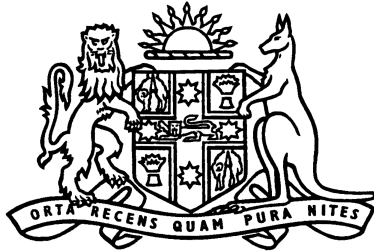


# **State Asset Acquisition Program**

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**2001-02**



**New South Wales**

**Budget Paper No. 4**



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# **CHAPTER 1: TOTAL STATE PROGRAM**

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## **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.

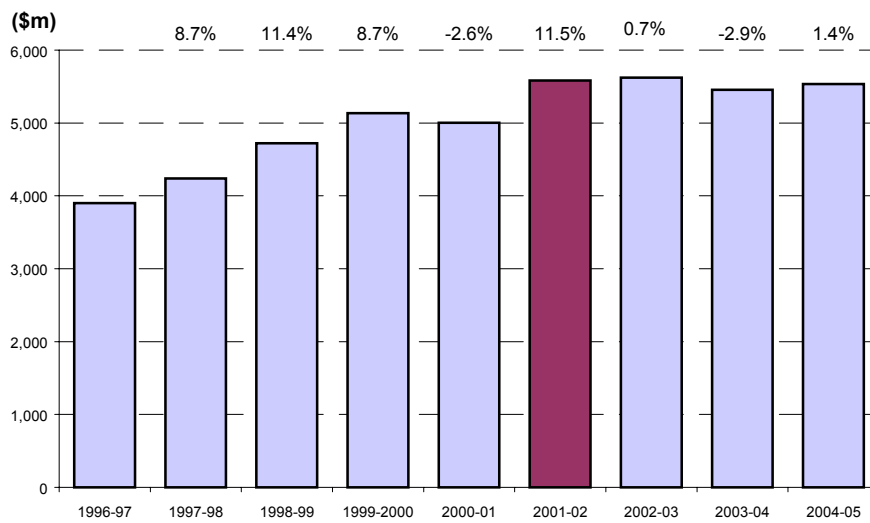
The Asset Acquisition Program provides for the construction, acquisition and upgrading of the physical assets of the State. The program, therefore, plays a key role in the growth and development of the State economy by providing the basic infrastructure required by industry for urban and rural development 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 2005, the State Asset Acquisition Program is expected to total \$22,195 million.

This is an increase of \$3,095 million, or 16.2 percent, on the \$19,100 million spent in the four years to 30 June 2001.

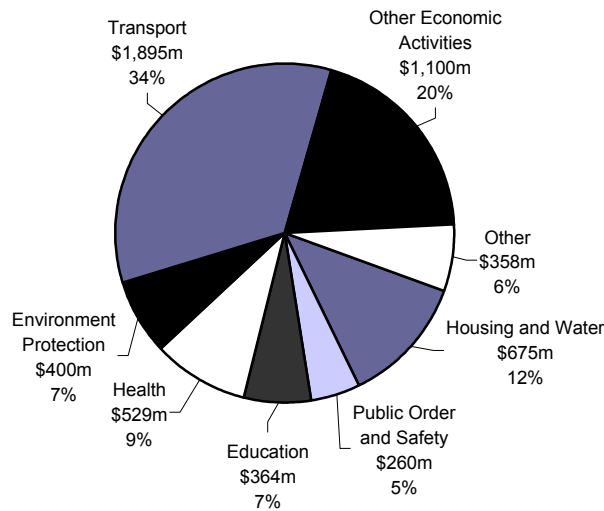
The increase in the four-year program is driven by new spending on hospitals, schools, rail, housing and roads.

New capital works with a completed cost of \$3,314 million will begin in 2001-02 with spending of \$1,018 million in that year.

### 1.3 2001-02 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 the Other Economic Services, water-related expenditure in the Housing and Water and sewerage-programs under the Environment Protection policy areas.

**Chart 1.2: Total State Program, 2001-02, by Policy Area**



**Total = \$5,581 million**

The total State 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**

	<i>2000-01 Budget \$m</i>	<i>2000-01 Revised \$m</i>	<i>2001-02 Budget \$m</i>	<i>2002-03 Estimate \$m</i>	<i>2003-04 Estimate \$m</i>	<i>2004-05 Estimate \$m</i>
General Government Sector	2,540	2,441	2,625	2,534	2,530	2,642
Public Trading Enterprise Sector	2,744	2,563	2,956	3,087	2,927	2,894
<b>State Asset Acquisition Program</b>	<b>5,284</b>	<b>5,004</b>	<b>5,581</b>	<b>5,621</b>	<b>5,457</b>	<b>5,536</b>

## **CHAPTER 2: GENERAL GOVERNMENT SECTOR ASSET ACQUISITION PROGRAM**

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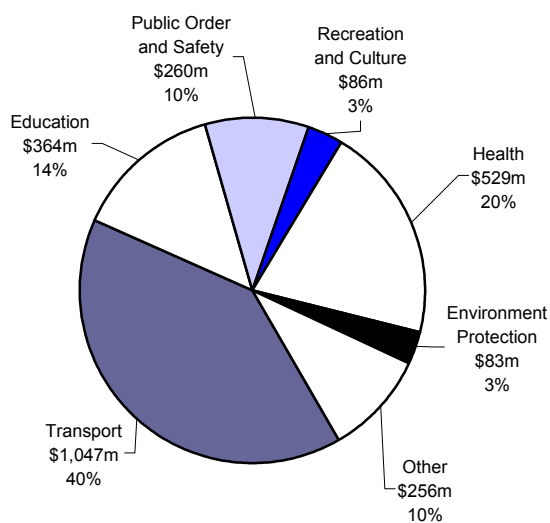
### **2.1 2000-01 PROGRAM OUTCOME**

Asset Acquisitions by the General Government Sector in 2000-01 is expected to total \$2,441 million, a decrease of \$99 million or 3.9 percent against the original estimate. This decrease is mainly due to an increase in maintenance expenditure in preference to asset acquisitions by the Department of Health and the Department of Community Services and delays in obtaining development consent for the construction of new correctional facilities by the Department of Corrective Services.

### **2.2 2001-02 PROGRAM**

The 2001-02 Asset Acquisition Program of the General Government Sector is estimated to be \$2,625 million, which is \$184 million higher than the forecast expenditure in 2000-01. Most of the increased spending will be in the Health, Education, and Public Order and Safety policy areas.

**Chart 2.1: General Government Sector Asset Acquisitions, 2001-02, by Policy Area**



**Total = \$2,625 million**

The main features of the General Government Sector's 2001-02 Asset Acquisition Program are:

## HEALTH

Asset acquisitions in the Health policy area will total \$529 million in 2001-02. The Department of Health will undertake a substantial capital works program amounting to \$1,982 million over the next four years, supported by a guaranteed level of funding from the Government. Projects commencing in 2001-02 include:

- ◆ redevelopment of Gosford Hospital to upgrade the emergency department, operating theatres, cardiac care and acute inpatient facilities at an estimated total cost of \$100.8 million;
- ◆ redevelopment of Wyong Hospital to provide additional acute inpatient and mental health beds and clinical, imaging and diagnostic facilities at an estimated total cost of \$79.6 million;
- ◆ implementation of a \$19.4 million pilot project for the NSW Electronic Health Record which will enable information to be shared between hospitals, community health, general practitioners and other clinicians within the context of chronic and complex care;
- ◆ provision of \$7 million for rural information technology infrastructure;

- ◆ a \$7 million refurbishment of the Prince of Wales Parkes Block;
- ◆ provision of \$46.6 million for Ambulance infrastructure works including enhancements to clinical care and information systems, medical equipment and fleet replacement;
- ◆ an additional \$25.1 million for the Mental Health program to address service priorities including an expanded inpatient and new ambulatory care facility at Liverpool Hospital; and
- ◆ \$4 million to finalise planning and commence work on the Newcastle and Western Sydney strategies.

## **EDUCATION**

Asset acquisitions in the Education policy area will total \$364 million in 2001-02. Over the next four years the Government will allocate \$1,120 million for the Schools Improvement package. Over the next four years the package includes:

- ◆ more than \$240 million for 23 new primary schools and 8 new high schools in growth areas including the Tweed, Camden, Kellyville, the Hawkesbury, the Central Coast and the Hills District;
- ◆ more than \$70 million extra for upgrades to classrooms, libraries and security at 1,000 public schools;
- ◆ \$50 million extra to replace 330 demountables with permanent classrooms;
- ◆ \$130 million to improve facilities for students, teachers and school staff, including \$50 million for better disabled access;
- ◆ \$80 million for new school halls; and
- ◆ \$45 million for landscaping, fencing and general improvements at older schools.

In 2001-02 funding will provide for:

- ◆ the commencement of new primary schools at Cecil Hills (\$6.7 million), Glenwood (\$6.7 million), Prestons (\$6.9 million) and a replacement school at Rouse Hill (\$6.7 million) and the second stages of new high schools at Kellyville (\$13.2 million), Mount Annan (\$17.5 million) and Tuncurry (joint high school and TAFE \$21.1 million);
- ◆ continuation of over 50 projects commenced in previous years, including new or replacement schools at Bogangar, Harrington Park, Hoxton Park, Jerrabomberra, Quakers Hill East (Acacia Gardens) and Flinders Public School, near Shellharbour;
- ◆ continuation of work on the first stages of new high schools at Kellyville and Mount Annan and the first stage of the Great Lakes College at Tuncurry;
- ◆ Stage 1 of the Northern Beaches Multi Campus College (\$7.7 million) and for the continuation of work on the Dubbo (\$5.6 million) and Chifley Multi Campus Colleges (\$6.9 million);
- ◆ expenditure of \$100.3 million on a wide range of minor miscellaneous works projects, including \$10 million for air-conditioning in schools and demountable classrooms and the upgrading of student and teacher facilities; and
- ◆ commencement of 38 new TAFE projects in 2001-2002, including new facilities at Dubbo (\$1.4 million), Cessnock (\$3.7 million), Kurri Kurri (\$7 million), Miller (\$4.1 million) and Ultimo (\$23.3 million) campuses and major refurbishment works at Gymea, Wollongong and St George campuses.

## **PUBLIC ORDER AND SAFETY**

The Government will support an asset acquisition program of \$260 million in the Public Order and Safety policy area in 2001-02. Funding will support:

- ◆ an additional \$35.6 million to the Department of Juvenile Justice over five years (commencing in 2001-02). This will be used for the construction of a young women's facility on the Minda/Minali site at Lidcombe (to replace the outdated Yasmar facility at Haberfield), the redevelopment of the Reiby facility and the provision of additional facilities at Cobham Juvenile Justice Centre;

- ◆ completion of a refurbishment of the King Street Courts Complex to conserve and upgrade the site at a cost of \$2.7 million in 2001-02;
- ◆ commencement of construction of a new Children's Courts complex at Parramatta (estimated total cost \$17.3 million) and a new Children's Court in the Hunter District at Worimi (estimated total cost \$6.5 million);
- ◆ continuing development and operation of the Police Complaints Case Management System (PCCM) at a cost of \$8.3 million in 2001-02;
- ◆ improvements to the Police Service's Country Radio Communications Network at a cost of \$6 million in 2001-02;
- ◆ \$20.8 million to continue development of various information technology applications within the Police Service including \$6.2 million for enhancement of the Computerised Operational Policing and Investigation Management systems and \$7.1 million for the upgrade of technology for the Infringement Processing Bureau;
- ◆ expenditure of almost \$59 million by the Department of Corrective Services for continuing construction of three new gaols at Kempsey, Parklea and South Windsor;
- ◆ purchase of fire pumpers, aerial appliances and special appliances by the NSW Fire Brigades at a cost of \$18 million; and
- ◆ purchase of rescue equipment by the State Emergency Service at a cost of \$1.2 million as well as the purchase of communications equipment at a cost of \$1.8 million (including \$200,000 for radio equipment for the Far West Division of New South Wales).

## **ENVIRONMENT PROTECTION**

Asset acquisitions in the Environment Protection policy area will total \$83 million in 2001-02. Funding will support the following key initiatives:

- ◆ \$44.9 million for capital works by the National Parks and Wildlife Service including:
  - a further \$6.5 million for the Sewerage Upgrade Program across the State's national park reserve system;
  - finalisation of reconstruction and stabilisation of the Alpine Way road above Thredbo Village at a cost of \$4.3 million;

- provision of recreational facilities at the Lower Prospect Canal site and completion of landscaping works at a total cost of \$6.4 million (\$2.4 million in 2001-02);
- \$1.6 million for further initiatives in fire management and pest species management across the State;
- upgrading of roads and bridges in Kosciuszko National Park at a total cost of \$5.0 million (\$1.3 million in 2001-02);
- \$1 million for the purchase of Crown Lease Lands following the Upper and Lower North East Forests Agreement;
- revitalisation of Sydney's Metropolitan Icon Parks at a total cost of \$4 million (\$0.5 million in 2001-02);
- a further \$4 million for development works in former State forests in the Upper and Lower North East Forests;
- \$2.6 million for establishment and improvement works in regional parks in Western Sydney; and
- \$6.3 million for land acquisitions: \$4.1 million for purchases under specific Government programs and \$2.2 million to meet the costs associated with ongoing general acquisitions of land with high conservation values for addition to the reserve system with particular emphasis on the western regions of New South Wales;
- ◆ \$25 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; and
- ◆ \$3.0 million (plus \$4.2 million in 2002-03) for a purpose built laboratory for the Environment Protection Authority at Lidcombe.

## **RECREATION AND CULTURE**

Asset acquisitions in the Recreation and Culture policy area will amount to \$86 million in 2001-02. Funding will support the following key initiatives:

- ◆ a further \$2.7 million in 2001-02 towards the purchase and renovation of a storage and rehearsal facility for arts organisations at Leichhardt;

- ◆ \$9 million towards the construction of a new drama theatre at Walsh Bay, as part of the \$28.2 million upgrade and refurbishment of the precinct for cultural uses;
- ◆ \$3.4 million over three years to develop the Australian Museum's databases and website to provide greater access to collections and resources online;
- ◆ \$13.8 million over three years 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 \$5.9 million towards the extension and upgrade of the Art Gallery building;
- ◆ \$12.8 million to finish decommissioning Olympic sites, reposition the cauldron and reconfigure the Stadium for long term use;
- ◆ \$4.7 million for attractions and infrastructure including additional shelter and shade, as well as a wall to commemorate volunteers from the Olympic and Paralympic Games;
- ◆ restoration and refurbishment of heritage structures and provision of initial site amenities in the Millennium Parklands at a cost of \$4.5 million; and
- ◆ \$4 million to engage and administer expertise to progress commercial development of the Olympic site.

## **TRANSPORT**

Asset acquisitions in the Transport policy area will amount to \$1,047 million in 2001-02. Significant works during 2001-02 include:

- ◆ major upgrading of Windsor/Old Windsor Roads to provide 4 lane access to Windsor by 2006 at a cost of \$323 million over 5 years (\$47 million in 2001-02);
- ◆ ongoing upgrading of the Pacific Highway including duplication at Cooperook and Tandys Lane, and jointly with the Commonwealth, duplication between Yelgun and Chinderah and Taree and Cooperook (\$160 million in 2001-02);

- ◆ completion of the M5 East to provide continuous motorway conditions between South Western Sydney and Sydney Airport and the City (\$116 million in 2001-02);
- ◆ construction of the Liverpool to Parramatta Transit way (\$44 million in 2001-02);
- ◆ construction of the North Kiama Bypass (\$25.5 million in 2001-02);
- ◆ construction of the West Charlestown Bypass (\$23.2 million in 2001-02);
- ◆ investment in enhancing rail freight services to Port Botany (\$18.7 million in 2001-02); and
- ◆ public transport interchanges and commuter parking facilities funded from Parking Space levy revenue, including works at Kogarah, Holsworthy and Wyong (\$29 million in 2001-02).

## **OTHER**

Asset acquisitions for other policy areas will amount to \$256 million in 2001-02. Major projects in 2001-02 include:

- ◆ spending within the Department of Community Services of \$17.4 million supporting:
  - commencement of work on the design, specification and implementation of a new Financial Management System at an estimated total cost of \$13 million;
  - completion of the final stage of the Service 2000 projects, including the Client Information System, the Community Partners System and the Helpline, at an estimated total cost of \$7.7 million; and
  - completion of the Enterprise Information Infrastructure project, which will remediate the Department's core data for more efficient and effective usage, at an estimated cost of \$2.4 million;

- ◆ expenditure by the Department of Ageing, Disability and Home Care of \$7.8 million on new assets and upgrading its facilities including \$0.25 million on the second stage of an E-Business project to enable the community, service providers, Departmental personnel and other Human Services agencies to access the information and systems necessary to significantly improve the delivery of services to the ageing and disability sectors;
- ◆ \$9.6 million in 2001-02 for the Home Care Service to complete a major new Information Technology project, the Assessment and Rostering Service Management System, at an estimated total cost of \$9.8 million;
- ◆ \$17.3 million for the Aboriginal Housing Office: comprising \$12.9 million for additional housing units and \$3.9 million to replace housing stock;
- ◆ \$2.3 million provided to the Department of Urban Affairs and Planning to implement the iPlan framework to improve internal infrastructure across a wide area network and to develop applications to provide online access to planning information and services;
- ◆ \$0.5 million for construction of a new Genetic Plant Research Laboratory for NSW Agriculture at Wagga Wagga;
- ◆ \$0.3 million for the Wagga Wagga Wine and Grape Teaching Centre;
- ◆ \$5 million to implement the Department of Land and Water Conservation's program for rehabilitating river structures;
- ◆ \$4.1 million for flood security and upgrade works at the Chaffey, Glenbawn, Burrendong, Copeton and Keepit dams and \$2.4 million for works at the Wellington, Bethungra and Wyangala dams;
- ◆ \$1.0 million towards further development of the multi-agency program to provide Community Access to Natural Resources Information (CANRI);
- ◆ \$1.5 million to build a joint facility for the Marine Parks Authority, New South Wales Fisheries and the National Parks and Wildlife Service at Huskisson, Jervis Bay;
- ◆ \$36.1 million to the WorkCover Authority for a range of technology applications necessary to support its business and meet the requirements of WorkCover Scheme reform and related occupational health and safety legislative changes;

- ◆ \$7.4 million for various IT system upgrades, infrastructure and application projects within the Department of Fair Trading;
- ◆ \$12.8 million for computer hardware and software upgrades and also minor capital works associated with the move to Wollongong of the Superannuation Administration Corporation;
- ◆ \$9.6 million for Information Technology equipment and plant and equipment of the Department of Public Works and Services; and
- ◆ \$5 million for the Crown Property Portfolio, which includes an allowance for the acquisition of an office building associated with the transfer of the Department of Local Government to Nowra.

## **CHAPTER 3: PUBLIC TRADING ENTERPRISE SECTOR ASSET ACQUISITION PROGRAM**

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### **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 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 Financial Performance or Statement of Corporate Intent.

### **3.2 2000-01 PROGRAM OUTCOME**

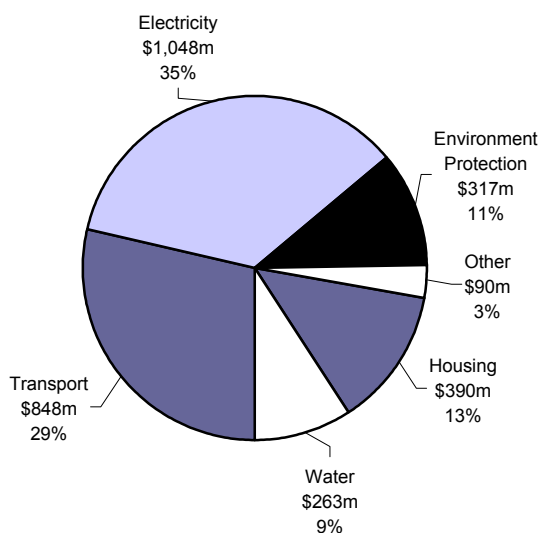
The 2000-01 Asset Acquisition Program within the Public Trading Enterprise Sector is expected to be \$181 million below budget at \$2,563 million.

This decrease has been mainly due to an increase in maintenance expenditure in preference to asset acquisitions by the Department of Housing and the delay of some projects in the Transport sector due to delays finalising coal haulage contracts.

### 3.3 2001-02 PROGRAM

The 2001-02 Asset Acquisition Program of the Public Trading Enterprise Sector is estimated to be \$2,956 million, which is \$393 million or 15.3 percent higher than the estimated expenditure in 2000-01. Most of the increased spending will be in the Transport sector.

**Chart 3.1: Public Trading Enterprise Sector Asset Acquisitions, 2001-02, by Policy Area**



**Total = \$2,956 million**

The main features of the Public Trading Enterprise Sector's 2001-02 Asset Acquisition Program are:

#### **ELECTRICITY**

The program for the electricity businesses has increased marginally from the 2000-01 estimate to \$1,048 million in 2001-02.

The 2001-02 program for the generators focuses on expenditure for continuing improvements to the performance and reliability of power stations and ancillary assets. For example, Macquarie Generation is spending \$20 million over 4 years to upgrade the control system at the Liddell Power Station in the Hunter Valley.

The 2001-02 program for the electricity distributors focuses on:

- ◆ expenditure required for network expansion in order to reliably supply increased load growth;
- ◆ additional investments in retail business systems required to prepare for full retail contestability;
- ◆ system reliability enhancement programs; and
- ◆ planned renewals of ageing system assets.

An example is a rural feeder remediation program for NorthPower to improve reliability in rural areas. Over 100 feeders have been identified for attention over the next five years at a total cost of \$40 million.

TransGrid also has a significant on-going upgrade program which includes:

- ◆ Armidale-Liddell: 330 kV Transmission-Line to address system security associated with load growth and the Queensland-NSW interconnector (total project expenditure \$150 million up to 2006);
- ◆ Yass and Wagga: substation replacement and transmission line development to support system security and load growth in the South West (total expenditure \$90 million up to 2006); and
- ◆ North Coast area: reinforcement to increase reliability and assist security of supply (total project expenditure \$160 million up to 2006).

## **WATER**

Sydney Water Corporation's total asset acquisition program for 2001-02 is anticipated to be \$457 million, of which \$182 million relates to a number of projects designed to maintain and safeguard water quality. These include expenditure upon the upgrading of water systems to continue to meet national health drinking water standards at an estimated total cost of \$14 million (\$2 million in 2001-02).

Other significant projects included in Sydney Water's water capital program are:

- ◆ extension of systems to serve urban redevelopment and new urban areas at an estimated total cost of \$280 million (\$45 million in 2001-02);

- ◆ improvements to business systems, including the customer information and billing system, to enhance operating capability and reduce operating costs at an estimated cost of \$344 million (\$58 million in 2001-02);
- ◆ extension of the integrated telemetry and control system to cover the waste water transport system and sewage treatment plants at an estimated cost of \$64 million (\$17 million in 2001-02); and
- ◆ continued improvements to the water distribution systems to reduce the number of water service interruptions experienced by customers and to maintain high quality drinking water at a cost of \$570 million (\$42 million in 2001-02).

Hunter Water Corporation's total asset acquisition program for 2001-02 is anticipated to be \$49.3 million, of which \$25.3 million relates to water quality projects. Major capital works expenditures in 2001-02 include:

- ◆ replacement of the main pipeline from Chichester Dam between Tarro and Shortland at a cost of \$19 million (\$7 million in 2001-02);
- ◆ augmentation of the capacity of the Grahamstown Dam at a cost of \$23 million (\$6 million in 2001-02); and
- ◆ 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 \$11 million (\$9 million in 2001-02).

Sydney Catchment Authority's asset acquisition program for 2001-02 is anticipated to be \$50 million. Major capital works expenditures in 2001-02 include:

- ◆ continued construction of the auxiliary spillway at Warragamba Dam to ensure dam safety at a total project cost of \$150 million (\$38 million in 2001-02); and
- ◆ upgrading and renewal of dams, pipelines and other catchment infrastructure totalling \$131 million (\$13 million in 2001-02).

## ENVIRONMENT PROTECTION

The projects included under this category focus on the upgrade of waste water treatment plants.

The major sewerage projects of the Sydney Water Corporation include:

- ◆ continued maintenance and renewal of sewerage systems at a total cost of \$610 million to prevent sewage discharges onto private properties caused by sewer blockages (\$54 million in 2001-02);
- ◆ 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 (\$48 million in 2001-02);
- ◆ 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 \$180 million (\$9 million in 2001-02);
- ◆ improvements to biosolids residual management at sewerage treatment plants to enable continued reuse capability at a total cost of \$107 million (\$20 million in 2001-02);
- ◆ continued upgrading of the ocean sewage treatment plants at a total cost of \$405 million (\$67 million in 2001-02); and
- ◆ ongoing construction of a reticulated sewerage system in the catchment area for the Oaks and Oakdale townships at an estimated total cost of \$27 million (\$14 million in 2001-02).

Major sewerage capital projects by the Hunter Water Corporation in 2001-02 include:

- ◆ the Hunter Sewerage Project to provide reticulated sewerage to backlog areas at a cost of \$157 million (\$5 million in 2001-02); and
- ◆ construction of the Shortland waste water treatment works at a cost of \$23 million (\$3 million in 2001-02).

## TRANSPORT

Asset acquisitions in the Transport policy area will amount to \$848 million in 2001-02.

The capital works focus is on the Government's continuing commitment to its integrated transport plan, *Action for Transport 2010* as it enhances safety and reliability in the State's passenger fleet; reduces congestion in passenger networks; reduces car dependency and improves air quality. New and upgraded track; new rolling stock; refitted fleets; and upgraded rail, bus and ferry facilities will meet the rapidly increasing demand for public transport services across the State.

Major works in the Portfolio program include:

- ◆ expenditure of \$145 million in 2001-02 on the Parramatta Rail Link;
- ◆ the first delivery of the Millennium carriage fleet to enhance the existing fleet at a cost of \$90 million this year;
- ◆ funding of \$10.7 million and \$6.1 million, respectively to complete the second stage of the East Hills Line Quadruplication (to Kingsgrove) and the Dapto to Kiama Electrification early in the budget year;
- ◆ State Rail's Easy Access Program will continue in 2001-02 with the installation of lifts, overhead walkways, and ramps at stations in the Sydney, Newcastle and Wollongong metropolitan areas. Locations include Maitland, Beresfield, Fairfield, Katoomba, Regents Park, Rockdale and Wollongong. A total of \$31.5 million will be spent to specifically benefit the aged, the disabled, and those with children and/or carrying heavy luggage;
- ◆ major Station upgrading will continue at Town Hall, Wynyard and Parramatta and other station upgrades at Lakemba, Bondi Junction, Kingsgrove, Glendale, and Redfern will commence. These upgrades will improve passenger movement entering and exiting the stations; improve passenger safety and security at stations and immediate surrounds, and upgrade passenger facilities on stations. In 2001-02, \$11.1 million is allocated for this program;
- ◆ security upgrade activities and passenger information systems totalling \$17.7 million, including the installation of security lighting, closed circuit cameras and public announcement networks at all metropolitan stations;

- ◆ the duplication of the Richmond Line continues with the funding of \$18.1 million to install track and signalling facilities between Marayong and Quakers Hill;
- ◆ facilities for rolling stock will be enhanced with the remodelling and expansion of the Blacktown and MacDonalddown stabling yards and other train service facilities, at a cost in 2001-02 of \$30 million;
- ◆ extensive improvements in the reliability of services will be made with the addition of turnback facilities at Central, Padstow, and trackworks in the Glenfield area at a cost of \$14.1 million; and
- ◆ further improvements in regional rail services by Countrylink will be made with \$6 million allocated to works including railcars to restore services to Broken Hill and the remotoring of XPT cars.

The Rail Infrastructure Corporation is investing \$144.2 million on several projects including \$48.5 million for expenditure on new works. Projects include re-sleepering the Dungog-Craven line (\$12 million), Newcastle ship loading access facility (\$14.9 million), broadband telecommunication network equipment (\$31 million), and replacement of vehicles, plant and equipment (\$37.2 million).

State Transit Authority is planning an investment of over \$45 million in 2001-02 for the acquisition of new buses. These buses have ultra low floors for easy access and run on compressed natural gas.

The Authority is allocated \$10.8 million from the Budget in 2001-02 as a second instalment towards the purchase of twelve new Supercat ferries and refurbishment of four of the existing Manly ferry fleet.

The asset acquisition program for the three NSW ports totals \$42 million. It principally comprises acquisition of additional land to manage the overall growth in port operations (\$18 million) and upgrading of existing facilities and infrastructure.

## **HOUSING**

Asset acquisitions in the Housing policy area will amount to \$390 million in 2001-02. The policy area includes initiatives of the Department of Housing, City West Housing, Landcom and the Teacher Housing Authority.

Features of the \$373 million asset acquisition program of the Department of Housing (which includes Public Housing Services, the Office of Community Housing and the Home Purchase Assistance Authority) include:

- ◆ commencement of 479 new units of general public housing;
- ◆ commencement of 381 new units of general community housing;
- ◆ 80 percent of the general program to be achieved through redevelopment of existing sites;
- ◆ commencement of 45 units of crisis accommodation; and
- ◆ \$201 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 2001-02, with a total of \$13 million allocated for asset acquisitions.

## **OTHER**

Asset acquisitions for other policy areas will amount to \$90 million in 2001-02. Significant asset acquisitions for 2001-02 include:

- ◆ \$56 million by the State Forests of New South Wales. Its program primarily involves the establishment of hardwood and softwood plantations in accordance with Government policy and initiatives regarding timber resource establishment. It also provides State Forests with a range of new business opportunities in the non-traditional markets. These new businesses include the sale of carbon dioxide sequestered in plantations as carbon credit, converting forestry materials into biomass energy, planting trees for salinity control and mine site rehabilitation. Planned outlays for major works in 2001-02 include establishment of hardwood plantations (\$9 million) and softwood plantations (\$14 million). A further \$11.4 million is planned to be spent in 2001-02 on major purchases of plant and equipment; and
- ◆ \$11.4 million by the Zoological Parks Board of New South Wales. The Board has been allocated \$9 million from the Budget in 2001-02, and \$10 million per annum to 2004-05, to construct new exhibits and redevelop Taronga Park Zoo and Western Plains Zoo.

## CHAPTER 4: STATE ASSET MANAGEMENT

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### 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.

The 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 collection 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 \$64.6 billion as at 30 June 2001 to \$65.4 billion as at 30 June 2002, an increase of \$813 million.

**Table 4.1: General Government Sector Non-Financial Assets**

<i>As at 30 June</i>	<i>1998 Actual \$m</i>	<i>1999 Actual \$m</i>	<i>2000 Actual \$m</i>	<i>2001 Estimate \$m</i>	<i>2002 Budget \$m</i>
<b>Non - Financial Assets</b>					
Property, Infrastructure, Plant and Inventory	59,627	64,066	64,230	64,604	65,417
Other	548	665	754	854	969
<b>Total Non - Financial Assets</b>	<b>60,175</b>	<b>64,731</b>	<b>64,984</b>	<b>65,458</b>	<b>66,386</b>

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

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. In addition, it provides essential social, cultural and recreational facilities and simultaneously creates employment.

The key priorities of the State's capital investment strategy for 2001-02 and future years are:

- ◆ ongoing investment in the State's infrastructure with particular emphasis on regional and rural New South Wales;
- ◆ improvement of the State's road network;
- ◆ transformation of the State's public transport network;
- ◆ revitalisation of public schools and delivery of world class facilities to students, teachers and the community; and
- ◆ a major hospital building program amounting to \$1.98 billion over the next four years, and including in 2001-02, commencement of the redevelopment of Gosford and Wyong hospitals, planning and commencement of the Newcastle and Western Sydney Strategies, as well as significant investment in health facilities in regional and rural New South Wales.

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 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 service delivery of 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, as discussed below.

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 requires 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 is currently reviewing its policy on guidelines on private sector participation in the provision of public infrastructure and related services. In November 2000, a Green Paper *Working with Government* was released and resulted in many submissions from a wide range of interested parties. Further consultation will take place on the issues raised and revised guidelines will be released in early 2001-02.

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.

These analyses need 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.

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 financial distributions payments (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 and PFEs are required to submit any projects classified as Projects of State Significance for Budget Committee approval. Projects in this category include: any joint public/private sector infrastructure projects; any projects with an estimated total cost in excess of \$100 million; or any projects of substantial risk with estimated total cost of over \$20 million.

Table 4.2 shows the trend in non-financial assets for the PTE and PFE Sectors. After allowing for new asset acquisitions and depreciation, total fixed assets for the PTE and PFE Sectors in 2001-02 are projected to increase by \$1,978 million to \$63.0 billion as at 30 June 2002.

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

<i>As at 30 June</i>	<i>1998 Actual \$m</i>	<i>1999 Actual \$m</i>	<i>2000 Actual \$m</i>	<i>2001 Estimate \$m</i>	<i>2002 Budget \$m</i>
<b>Non - Financial Assets</b>					
Property, Infrastructure, Plant and Inventory	53,267	54,437	58,887	61,017	62,995
Other	36	59	295	342	358
<b>Total Non - Financial Assets</b>	<b>53,303</b>	<b>54,496</b>	<b>59,182</b>	<b>61,359</b>	<b>63,353</b>

## **CHAPTER 5 ASSET ACQUISITION PROJECTS**

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### **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 2001-02) 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 year projects are financially started and finished, including the payment of all retention monies.

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 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.

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 indexes 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 Freight Rail Corporation, Waste Services of NSW and the Electricity sector, information on individual capital projects for these agencies is regarded as commercial-in-confidence and is therefore not provided in this paper. Aggregate total expenditure for these agencies is, however, included under the Competitive Government section of the Public Trading Enterprise Sector Asset Acquisition Program.