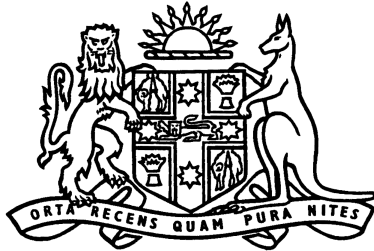


State Asset Acquisition Program

2002-03



New South Wales

Budget Paper No. 4

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CHAPTER 1: TOTAL STATE PROGRAM

1.1 INTRODUCTION

An analysis of the State's asset acquisition program and review of the Government's asset management policies is contained in this Budget Paper.

Chapters 2 and 3 contain a complete review of the State's asset acquisition program. A detailed listing of major projects is provided in Chapter 5. Chapter 4 examines the Government's fixed asset management strategies.

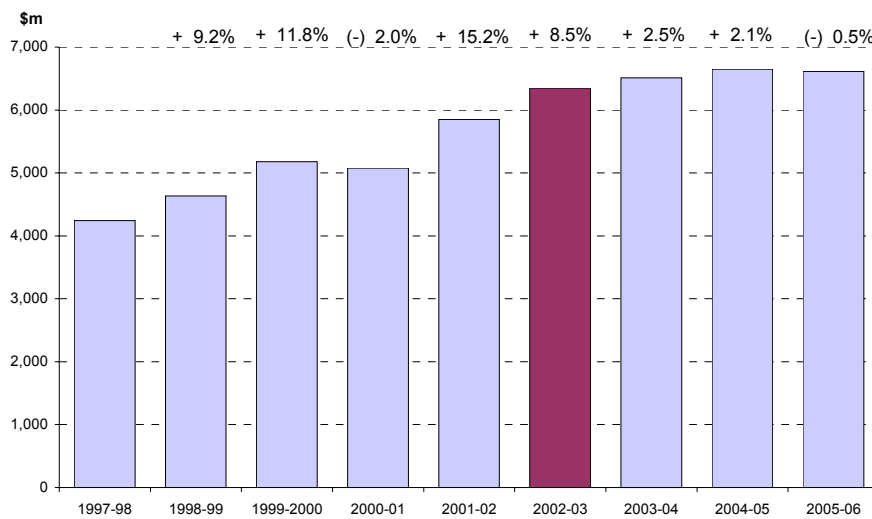
The asset acquisition program provides for the construction, acquisition and upgrading of the physical assets of the State. The program, therefore, plays a key role in the growth and development of the State economy by providing the basic infrastructure required by industry for urban and rural development and by providing the social infrastructure essential for the efficient and effective delivery of community services.

The asset acquisition program is presented on an accrual basis. Historical data is presented in nominal dollars.

The state asset acquisition program represents planned expenditure at a point in time and, as with any plan, circumstances and priorities may change during the course of the financial year. In past years there have been moderate variations, either increases or decreases, between the budgeted capital expenditure and the actual outcomes, reflecting a range of factors such as weather conditions, planning delays, price movements varying from those forecast and revisions to the scope of the projects.

1.2 EXPENDITURE TRENDS

Chart 1.1: State Asset Acquisition Program



In the four years to 30 June 2006, the state asset acquisition program is expected to total \$26,125 million.

This is an increase of \$5,390 million, or 26 percent, on the \$20,735 million spent in the four years to 30 June 2002.

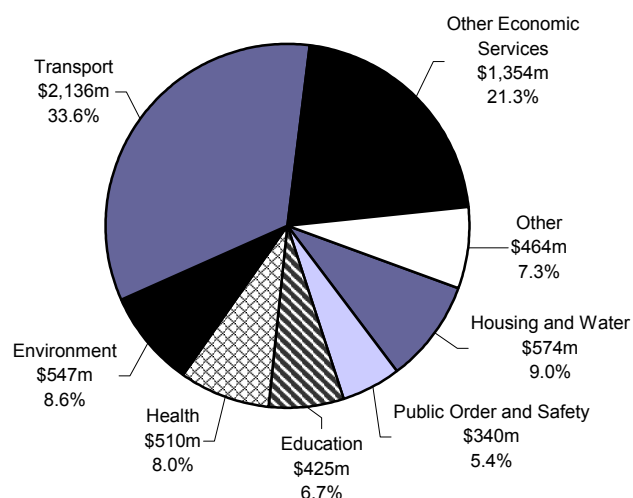
The increase in the four-year program is driven by new spending on hospitals, schools, rail, housing, roads and electricity infrastructure.

New capital works with a completed cost of \$3,089 million will begin in 2002-03 with spending of \$1,119 million in that year.

1.3 2002-03 PROGRAM

The asset acquisition program analysis is presented under policy areas adapted from Australian Bureau of Statistics categories. This classification means that a Department's activities could be spread over a number of policy areas with expenditure classified accordingly. For example, Australian Inland Energy Water Infrastructure's energy-related expenditure is included in other economic services, water-related expenditure in housing and water, and sewerage-related programs in the environment protection policy area.

Chart 1.2: State Asset Acquisition Program, 2002-03, by Policy Area



Total = \$6,350 million

The state asset acquisition program is jointly carried out in the general government and public trading enterprise sectors. General government sector agencies are engaged in essential public services such as roads, health, education and police. On the other hand, public trading enterprise sector agencies provide major economic infrastructure assets such as water, power and public transport, and have a commercial charter.

A summary of forward year expenditure in the general government and public trading enterprise sectors is shown in Table 1.1. An analysis of expenditures in the two sectors is presented in Chapters 2 and 3, respectively.

Table 1.1: State Asset Acquisition Program Summary

	2001-02 Budget \$m	2001-02 Revised \$m	2002-03 Budget \$m	2003-04 Estimate \$m	2004-05 Estimate \$m	2005-06 Estimate \$m
General Government Sector	2,596	2,792	3,022	3,038	3,057	3,123
Public Trading Enterprise Sector	2,961	3,060	3,331	3,476	3,594	3,494
State Asset Acquisition Program^(a)	5,556	5,850	6,350	6,511	6,649	6,615

(a) Total state asset acquisition may not total general government and public trading enterprise sector acquisitions because of intersectoral purchases cancelling out on consolidation. 2001-02 budget data has been restated on this basis.

CHAPTER 2: GENERAL GOVERNMENT SECTOR ASSET ACQUISITION PROGRAM

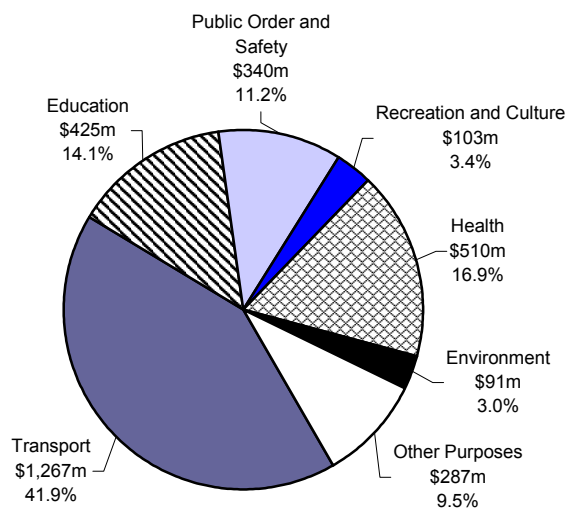
2.1 2001-02 PROGRAM OUTCOME

Asset acquisitions by the general government sector in 2001-02 are expected to total \$2,792 million, an increase of \$196 million or 7.6 percent against the original estimate. This increase is mainly due to additional roads spending and the reclassification of maintenance expenditure to asset acquisitions by the Roads and Traffic Authority.

2.2 2002-03 PROGRAM

The 2002-03 asset acquisition program of the general government sector is estimated to be \$3,022 million, which is \$426 million or 16.4 percent higher than the 2001-02 budget. Most of the increased spending will be in the transport (roads), public order and safety, and education policy areas.

Chart 2.1: General Government Sector Asset Acquisitions, 2002-03, by Policy Area



Total = \$3,022 million

The main features of the general government sector's 2002-03 asset acquisition program are:

HEALTH

Asset acquisitions in the health policy area will total \$510 million in 2002-03, of which the Department of Health accounts for \$504 million. The Department will undertake a substantial asset acquisition program amounting to \$1,938 million over the next four years, supported by a guaranteed level of funding from the Government. During 2002-03, significant funding has been allocated to the following projects:

- ◆ comprehensive redevelopment of the Royal North Shore Hospital campus, consolidating facilities into acute, subacute and support services around a central plaza, at an estimated total cost of \$452 million, with expenditure of \$20 million (\$16.3 million on existing work-in-progress/minor works and \$3.7 million of new planning works) being undertaken in 2002-03;
- ◆ construction of new rural hospital and health service facilities at Bourke, Hay, Kyogle and Henty, at a combined estimated total cost of \$40.8 million with spending of \$9.6 million in 2002-03;
- ◆ construction of new obstetric, paediatric and emergency service facilities at Hornsby Ku-ring-gai Hospital, at an estimated total cost of \$16.4 million with spending of \$1.5 million in 2002-03;
- ◆ provision of \$10.5 million for the Metropolitan Clinical Networks Infrastructure Strategy, which establishes sustainable clinical networks in Sydney, Newcastle and Wollongong through investment in clinical speciality services infrastructure;
- ◆ expansion of Liverpool Hospital emergency/trauma facilities and the provision of additional capacity for paediatric services, at an estimated total cost of \$9.1 million with spending of \$1.4 million in 2002-03;
- ◆ redevelopment and extension of Nepean Hospital emergency service facilities including additional capacity for paediatrics, acute treatment areas and observation wards, at an estimated total cost of \$8.6 million with spending of \$1.8 million in 2002-03;
- ◆ continuation of the Central Coast Health Access Plan which encompasses redevelopment of Wyong and Gosford Hospitals and construction of a new mental health facility at Wyong Hospital, at an estimated total cost of \$206 million with spending of \$58.4 million in 2002-03;

- ◆ ongoing major redevelopment of Wollongong and Shoalhaven hospitals under the Illawarra Strategy including the upgrade of diagnostic and new inpatient facilities, at an estimated total cost of \$109.3 million with spending of \$32.1 million in 2002-03;
- ◆ continuation of Sutherland Hospital redevelopment including construction of a new inpatient and services building, refurbishment of the existing building and additional car parking space, at an estimated total cost of \$83 million with spending of \$31 million in 2002-03;
- ◆ continuation of the Central Sydney Resource Transition Program involving a realignment of acute inpatient capacity and improvement of mental health, aged care, rehabilitation and community health services for the Central Sydney Area Health Service, at an estimated total cost of \$395.4 million with spending of \$38.4 million in 2002-03; and
- ◆ construction of eighteen rural health facilities across New South Wales under the Rural Hospital and Health Service Program Phase 1, at an estimated total cost of \$57.2 million with spending of \$26.3 million in 2002-03.

In addition, work is continuing on the major asset strategies of Macarthur (estimated total cost \$108.7 million), Newcastle (estimated total cost \$235 million), and Western Sydney (estimated total cost \$178.5 million), and other ongoing works as detailed in Chapter 5.

EDUCATION

Asset acquisition in the education policy area will total \$425 million in 2002-03. The focus of the program will be on continuation of the Schools Improvement Package, announced in 2001-02. Over the four years, around \$1.2 billion will be available for a range of projects to improve the overall amenity of schools, including:

- ◆ more than 30 new primary and high schools;
- ◆ improvements to facilities for students, teachers and school staff, including upgrades to classrooms, libraries and administrative facilities, as well as better disabled access and school security; and
- ◆ funding for landscaping, fencing and general improvements at older schools.

In 2002-03, funding will provide for:

- ◆ commencement of 41 major new works projects, at an estimated total cost of \$140 million, including various upgradings, replacement of demountable classrooms with permanent facilities, libraries, school halls and gymnasiums;
- ◆ \$28 million for major enhancements in information technology (\$100 million over three years), including network bandwidth at schools and colleges as part of the Government's strategy of improving internet services and e-learning opportunities;
- ◆ continuation of nearly 60 projects commenced in previous years, including new or replacement primary schools at Bogangar, Cecil Hills, Flinders, Glenwood Park, Prestons and Rouse Hill and high schools at Kellyville, Mt Annan, the Great Lakes College at Tuncurry and upgrading junior and senior campuses at Chifley College in Western Sydney;
- ◆ \$87 million on a wide range of minor miscellaneous works projects, including continuation of air-conditioning of schools and demountable classrooms and upgrading of student and teacher facilities; and
- ◆ commencement of 27 new TAFE projects, including new facilities at Albury, Cootamundra, Shellharbour and Wyong.

The Government has also sought proposals from the private sector to undertake, under a Privately Financed Project (PFP) arrangement, the financing, delivery and maintenance of nine new schools in urban release areas of New South Wales. Key objectives require that the PFP projects will be delivered at a cost and quality that demonstrates 'value for money', be consistent with a range of 'public interest' criteria and meet the Government's priorities for education and improve educational outcomes. Detailed proposals were submitted on 21 May and are currently being evaluated.

PUBLIC ORDER AND SAFETY

The Government will support an asset acquisition program of \$340 million in the public order and safety policy area in 2002-03. Funding will support the following key initiatives:

- ◆ \$84.9 million for capital works by the Police Service including:
 - \$2.8 million to replace police stations at Griffith, Muswellbrook and Thirroul;

- \$8.7 million to complete the construction of a new police station at Cabramatta;
 - \$2.3 million to commence the PhotoTrac project, which will extend the capability of police to manage digital images of offenders and assist in the identification of suspects;
 - \$17.5 million to meet costs associated with the relocation of Police Headquarters to Parramatta; and
 - \$4.5 million to complete the upgrade of the Infringement Processing Bureau's computer systems and meet other costs associated with the Bureau's relocation to Maitland;
- ◆ \$117.1 million for capital works by the Department of Corrective Services including:
 - \$62.2 million for continued construction of new gaols at Kempsey, Parklea and South Windsor;
 - \$15 million for additional accommodation for remand inmates following changes proposed in the *Bail Amendment (Repeat Offenders) Bill 2002* in respect of repeat offenders; and
 - \$8 million (estimated total cost of \$24 million) for the construction of Mental Health Assessment Units at the Metropolitan Remand and Reception Centre and Mulawa Correctional Centre at Silverwater;
 - ◆ \$2 million (estimated total cost \$34.1 million) to build courthouses at Bankstown, Blacktown, Mount Druitt and Nowra;
 - ◆ \$8.6 million to complete Phase 1 of the Courts Administration System and \$4.6 million to commence Phase 2 (estimated total cost \$15.7 million);
 - ◆ \$15.3 million (estimated total cost of \$57.1 million) allocated to the Department of Juvenile Justice for the construction of a young women's facility on the Minda/Minali site at Lidcombe (to replace the outdated Yasmar facility at Haberfield), redevelopment of the Reiby facility at Campbelltown and the provision of additional facilities at Cobham Juvenile Justice Centre at St Mary's; and

- ◆ \$42.3 million for capital works by the NSW Fire Brigades including:
 - purchase of state-of-the-art firefighting appliances and pumpers by NSW Fire Brigades at a cost of \$18 million in 2002-03; and
 - continuation of the new fire stations program (\$13.3 million in 2002-03).

TRANSPORT

Asset acquisitions in the transport policy area will total \$1,267 million in 2002-03 including the following significant works:

- ◆ major upgrading of Windsor/Old Windsor Roads to provide 4 lane access to Windsor by 2006 at a cost \$323 million over 5 years (\$63 million in 2002-03);
- ◆ major upgrading of Cowpasture Road and Hoxton Park Road in south western Sydney (\$36.3 million in 2002-03);
- ◆ ongoing upgrading of the Pacific Highway including Halfway Creek upgrade (\$11.9 million in 2002-03), Cooperook Bypass (\$8.9 million in 2002-03), and jointly with the Commonwealth, Karuah Bypass (\$41.3 million in 2002-03), duplication between Yelgun and Chinderah (\$31 million in 2002-03) and Taree and Cooperook (\$6.7 million in 2002-03);
- ◆ construction of the Western Sydney Orbital link between the M5 and M2 Motorways (\$61.6 million in 2002-03);
- ◆ construction of the Liverpool to Parramatta Transitway (\$80.8 million in 2002-03);
- ◆ construction of the North Kiama Bypass (\$30 million in 2002-03);
- ◆ ongoing construction of public transport interchanges and commuter parking facilities funded from parking space levy revenue, including works at Holsworthy, Wyong, Rockdale, Mt Druitt, Kogarah and Wentworthville (\$24 million in 2002-03);
- ◆ continuation of priority works to improve rail access for freight to Port Botany and through southern Sydney (\$12.8 million in 2002-03);
- ◆ investigation of the North West Rail Link from Epping to Castle Hill, the Sydney to Newcastle rail upgrade and the Sydney to Wollongong rail upgrade (\$5 million in 2002-03); and

- ◆ development of the Parramatta to Epping section of the Parramatta Rail Link (\$1 million in 2002-03).
- ◆ major restoration works at Walsh Bay (\$14.1 million in 2002-03) and wharf facilities at Eden (\$3 million in 2002-03).

(Note: See also Chapter 3 for other rail projects.)

ENVIRONMENT PROTECTION

Asset acquisitions in the environment protection policy area will total \$91 million in 2002-03. Funding will support the following key initiatives:

- ◆ \$52.5 million for capital works by the National Parks and Wildlife Service including:
 - \$2.5 million (\$10 million over four years) to finalise land and lease acquisitions in north-east New South Wales, as a follow-on from the North East Forests Agreement;
 - \$11.7 million for acquiring land with high conservation values, including \$1.5 million for purchase of wilderness areas;
 - \$8.3 million towards the upgrade of water and sewerage infrastructure in Perisher Resort;
 - \$3.1 million for initial establishment works on recently acquired additions to the national parks estate;
 - a further \$5 million for the Sewerage Upgrade Program across the State's national park reserve system;
 - a further \$2 million to provide recreational facilities at the Lower Prospect Canal site;
 - \$1.8 million for upgrading roads and bridges in Kosciuszko National Park;
 - a further \$0.5 million for revitalising Sydney's Metropolitan Icon Parks; and
 - \$1.9 million for improving regional parks in Western Sydney;

- ◆ \$20 million for regionally significant and open space lands within the Sydney metropolitan area, either acquired or improved through funding provided by the Sydney Region Development Fund;
- ◆ \$4.2 million for a purpose built laboratory for the Environment Protection Authority at Lidcombe; and
- ◆ \$9.6 million for capital works by Department of Land and Water Conservation comprising:
 - \$5.2 million for upgrading of plant and equipment;
 - \$2.9 million for Macquarie River re-regulation capability; and
 - \$1.5 million for water business establishment.

RECREATION AND CULTURE

Asset acquisitions in the recreation and culture policy area will total \$103 million in 2002-03. Funding will support the following key initiatives:

- ◆ a further \$7.1 million towards the construction of a new drama theatre at Walsh Bay, as part of the \$37.3 million upgrade and refurbishment of the precinct for cultural uses;
- ◆ \$10.9 million over four years for the construction of a collections storage facility at Castle Hill for the Museum of Applied Arts and Sciences;
- ◆ \$6.3 million in 2002-03 as part of the ongoing project to conserve the historic industrial buildings behind the Mint in Macquarie Street and to subsequently relocate the head office of the Historic Houses Trust;
- ◆ a further \$9.8 million to complete the extension and upgrade of the Art Gallery of NSW building;
- ◆ a further \$0.6 million in 2002-03 towards the renovation of a storage and rehearsal facility for arts organisations at Leichhardt;
- ◆ \$13 million to finish decommissioning Olympic sites, reposition the cauldron and reconfigure the Stadium for long term use;

- ◆ \$6.1 million to the Centennial Park and Moore Park Trust in 2002-03 for the first stage of the planned seven-year park improvement plan to secure its long term future as a sustainable integrated leisure environment serving metropolitan recreation users, local communities, domestic and international tourists;
- ◆ restoration and refurbishment of heritage structures, refurbishment of a wharf and waterfront and provision of initial site amenities in the Millennium Parklands (including Bicentennial Park) at a cost of \$2 million; and
- ◆ \$1.45 million for the first stage of the implementation of the Client Orientated Regulatory Information System (CORIS) by the Department of Gaming and Racing.

OTHER

Asset acquisitions for other policy areas will amount to \$286 million in 2002-03. Major expenditure on each policy area covered in this category includes:

Social Security and Welfare

- ◆ spending within the Department of Community Services of \$12.3 million supporting:
 - continued development of the Client Information System at an estimated cost of \$4.6 million in 2002-03;
 - completion of the final stage of the Enterprise Information Infrastructure project which will carry out remedial action on the Department's core data for more efficient and effective use, at an estimated cost of \$0.9 million;
 - relocation of the Department's Central Office from Ashfield, at an estimated total cost of \$2.5 million;
 - commencement of a scoping study for the Corporate Information Warehouse project at an estimated total cost of \$0.3 million; and
- ◆ expenditure by the Department of Ageing, Disability and Home Care of \$12.5 million including \$5 million to complete the asset maintenance project associated with disability residential centres, \$2 million for asset acquisitions to relocate individuals with a disability from boarding houses and \$0.7 million for fire safety in Group Homes.

Agriculture, Forestry and Fishing

- ◆ \$38.0 million for capital works by Department of Land and Water Conservation comprising:
 - \$14.7 million for flood security and upgrade works at various dams in the State;
 - \$10.4 million for building infrastructure works at Dubbo, Wellington and Bridge St Sydney;
 - \$5 million for rehabilitating river structures; and
 - \$7.9 million for electronic information systems;
- ◆ \$2.5 million to enhance and upgrade information technology infrastructure of the Department of Agriculture;
- ◆ \$1.5 million for construction of an anthrax laboratory at Menangle;
- ◆ \$1 million to complete a sustainable education centre at Tamworth; and
- ◆ \$0.4 million for construction of a new genetic plant research laboratory at Wagga Wagga.

Other Economic Activities

- ◆ \$21.8 million provided to the Department of Information Technology and Management for continuing the upgrade of the Government Radio Network. This includes:
 - stage 1 of the vehicle mobile data network services;
 - purchase of additional frequencies; and
 - new sites to improve coverage;
- ◆ \$30.1 million for the WorkCover Authority for a range of technology applications to support its business and meet the requirements of WorkCover Scheme reform and related occupational health and safety legislative changes; and
- ◆ \$1.4 million for Tourism New South Wales to expand the capabilities of the Virtual Multi-Agency network.

Housing and Community Amenities

- ◆ \$2.1 million for the Department of Planning to further implement the iPlan framework to provide online access to planning information and services; and
- ◆ \$13.5 million for an additional 67 units of Aboriginal housing.

Other Purposes

- ◆ \$9.5 million for the Central Corporate Services Unit to replace and upgrade information technology equipment to deliver improved corporate services to more than 25 government agencies;
- ◆ \$6.6 million for additional StateFleet motor vehicles;
- ◆ \$6.3 million for e-commerce projects and information systems enhancements and upgrades for the Department of Public Works and Services; and
- ◆ \$10 million for Treasury to:
 - enhance existing e-programs to support self-assessing taxpayers;
 - improve the data quality and functionality of the land tax system; and
 - continue the enhancement of the RECOUPS system to ensure efficient generation of information and provide capacity to improve service delivery.

CHAPTER 3: PUBLIC TRADING ENTERPRISE SECTOR ASSET ACQUISITION PROGRAM

3.1 OVERVIEW

Public trading enterprises provide major economic infrastructure assets such as water, power and public transport, and operate in markets ranging from monopolistic to competitive.

The public trading enterprise sector in the main, comprises those agencies that finance the bulk of their operations from own source revenues and borrowings. As a result, capital expenditure decisions are mainly driven by commercial considerations.

Some public trading enterprises, however, are provided with budget funding to undertake services required by the Government for social rather than commercial reasons. For instance, the Government provides budget funding to agencies for public rental housing (Department of Housing) and public rail transport (the CityRail and CountryLink services of the State Rail Authority). The provision of budget funding reflects the view that, due to reasons of social policy, the general community should contribute towards these costs.

Approval for commercially funded capital expenditure of public trading enterprises is based on establishing that the proposed expenditures do not put at risk the agencies' ability to meet the financial targets stipulated in their Statement of Business Intent or Statement of Corporate Intent.

3.2 2001-02 PROGRAM OUTCOME

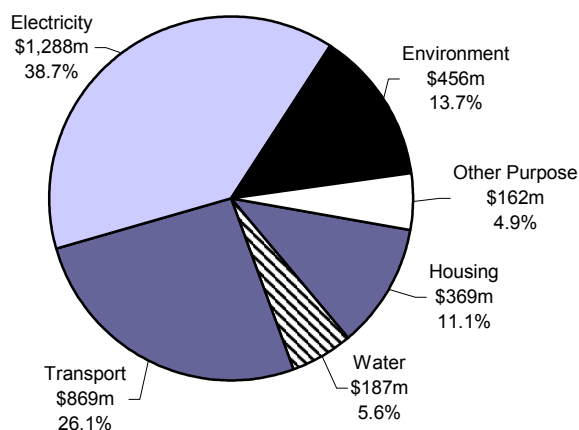
The 2001-02 asset acquisition program within the public trading enterprise sector is expected to be \$99 million above budget at \$3,060 million.

This increase has been mainly due to increased expenditure in water and electricity policy areas to augment existing infrastructure to meet growth in demand and the ongoing need for renewal of existing assets as they reach the end of their useful life.

3.3 2002-03 PROGRAM

The 2002-03 asset acquisition program of the public trading enterprise sector is estimated to be \$3,331 million, which is \$370 million or 12.5 percent higher than the 2001-02 budget. Most of the increased spending will be by transport, electricity and water agencies.

Chart 3.1: Public Trading Enterprise Sector Asset Acquisitions, 2002-03, by Policy Area



Total = \$3,331 million

The main features of the public trading enterprise sector's 2002-03 asset acquisition program are:

ELECTRICITY

The program for the electricity businesses for 2002-03 is estimated at \$1,288 million.

The 2002-03 program for the electricity generators focuses on expenditure to ensure the continuing reliability and output of power stations and ancillary assets. Macquarie Generation is spending \$52 million over four years to upgrade the low pressure turbines at Liddell Power Station. The project will increase the generating efficiency of the Liddell plant by at least 3 percent and hence reduce carbon dioxide emissions by up to 300,000 tonnes per annum. Macquarie Generation is also spending \$20 million over four years to replace the analogue control system at Liddell. This will result in more efficient operation of the plant.

Delta Electricity will undertake significant capital investment to ensure optimum asset maintenance and efficiency of its generation plant, including continuation of the \$23 million refurbishment of Wallerawang Power Station.

The electricity network businesses are all investing in infrastructure to ensure the ongoing stability and security of the network. Integral Energy is undertaking a major capital refurbishment project (approximately \$49 million in 2002-03). It also has an on-going power factor project where capacitors are being installed in a number of locations in response to increasing demand levels in key parts of the network.

As part of EnergyAustralia's total capital expenditure plan, it has a number of projects totalling \$164 million to meet the demands of load growth from existing customers and new customer connections and for the renewal of assets.

Australian Inland Energy Water Infrastructure (AIEW) will invest almost \$6 million in 2002-03 as part of ongoing work to augment the network for the Broken Hill region. Similar work at Wentworth in the Balranald region will see AIEW investing a further \$11.5 million. Increasing demand in the area and new connections are driving the investments.

TransGrid will be investing in the Molong - Manildra area with a 132kV transmission line. The new transmission line is required to increase the line capacity in order to meet the growing load at Manildra, particularly following the expansion of the Manildra flour mill. The project cost is \$8.2 million and is anticipated to be completed by December 2002.

Across its region, Country Energy plans to spend \$142.8 million in 2002-03 on network growth and renewal, with a further \$68.4 million for operational requirements.

WATER

The projects included under this category are designed to maintain and improve water distribution systems, safeguard water quality and improve customer service (\$187 million in 2002-03).

Sydney Water Corporation's total asset acquisition program for 2002-03 is anticipated to be \$511.6 million, of which \$111.1 million is devoted to water related projects and the balance of the program to the environment protection related projects. Sydney Water's 2002-03 water related capital program includes various projects designed to upgrade water distribution and treatment systems at an estimated total cost of \$762.4 million (\$60.9 million in 2002-03).

Hunter Water Corporation's total asset acquisition program for 2002-03 is anticipated to be \$67.4 million, of which \$28 million is devoted to water related projects. The major water related capital project in 2002-03 is the augmentation of a pipeline from Tomago to Tomaree at a total cost of \$10.3 million (\$4.8 million in 2002-03).

The Sydney Catchment Authority's asset acquisition program for 2002-03 is anticipated to be \$38.7 million. The Sydney Catchment Authority's capital works program in 2002-03 is for the:

- ◆ continued construction of the auxiliary spillway at Warragamba Dam to ensure dam safety, at a total project cost of \$150 million (\$20 million in 2002-03); and
- ◆ upgrading and renewal of dams, pipelines and other catchment infrastructure totalling \$152.1 million (\$18.7 million in 2002-03).

ENVIRONMENT PROTECTION

The projects included in this category focus on the upgrade of wastewater transport systems and treatment plants (\$456 million in 2002-03).

The estimated cost of Sydney Water's environment protection related projects is \$400.5 million in 2002-03. Sydney Water's major wastewater projects in 2002-03 include:

- ◆ extension of systems to serve urban redevelopment and new urban areas at an estimated total cost of \$235.5 million (\$22.9 million in 2002-03);
- ◆ extension of the integrated telemetry and control system to cover the wastewater transport system and sewage treatment plants at an estimated cost of \$68 million (\$14 million in 2002-03);
- ◆ the continued maintenance and renewal of sewerage systems at a total cost of \$610 million to prevent sewage discharges onto private properties (\$43 million in 2002-03);

- ◆ a sewer overflow abatement program to reduce dry weather and wet weather overflows in relation to the 27 sewerage systems serving Sydney, the Blue Mountains and the Illawarra, at an estimated total cost of \$1,025 million (\$47.5 million in 2002-03);
- ◆ improvements to biosolids residual management at sewerage treatment plants to enable continued reuse capability, at a total cost of \$107 million (\$8.6 million in 2002-03);
- ◆ the ongoing construction of a reticulated sewerage system in the catchment area for the Oaks and Oakdale townships, at an estimated total cost of \$27.5 million (\$8 million in 2002-03);
- ◆ the upgrading of sewage treatment plants discharging into the Hawkesbury/Nepean River systems to further reduce nutrient loads into the river, at a total estimated cost of \$280 million (\$39.8 million in 2002-03); and
- ◆ the continued upgrading of coastal sewage treatment plants, at a total cost of \$488.2 million (\$89.5 million in 2002-03).

The estimated cost of Hunter Water's environment protection related projects is \$39.4 million in 2002-03. Hunter Water's major wastewater projects include the:

- ◆ upgrade of the Belmont wastewater treatment works, at a cost of \$17.4 million (\$3.7 million in 2002-03);
- ◆ Hunter Sewerage Project to provide reticulated sewerage to backlog areas, at a cost of \$158.6 million (\$2.5 million in 2002-03);
- ◆ amplification of the Kurri Kurri wastewater treatment works at a total cost of \$12.8 million (\$9.5 million in 2002-03);
- ◆ construction of the Stockton transfer system (installation of pipes and pumping stations) to cater for growth at Fern Bay and Kooragang Island, at a total cost of \$12.7 million (\$1.6 million in 2002-03); and
- ◆ amplification of the Warners Bay Valentine wastewater transport system, at a total cost of \$16.3 million (\$2.1 million in 2002-03).

TRANSPORT

The transport portfolio's asset acquisition program in 2002-03 totals \$869 million, including spending of \$222 million for the Parramatta Rail Link.

In response to the findings of the Special Commission of Inquiry into the Glenbrook Rail Accident, the Government initiated a \$1 billion four-year rail improvement package in 2001. Provision is made for the continued implementation of this package which includes the replacement of old infrastructure; new major track construction aimed at increasing flexibility and responsiveness of the system; and new trains for CityRail's metropolitan and outer-suburban operations.

Major works included in State Rail's \$377 million program for 2002-03 are:

- ◆ *Easy Access* station upgrades across the CityRail network including the completion of 16 locations currently in progress (\$29.6 million in 2002-03), as well as the addition of 5 new sites (\$8.2 million in 2002-03);
- ◆ ongoing delivery of the 81 Millennium Train rail cars in Stage 1 (\$131 million in 2002-03);
- ◆ construction of the 60 new rail cars in Stage 2 of the Millennium Train project (\$50 million in 2002-03);
- ◆ supply of 41 new outer suburban cars (\$4.6 million in 2002-03);
- ◆ supply of 14 new Hunter Valley Rail Cars and 3 new rail cars to operate on the CountryLink Broken Hill service (\$2.6 million in 2002-03);
- ◆ completion of the duplication of the Richmond line between Marayong and Quakers Hill (\$6 million in 2002-03);
- ◆ infrastructure works to improve rail service reliability between Glenfield and Campbelltown (\$7.5 million in 2002-03);
- ◆ ongoing implementation of safety improvements including the delivery of a train visibility monitoring system throughout the network (\$4.6 million in 2002-03);
- ◆ provision of improved train crew and operational staff training facilities with the introduction of new training simulator facilities (\$3.7 million in 2002-03);

- ◆ ongoing implementation of fire and life safety measures, enhancement of the signalling system and junction renewal (\$30 million in 2002-03);
- ◆ various infrastructure enhancements including turnback, stabling or servicing facilities at Central, Blacktown and Macdonaldtown and the Padstow area (\$26.7 million in 2002-03); and
- ◆ preliminary studies into the amplification of the Cronulla rail line (\$0.7 million in 2002-03).

Rail Infrastructure Corporation's asset acquisition program for 2002-03 totals \$183.3 million. The 2002-03 program includes \$35.7 million for track improvements as well as \$9.2 million for new signalling works. The Corporation has also made a \$13.9 million provision for bridge replacements and a further \$2 million commitment in 2002-03 to the level crossing safety improvements program.

State Transit Authority's \$55 million capital works program in 2002-03 includes \$9.7 million to complete the CNG bus fleet acquisitions and a further \$9.6 million for new buses for Newcastle. Ferry fleet enhancements in 2002-03 include \$3 million towards refitting the Lady-class ferries, \$5.5 million for Manly ferry refits and \$1.5 million for upgrading the engines in the remaining JetCat ferries.

The portfolio program also includes capital works by the three port corporations totalling \$31.5 million in 2002-03.

(Note: In addition to its 2002-03 capital program, Rail Infrastructure Corporation will receive a grant from the Government of \$286.1 million in 2002-03 for maintenance of rural track infrastructure.)

HOUSING

Asset acquisitions in the housing policy area will amount to \$369 million in 2002-03. The policy area includes initiatives of the Department of Housing, City West Housing, Landcom and the Teacher Housing Authority.

Features of the \$359 million asset acquisition program of the Department of Housing (which includes Public Housing Services and the Office of Community Housing) include:

- ◆ commencement of 479 new units of general public housing;
- ◆ commencement of 277 new units of general community housing;

- ◆ 80 percent of the general program to be achieved through redevelopment of existing sites;
- ◆ commencement of 40 units of crisis accommodation; and
- ◆ \$198 million allocated to the upgrading of existing general public and community housing stock and crisis accommodation and to improvement programs on large public housing estates.

Additional housing is provided outside the Department of Housing program through City West Housing Pty. Ltd. Its program of providing affordable housing will continue in 2002-03, with a total of \$4.7 million allocated for asset acquisitions.

OTHER

Asset acquisitions for other policy areas will amount to \$162 million in 2002-03. Significant asset acquisitions for 2002-03 include:

- ◆ \$55.6 million by the State Forests of New South Wales. Its program primarily involves the establishment of hardwood and softwood plantations and associated infrastructure in accordance with Government policy and initiatives regarding timber resource establishment. Planned outlays for major works in 2002-03 include the establishment of hardwood plantations (\$5.9 million) and softwood plantations (\$13.1 million). A further \$12.3 million is planned to be spent in 2002-03 on major purchases of plant and equipment;
- ◆ \$72.4 million by Sydney Harbour Foreshore Authority on various public assets including Australian Technology Park (\$23 million), Sydney Fish Market site (\$22 million) and other works around the harbour foreshore; and
- ◆ the Zoological Parks Board of New South Wales has been allocated \$10.3 million per annum to construct new exhibits and redevelop Taronga Park and Western Plains Zoos.

CHAPTER 4: STATE ASSET MANAGEMENT

4.1 OVERVIEW

This Chapter examines the Government's fixed asset management strategies which have been developed with the dual objectives of increasing the capacity to deliver services to the community and minimising the cost of an agency's capital investment, maintenance and asset disposal decisions.

Non-financial assets include land, buildings and physical infrastructure, inventories and other assets. Land, buildings and infrastructure are commonly termed fixed assets.

4.2 GENERAL GOVERNMENT SECTOR

Non-financial assets in the general government sector include such diverse assets as hospitals, schools and prisons, national parks and botanical gardens, sporting venues such as the Olympic facilities, and the collections of museums and other cultural institutions.

Around 99 percent of general government total non-financial assets are fixed assets. These fixed assets (as shown in Table 4.1) are projected to increase from \$67.2 billion as at 30 June 2002 to \$68.4 billion as at 30 June 2003, an increase of \$1,199 million.

Table 4.1: General Government Sector Non-Financial Assets

<i>As at 30 June</i>	<i>1999 Actual \$m</i>	<i>2000 Actual \$m</i>	<i>2001 Actual \$m</i>	<i>2002 Estimate \$m</i>	<i>2003 Budget \$m</i>
Non - Financial Assets					
Property, Infrastructure, Plant and Inventory	64,066	64,230	65,805	67,170	68,369
Other	666	754	848	956	1,071
Total Non - Financial Assets	64,732	64,984	66,653	68,126	69,440

The projected increase in fixed assets reflects the Government's capital investment strategy to increase its capacity to deliver services to the community.

Capital investment plays a key role in the growth and development of the State economy by providing the physical infrastructure required for urban and rural development throughout New South Wales. Modern and well maintained infrastructure is essential in maintaining the State's economic performance, providing essential social, cultural and recreational facilities and simultaneously creating employment.

The key priorities of the State's capital investment strategy for 2002-03 and future years are detailed in Chapter 2, Budget Paper No. 2.

Sound management of the existing asset base and newly acquired assets is required to ensure that public services are delivered in the most efficient and effective manner. This is necessary to achieve the priorities and objectives of the Government and meet current and future community needs and to achieve the Government's fiscal targets, which include the reduction of government net financial liabilities and maintaining or increasing general government sector net worth.

Fixed assets are held by the Government to ensure that it has the capacity to deliver the services needed by the community over the long-term. However, in meeting this objective, it is important that an appropriate level of fixed assets be held.

An excess level of fixed assets unnecessarily increases the overall cost of delivering community services, reducing efficiency. These costs include the depreciation, maintenance and operating costs of the fixed assets, as well as the opportunity cost of the funds invested. The Government, therefore, seeks to achieve an appropriate balance between the acquisition of new fixed assets to meet community needs and the efficient utilisation of the existing fixed asset stock.

This balance is achieved through the implementation of the Government's Total Asset Management (TAM) strategies. TAM strategies require agencies to take a holistic and strategic approach to fixed asset management, by developing long-term plans that focus on the agency's broad capital investment, maintenance and asset disposal decisions.

The TAM strategies aim to minimise the whole-of-life costs of strategic asset management decisions. First, to ensure that government agencies can deliver the services needed by the community requires strategic investment in fixed assets to create the capacity to deliver services over the long term.

Strategic capital investment is more than simply acquiring assets. It involves reviewing service delivery options, including breaking the nexus between service delivery and asset acquisition. This helps to remove the past bias towards the acquisition of new capital assets at the expense of proper asset maintenance. Opportunities for reducing asset dependency by non-asset or less asset-intensive solutions, including inter-agency solutions and more efficient use of existing assets, should also be explored. Alternatives to asset acquisition can include strategic demand management and private financing of infrastructure.

The Government has recently reviewed its policy on private sector participation in the provision of public infrastructure and related services. Revised guidelines were released as a White Paper *Working with Government* in November 2001.

Second, fixed assets are held to ensure that an agency has the capacity to deliver the services needed by the community over the long-term. Therefore, capital investment decisions need to consider the options available to achieve the most efficient and effective long-term whole-of-life cost of assets acquired. This includes assessment of long-term demand drivers, financial and economic appraisals, and value management and risk management techniques in evaluating capital investment options.

This analysis needs to include the whole-of-life costs of an asset. Maintenance costs over the life of an asset can exceed the original acquisition cost of an asset. Only by assessing the whole-of-life costs, including all anticipated maintenance and operating costs during the expected life of an asset, can a meaningful cost comparison be made.

Third, all existing assets (as well as new acquisitions) need to be appropriately maintained to ensure that they can continue to provide services efficiently and effectively during the asset's estimated useful life. An appropriate level of maintenance at the optimum time can be significant in reducing the whole-of-life cost of an asset.

Budget dependent general government agencies, with a total non-current physical asset base of \$5 million or more, are required to develop asset maintenance plans which identify all assets, set out a maintenance program for each asset or grouping of assets, identify any deferred maintenance requirements and establish a long-term maintenance plan.

All of the 30 general government agencies originally required under the General Government Debt Elimination Act Fiscal Principle No 4 to submit asset maintenance plans have done so. In conjunction with funding bids for the 2002-03 Budget, Treasury requested agencies to provide updated information on their asset strategies as required by the Government's Total Asset Management guidelines. This updates information submitted in previous asset maintenance plans (typically covering a medium-term period) and supports agencies' strategies for service delivery. To date, half of the original 30 agencies have either submitted or are in the process of preparing new information on their asset maintenance plans or total asset management strategies.

Fourth, asset disposal strategies are needed to ensure the best utilisation of scarce capital resources, including disposing of unnecessary and non-performing assets. Proceeds from the disposal of these assets can be applied to a more valuable use.

It is important that the assets in the State's balance sheet are recorded at values that are relevant to decision-making. Therefore, fixed assets are recognised in the balance sheet at current values. This provides meaningful information for pricing, investment and ownership decisions. To ensure that this information is up to date, all agencies are required to revalue their physical non-current assets at least every five years. This is particularly important for infrastructure assets that have extremely long lives.

4.3 PUBLIC FINANCIAL AND TRADING ENTERPRISE SECTORS

The Government also has strategic investments in the public trading enterprise (PTE) and public financial enterprise (PFE) sectors of the NSW public sector.

The Government's major objective in terms of asset management of these commercial enterprises is to ensure that assets and liabilities are managed efficiently and effectively to add value to the Government as shareholder. This is achieved by monitoring the financial performance of these enterprises. By ensuring that the fixed asset investments of these enterprises earn a rate of return greater than the enterprises' cost of capital, the Government ensures an appropriate return on its equity in these enterprises.

To effect this, the Government negotiates performance agreements with each of these enterprises, which are signed by the Chief Executive, Board Chair, the Portfolio/Shareholding Minister and the Treasurer. These agreements specify, amongst other things, expected rates of return on capital and the expected level of dividends and tax equivalents payable to the Government. The commercial performance of these enterprises is then monitored against the agreements and advice provided to both the Treasurer and Portfolio/Shareholding Minister of progress through regular reports.

In regard to asset management, investment decisions are required to be consistent with the principles underlying the Government's Total Asset Management (TAM) strategies. This includes ensuring that financial appraisal analyses are conducted on any new asset acquisitions or major refurbishment proposals and that any proposed acquisitions meet the benchmark rate of return for the enterprise.

In addition, given the Government's role as shareholder in these enterprises, PTEs are required to submit any projects classified as projects of state significance for approval of the Budget Committee of Cabinet. Projects in this category include any joint public/private sector infrastructure projects, any projects with an estimated total cost in excess of \$100 million, complex or innovative projects with significant risks, or investments in interstate or overseas activities.

Table 4.2 shows the trend in non-financial assets for the PTE and PFE sectors. After allowing for new asset acquisitions, revaluation adjustments and depreciation, total fixed assets for the PTE and PFE sectors in 2002-03 are projected to increase by \$3,635 million to \$66.9 billion as at 30 June 2003.

Table 4.2: PFE and PTE Sectors' Non-Financial Assets

<i>As at 30 June</i>	<i>1999 Actual \$m</i>	<i>2000 Actual \$m</i>	<i>2001 Actual \$m</i>	<i>2002 Estimate \$m</i>	<i>2003 Budget \$m</i>
Non - Financial Assets					
Property, Infrastructure, Plant and Inventory	54,437	58,887	61,759	63,304	66,939
Other	59	295	304	284	268
Total Non - Financial Assets	54,496	59,182	62,063	63,588	67,207

CHAPTER 5: ASSET ACQUISITION PROJECTS

5.1 INTRODUCTION

For the purpose of this chapter, major works refers to any specific project with an estimated total cost of \$250,000 or more. Major works are further subdivided into new works (projects which have been approved to commence in 2002-03) and works-in-progress (projects which were commenced in earlier years but have not yet been completed). In addition, an aggregate allocation for minor miscellaneous works (those with an estimated total cost of less than \$250,000) is shown for each agency.

The commencement and completion years shown for projects relate to the calendar years in which projects are started and finished.

As with any plan, circumstances and priorities may change in the course of its implementation. In relation to budget dependent general government agencies (ie those funded directly from the Budget), Ministers have the authority to vary project allocations provided they observe authorisation limit constraints (expenditure limits for the current and future financial years). Hence, the allocations shown against individual projects may alter during the course of the financial year.

In the case of PTEs and PFEs, plans may vary as part of the annual negotiation of Statements of Business Intent or Statements of Corporate Intent.

All expenditures under project allocation for 2002-03 in the following pages are recorded on an accrual basis. The expenditure therefore, is recognised at the time when work is performed rather than at the time of payment.

Allocations earmarked for minor miscellaneous works are utilised for purposes such as the purchase of minor plant and equipment, and annual provisions for replacements.

The program embraces a large number of individual projects ranging from the acquisition of minor plant and equipment, through to provision of electricity generation and distribution, roads, rail, ports, hospitals, schools, dams, and other facilities. The sheer volume of projects being undertaken precludes a detailed listing of all projects.

Separate indices are provided for the general government and public trading enterprise asset acquisitions at the beginning of Sections 5.2 and 5.3, respectively.

In view of the competitive nature of the Waste Recycling and Processing Corporation, and the electricity sector agencies, information on individual capital projects for these agencies is regarded as commercial-in-confidence and is therefore not provided in this paper. However, an aggregate total expenditure for these agencies is included under the public trading enterprise sector asset acquisition program under the competitive government sector and a brief description of their program is given under the relevant policy area in Chapter 3.