513	100%	4358	100%
Total responses received	1091	47.3%	593	38.6%	162	31.6%	1846	42.4%
Total property owners in survey area who are willing to pay	552	23.9%	215	14.0%	64	12.5%	831	19.1%
% of the <i>respondants</i> who are willing to pay	-	50.6%	-	36.3%	-	39.5%	-	45.0%

*Excludes Government Owned Property

**Properties include the individual strata units each strata lot.

The Importance Of Underground Power

Underground Power Survey

	Floreath		Wembley		West Leederville		Total	
	no.	%	no.	%	no.	%	no.	%
Total number of lots in survey area	2169	-	728	-	256	-	3148	-
Total number of properties in survey area	2308	100%	1537	100%	513	100%	4358	100%
Total responses received	1091	47.3%	593	38.6%	162	31.6%	1846	42.4%
Total property owners placing moderate (3) to high (5) importance	790	34.2%	347	22.6%	99	19.3%	1236	28.4%
% of the <i>respondants</i> who view UGP as important	-	72.4%	-	58.5%	-	61.1%	-	67.0%

*Excludes Government Owned Property

**Properties include the individual strata units each strata lot.

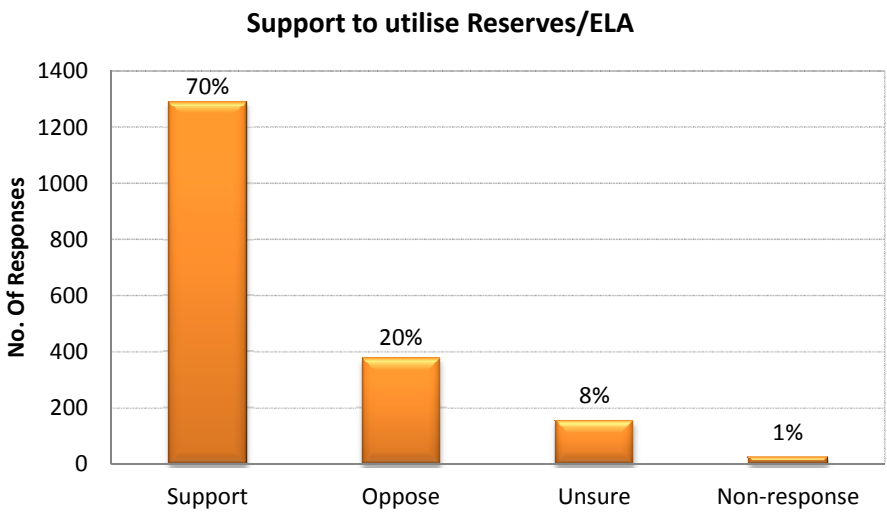
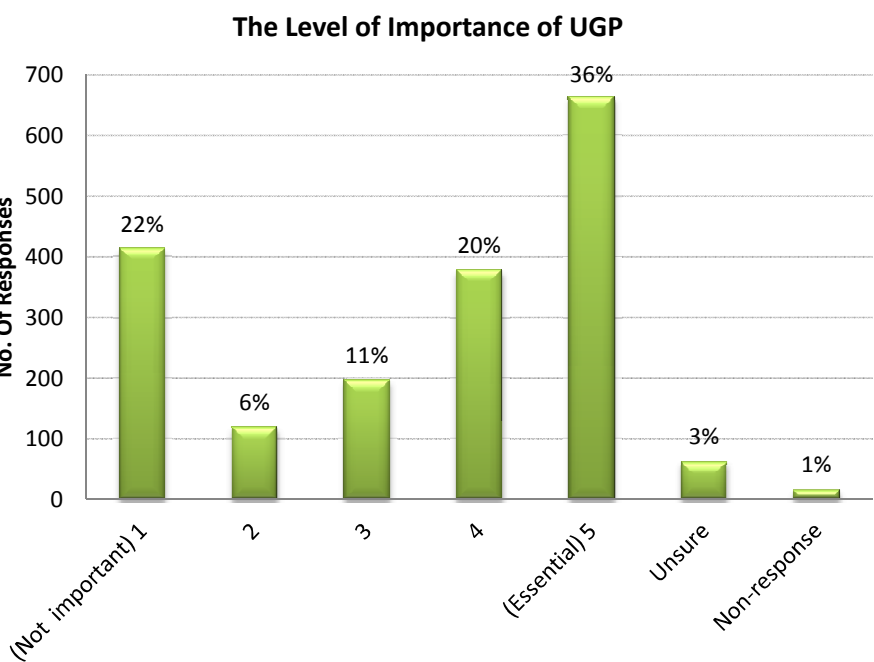
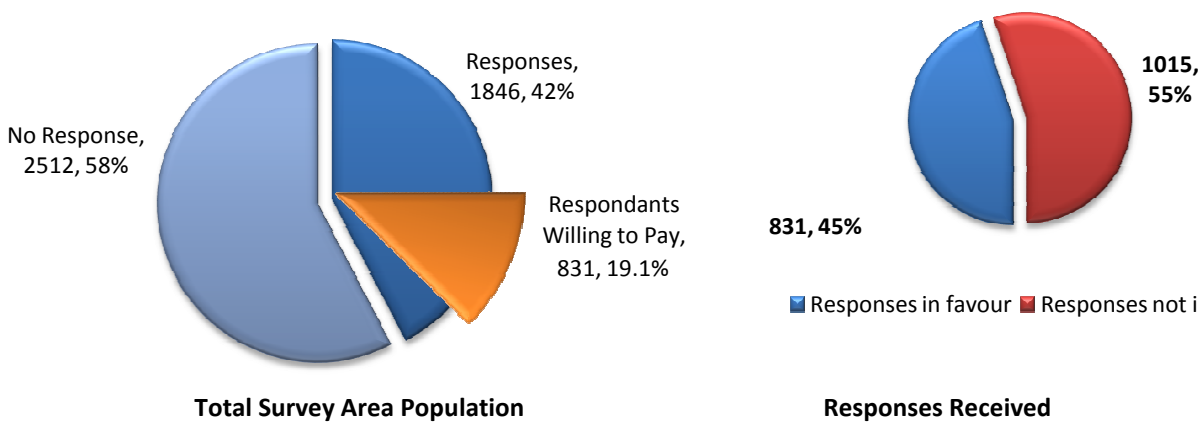
Support For Utilising Cash Reserves

Underground Power Survey

	Floreath		Wembley		West Leederville		Total	
	no.	%	no.	%	no.	%	no.	%
Total number of lots in survey area	2169	-	728	-	256	-	3148	-
Total number of properties in survey area	2308	100%	1537	100%	513	100%	4358	100%
Total responses received	1091	47.3%	593	38.6%	162	31.6%	1846	42.4%
Total property owners supporting utilising Reserves/ELA	811	35.1%	369	24.0%	110	21.4%	1290	29.6%
% of the <i>respondants</i> who support utilising ELA/Reserve Funds	-	74.3%	-	62.2%	-	67.9%	-	69.9%

*Excludes Government Owned Property

**Properties include the individual strata units each strata lot.





**COMMUNITY AND RESOURCES
COMMITTEE MEETING**

MONDAY 18 MARCH 2013

ATTACHMENT 2 TO ITEM CR13.33

**UNDERGROUND POWER PROGRAM - RESULTS
FROM A SURVEY OF PROPERTY OWNERS**

WHAT HAPPENS NEXT

Council will consider survey responses in February. If the Council decides to proceed to the next stage, consultants will be engaged to develop a detailed design of the proposed underground power network and have the design fully costed.

Further modelling will be undertaken to stage the project over a number of years and determine a more accurate cost of providing underground power for each property owner.

Council will consider a further report on the feasibility and may choose to canvass the views of the wider community.

A second and final survey will be sent to property owners without underground power seeking their support for the proposal at the revised cost. The Town will use the results of this second survey as the basis to make a final decision to proceed or not. If sufficient support is received, all property owners who receive the benefit of underground power will be required to pay.

It will take the Town one to two years to complete this phase.

What Do You Think?

Please read the information contained in this brochure and then provide Council with your response to the Underground Power Survey by Friday 25 January, 2013. You can either answer the questions on the attached survey response form or submit your responses online by visiting www.cambridge.wa.gov.au. This is an important opportunity to register your opinion to assist the Council in its decision making process.

You can find out more information by visiting the Town's website at

www.cambridge.wa.gov.au/Council/Major_Projects/Underground_Power_Proposal

Underground Power Survey

BACKGROUND INFORMATION

The State Underground Power Program (SUPP)

The State Underground Power Program (SUPP) is a State Government initiative. Local Councils can nominate areas to be converted to underground power. Each nomination is assessed against social, economic and technical criteria by the SUPP Steering Committee.

The cost of each major residential project is shared between the State Government (25%), Western Power (25%) and property owners (50%), whose contributions are raised by Local Government through a property rate charge.

The continuity of the program is not guaranteed and is determined by the State Government at each budget cycle.

What are the benefits of Underground Power?

While the costs are considerable, there is evidence that installing underground power increases property values. A report by the WA Economic Regulation Authority (October 2011) found that underground power increases property values by an average of \$9,962. An earlier study by the Crawford School of Economics and Government at the Australian National University found that underground power could increase property values by 3 per cent. On a \$600,000 property, this equates to \$18,000.

Property values aside, there are also practical, aesthetic and increased safety benefits provided by underground power, which include:

- greater reliability and improvements in the quality of power supplies, and the elimination of power supply faults caused by coastal pollution, storms, trees, bird life, vandalism, equipment failure and motor vehicle collisions with poles.
- Enhancements of streetscapes with the removal of poles and wires, making areas more desirable to live in while improving property values.
- Reduction in power supply surges due to overhead line faults and, as a result, a reduction in the incidence of damage to sensitive electrical equipment/appliances.
- Better street lighting, which can help to deter crime and contribute to improvements in road safety.
- Reductions in tree pruning and the ugly foliage deformation that occurs to keep trees clear of overhead wires.
- A safer public environment, with a reduction in personal safety hazards caused by broken wires and people cutting trees near power lines.

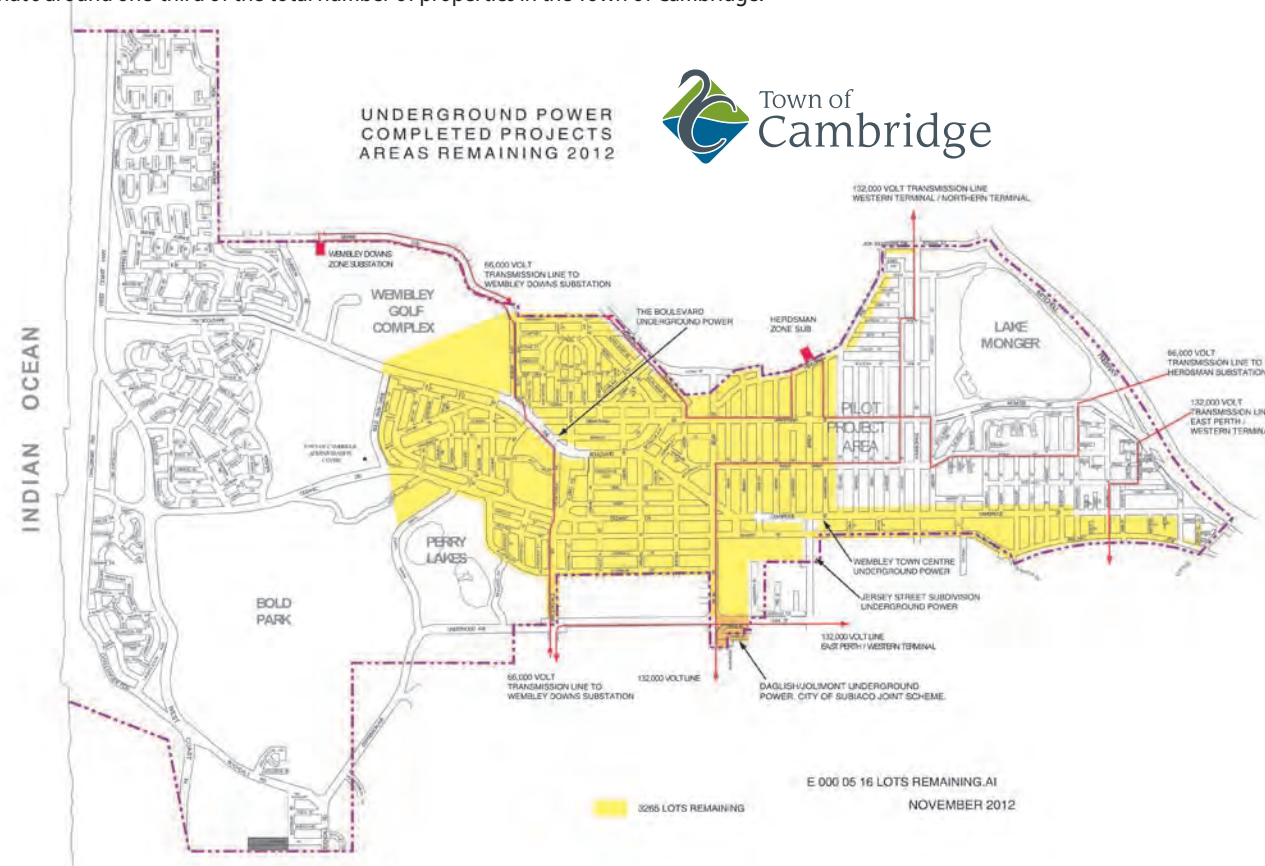


Previous Underground Power Projects

The Town of Cambridge has been successful in facilitating the installation of underground power under the SUPP to 3,635 properties in Wembley, West Leederville, Daglish, Jolimont, City Beach and Mount Claremont. However subsequent applications for projects in Floreat and the remaining area of Wembley have not been successful. Under the existing arrangements, the Town considers it is unlikely to be successful in the foreseeable future due to increasing competition between Local Governments for a limited number of Underground Power projects. In 2010, 89 applications were received to Round Five of the SUPP and only ten projects (each for around 800 properties) were selected to proceed. **Therefore, owners may be waiting indefinitely for an opportunity to come again.**

How many properties are without underground power in the Town?

Around 3,200 properties in Floreat, parts of Wembley and West Leederville remain without underground power. That's around one-third of the total number of properties in the Town of Cambridge.



AN ALTERNATIVE TO THE STATE UNDERGROUND POWER PROGRAM



The Town of Cambridge Underground Power Scheme

The Town of Cambridge is considering a scheme that will provide underground power to remaining properties in the Town. The scheme would be based around a one third contribution from the Town of Cambridge using its cash reserves and a two thirds contribution from the property owner. The scheme represents a significant shift in the policy position of the Town, which has until now held the position that the Town's cash reserves shall not be applied to the cost of providing State Government infrastructure.

Western Power's support of the scheme is yet to be confirmed, however it is the view of the Town that the scheme would be an attractive proposition for the utility provider, given it will be able to reduce its future maintenance costs. It is envisaged that Western Power would contribute 10% of the total cost, leaving the remaining 90% to be funded by the Town and property owners.

If the Town proceeds with the continued installation of underground power, it is reasonable to assume that achievement of full underground power will take between 6 to 10 years to complete from commencement of work.

Unfortunately, further stages of the State Underground Power Program is not guaranteed and owners may be waiting indefinitely for an opportunity to come again.



How much will it cost?

The estimated cost of supplying underground power to the remaining properties is likely to be around \$41.6 million or just over \$12,600 per property in today's dollars. Western Power's contribution would amount to \$4.16 million or \$1,300 per property and the Town's contribution would be \$12.34 million or \$3,800 per property.

This leaves the remaining amount of \$25.06 million to be funded by property owners at an average cost of \$7,600 per property.

A more accurate estimate of costs will be available once a detailed design of the underground power network is completed.

Allowing for contingencies, the Town is basing this survey around an average cost to residential and small commercial property owners of \$8,000 in today's dollars. However costs will range from \$7,600 to \$12,000 per property depending on your property's rateable value. Costs will also vary if your property has an electrical demand greater than 8 kilovolt-amperes (kVA), which are generally larger commercial properties or group housing with more than 4 units.

The cost will inevitably increase over time as the general cost of living escalates. Given that the implementation of underground power will take around six to ten years, property owners in the last phase of the project will pay a higher cost, but relative to the cost of living, the cost will be the same in real terms for property owners in the initial phases of the project.

It should be noted that charges for large multiple residential, commercial and non-rateable properties would be individually assessed and based on the electrical load to service the property measured in kVA or other relevant measures if kVA is not applicable. Therefore the amount payable will vary for each assessment.

What Payment Options would be available?

A range of payment options will be available from a full up-front payment with discount to various extended payment arrangements.

If the underground power charge is paid in full within 35 days of the issue of the payment notice, a discount of 3 per cent is proposed.

Alternatively, instalment options will be provided up to five years. An annual interest charge of 7.5 % will apply to the extended payment option which is necessary to cover the Council's financing costs and additional administration.

Importantly, concessions for pensioners will also apply on the charge, similar to rate payments. That is, pensioners with full entitlements will receive a 50% rebate on their payment, payable by the Office of State Revenue. Senior Card holders will receive a 25% rebate. An option to defer the whole amount until such time as the property is sold is also available to eligible pensioners. The concessions are funded by the State Revenue Office by virtue of the Rates and Charges (Rebates and Deferments) Act 1992.

THE SURVEY

This survey will provide the Town with an indication of property owner's willingness to contribute to the cost of providing underground power but importantly, it does not commit you to the scheme. The Town will later ask whether you would like to commit following further feasibility and design work to firm up the project costs and timing.



Underground Power Survey



The Town of Cambridge is conducting a survey of property owners to determine the level of support to pay for the installation of underground power in your area. The purpose of this survey is to determine the level of support to share the costs, with Property Owners contributing two-thirds and the Town contributing one-third.

This is an important opportunity for you to register your opinion and assist the Council in its decision making process. The Town will need to gain support from a significant number of property owners before progressing to the next stage.

This survey does not commit you to make any payment, however it is important that you read the information brochure before completing this survey.

Please submit one survey for each property you own within the study area. The study area includes all properties in the Town of Cambridge that currently do not have underground power.

Please answer all questions. Responses will be processed by CATALYSE Pty Ltd, an independent research company. All responses will remain private and confidential.

Please complete and submit your responses by **Friday 25 January, 2013**.

You may complete this form or submit your responses online by visiting **www.cambridge.wa.gov.au** and following the links.

1. Please indicate how important you feel it is to have underground power in your local area.

Not at all important					Essential	Unsure
1	2	3	4	5	<input type="checkbox"/>	

2. Although two-thirds of properties in the Town of Cambridge have underground power, around 3,200 properties in Floreat, and parts of Wembley and West Leederville remain without.

Do you support or oppose the Town of Cambridge using funds from the Town's cash reserves (estimated to be around \$12.5 million) to install underground power across all remaining parts of the Town of Cambridge?

☐ Support ☐ Oppose ☐ Unsure

3. The charge for a standard residence or small commercial property will be between \$8,000 and \$12,000. Concessions are available to eligible pensioners. The charge for large commercial properties will be individually determined based on electrical load capacity. Please see the information brochure for details.

Would you be willing to pay for the installation of underground power?

☐ Yes ☐ No

4. If you answered yes to question 3, which installment option would you prefer?

One Installment

One upfront payment within 35 days of receiving an invoice (this includes a 3% discount for early payment)

☐

Two installments

One payment per year over 2 years

☐

Three Installments

One payment per year over 3 years, plus interest

☐

Four Installments

One payment per year over 4 years, plus interest

☐

Five Installments

One payment per year over 5 years, plus interest

☐

5. For the property listed overleaf, are you an owner-occupier or is this an investment property?

☐ Owner-occupier ☐ Investment property ☐ Other

Please return your survey in the envelope provided or mail to:

CATALYSE Pty Ltd
Reply Paid 84048
PO Box 7966
CLOISTERS SQUARE PO WA 6850

Responses may also be submitted online by visiting www.cambridge.wa.gov.au

Closing date: **Friday 25 January, 2013**