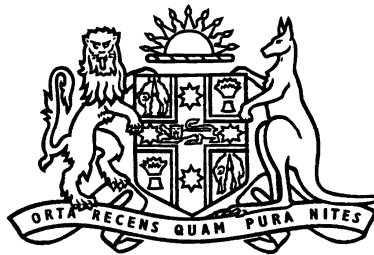


Infrastructure Statement

2008-09



New South Wales

Budget Paper No. 4

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INTRODUCTION

The State's total capital expenditure in 2008-09 is budgeted at \$13.9 billion. This is an 11.1 per cent increase over the \$12.5 billion budgeted in 2007-08. Of the total, \$5.5 billion will be spent in the general government sector and \$8.5 billion in the public trading enterprise (PTE) sector.

Over the four years to 2011-12, the State's capital expenditure will total \$57.6 billion. This is a substantial increase of \$21.2 billion, or 58 per cent, compared with expenditure of \$36.5 billion in the four years prior to 30 June 2008. This comprises a \$4.9 billion increase in the general government sector (or 29.6 per cent), and a \$16.3 billion increase in the PTE sector (or 81.2 per cent).

The State's capital program over the four years will be partly funded by an increase in the net debt of \$20.9 billion.

The increase in spending over the next four years will primarily be on the following key projects:

- ◆ rail projects including the North West Metro and South West Rail Link
- ◆ upgrades of the Pacific Highway, Princes Highway, Central Coast and Hunter Region Roads, Oxley Highway, Bruxner Highway, Victoria Road, Southern Hume Highway duplication and Network Management or "pinch point" strategy
- ◆ redevelopment of Royal North Shore Hospital, and Orange and Bloomfield Hospitals, and continuation of the Newcastle Health Strategy
- ◆ 31 new school and TAFE building projects
- ◆ accommodation for the aged and disabled
- ◆ upgrading of police facilities and information and communication systems
- ◆ major expansions of the three ports at Sydney, Newcastle and Port Kembla
- ◆ the Sydney Water desalination project and Tillegra Dam

- ◆ completion of the 667 megawatt Colongra gas turbine power station and upgrades to the Eraring, Mt Piper, Vales Point, Wallerawang, and Liddell power stations
- ◆ upgrade of the Western transmission line to 500kV operation, and a new Lismore Dumaresq transmission line and
- ◆ replacement or refurbishment of electricity distribution assets reaching the end of their economic life, and providing for expanded capacity to meet growth in demand and enhance system reliability and security.

In common with other budget papers, no allowance has been made in this budget paper for announced reforms to the electricity sector.

The implications for the Government's fiscal strategy as well as details of funding strategies for capital expenditure are set out in Budget Paper No. 2 *Budget Statement*.

CHAPTER 1: OVERVIEW

1.1 GENERAL

The State's infrastructure is provided by both the general government and public trading enterprise (PTE) sectors. General government sector agencies provide essential public services such as health, education, roads and police. Most general government agencies are dependent on the Budget for funding.

The PTE sector provides major economic services such as water, sewerage, electricity, housing and transport. Most PTE sector agencies have a commercial charter and generate a significant proportion of their revenue through user charges. Some PTEs (for example, the Department of Housing and the Rail Corporation New South Wales) are provided with Budget funding because they do not fully recover their costs from customers when providing services required by the Government.

The capital expenditure 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, both increases and decreases, between the budgeted capital expenditure and the actual outcomes. These variations reflect a range of factors including construction schedule adjustments due to weather conditions, prices varying from pre-tender estimates, as well as revisions to the scope of projects.

1.2 VALUE OF PHYSICAL ASSETS

The State's physical assets include public schools and TAFE facilities, hospitals, police and court facilities, transport networks, public housing and recreation facilities, as well as infrastructure such as roads, electricity generation, transmission and distribution networks, water storage and supply networks, and ports facilities.

The State's physical assets are recorded at *fair value*, in accordance with accounting policies and standards. Where practicable, an asset's fair value is measured at its highest and best use. An asset with no feasible alternative use may be valued at fair value for its existing use.

A quoted market price for an asset in an active and liquid market is the best indication of fair value, but where this does not exist, market prices for similar assets can be used. Specialised assets are valued using the replacement cost of the remaining economic benefits. Importantly, the economic benefits of most assets in the general government sector do not depend on generating a net cash inflow.

Historical data and forecasts in this Budget Paper are presented on an accrual basis in nominal dollars.

As shown in Table 1.1, the State's physical assets across both the general government and PTE sectors are estimated to have a value of \$193.4 billion as at June 2008. The table does not include the public financial enterprise sector which has very few physical assets. The general government sector controls \$95.7 billion of physical assets and the PTE sector \$97.7 billion. The general government estimates (in all years) in this Budget Paper exclude the value of land under State roads due to uncertainties associated with valuing these assets.

The value of physical assets, net of depreciation and other adjustments, is expected to increase during 2008-09 by \$3.3 billion in the general government sector and by \$6.8 billion in the PTE sector.

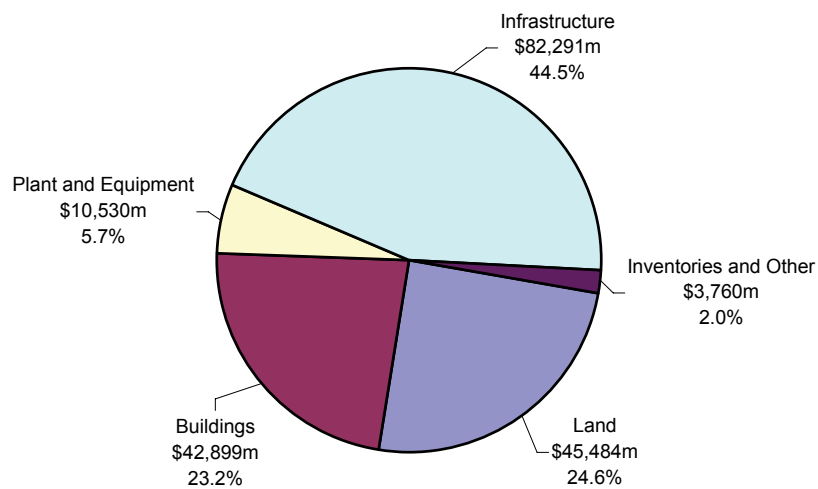
Table 1.1: State Owned Physical Assets: Value by Sector

<i>As at 30 June</i>	<i>2005 Actual \$m</i>	<i>2006 Actual \$m</i>	<i>2007 Actual \$m</i>	<i>2008 Estimate \$m</i>	<i>2009 Budget \$m</i>
General Government Sector	84,487	89,588	92,843	95,677	98,944
Public Trading Enterprise Sector	86,319	86,793	92,121	97,733	104,631
Total State Sector^(a)	170,806	176,381	184,964	193,410	203,575

(a) Total State Sector excludes the public financial enterprise sector.

As shown in Chart 1.1, the largest component of these assets was infrastructure systems (44.5 per cent), with the balance comprising land (24.6 per cent), buildings (23.2 per cent), and plant and equipment (5.7 per cent). The land component value of physical assets has been separated from buildings, providing a clear delineation between built and non-built physical assets.

Chart 1.1: State Owned Physical Assets: Distribution by Category as at 30 June 2007^(a)

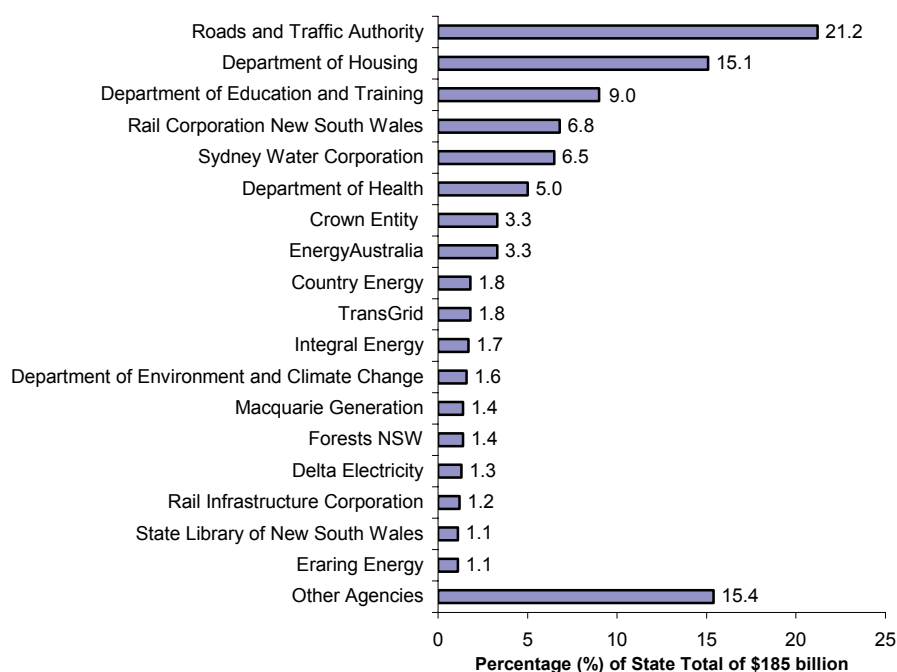


State Total = \$185 billion

(a) Excludes the public financial enterprise sector.

Control of the State's physical assets is concentrated in a relatively small number of agencies. As shown in Chart 1.2, approximately 74 per cent is controlled by only 10 agencies.

Chart 1.2: State Owned Physical Assets: Percentage Distribution by Agency as at 30 June 2007^(a)



Source: 2006-07 Agency Annual Reports

(a) Excludes the public financial enterprise sector.

1.3 CAPITAL EXPENDITURE

In 2008-09, total State capital expenditure is budgeted at a record \$13.9 billion. This is \$1.4 billion or 11.1 per cent higher than the 2007-08 Budget.

Over the four years to 2011-12, the State's capital expenditure will total \$57.6 billion. This is \$21.2 billion, or 58 per cent above the previous four year expenditure totalling \$36.5 billion. The increase comprises \$4.9 billion or 29.6 per cent in the general government sector, and \$16.3 billion or 81.2 per cent in the PTE sector.

State's capital program over the four years will be partly funded by an increase in the net debt of \$20.9 billion.

Due to a number of factors intrinsic to infrastructure delivery – such as weather conditions, variances in the timing and scope of projects, and changes to the cost of materials and labour – the State’s capital expenditure in 2007-08 is expected to total \$11.3 billion or about \$1.2 billion below the estimate contained in the 2007-08 budget.

While capital expenditure in the general government sector was broadly on budget, there was a \$1.1 billion underspend among PTEs. The PTE sector expenditure in 2007-08 was affected by the final contractual obligations for the Sydney Water desalination plant having a different cashflow profile compared with that assumed in the budget. Similarly, there has also been a shift of cashflow from 2007-08 to later years for the acquisition of the new airconditioned rail cars. Overall, this does not impact on total project cost and the first delivery of new cars is still planned for 2010. In addition, the termination of the passenger ticketing contract, a change in the scope or timing of several electricity generation and transmission works and the carry forward of some housing projects contributed to the estimated difference from budget.

An analysis of the 2007-08 and 2008-09 capital expenditure is covered in greater detail in Chapters 3 and 4. Table 1.2 summarises capital expenditure up to 2011-12.

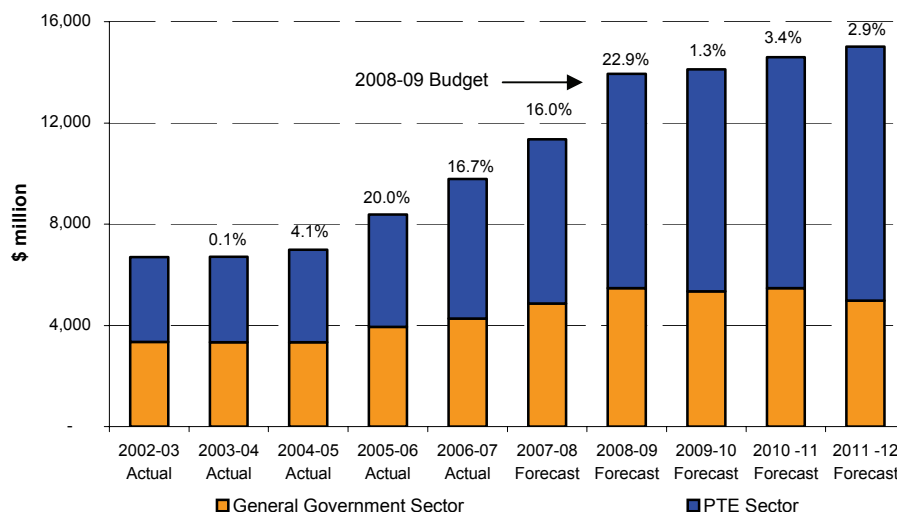
Table 1.2: State Capital Expenditure Summary^(a)

	2007-08		2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>	<i>Forward estimates</i>		
	\$m	\$m	\$m	\$m	\$m	\$m
General Government Sector	4,937	4,865	5,477	5,352	5,475	4,976
Public Trading Enterprise Sector	7,604	6,479	8,460	8,766	9,119	10,044
Total	12,534	11,338	13,930	14,111	14,587	15,013

(a) Total state sector capital expenditure may not total general government and PTE sector acquisitions because of inter-sectoral purchases which cancel out on consolidation. Total state sector excludes the public financial enterprise sector.

As illustrated in Chart 1.3, capital expenditure has increased sharply in recent years.

Chart 1.3: Capital Expenditure Trend



In 2002-03, the PTE sector capital expenditure was \$3.4 billion, about 50 per cent of the State’s expenditure. By 2007-08, the PTE sector share is projected at \$6.5 billion, or about 57 per cent, and will continue to grow steadily over the next four years to \$10 billion, or about 67 per cent of the total State expenditure in 2011-12.

This increase in PTE expenditure is due to major expansions, replacement of assets that are reaching the end of their economic lives, and regulatory requirements to meet enhanced reliability and safety standards.

In the 2007-08 to 2011-12 period, the transport sector annual capital expenditure will almost triple from \$1.3 billion to \$3.7 billion. This is due to: the new North West Metro and the South West Rail Link; major expansion of the three ports at Sydney, Newcastle and Port Kembla; acquisition of new rail cars to replace the ageing fleet; and continuation of the Rail Clearways program.

Over the same period the electricity sector annual capital expenditure is set to increase by \$1.7 billion or 61.3 per cent to \$4.4 billion. This is mainly due to increased expenditure by NSW electricity network businesses (transmission and distribution) to meet significant asset replacement and renewal, growth in demand, and regulatory requirements to enhance system reliability and safety standards.

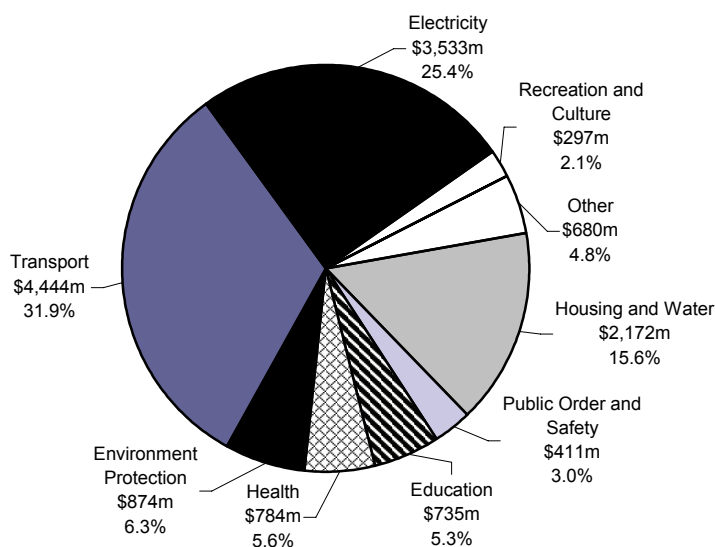
The government’s planned reforms to the electricity sector will have no impact on the level of capital expenditure projected for this area.

The capital expenditure estimates exclude private sector infrastructure projects where the private sector is taking market demand risks, such as toll roads. Social infrastructure projects such as hospitals and schools are included in the State's capital expenditure program as they are generally classified as finance leases. This distinction is drawn because typically the revenue risk on economic infrastructure projects is taken by the private sector while, for social infrastructure, this risk is borne by the Government.

Capital expenditure by policy areas for 2008-09, adapted from Australian Bureau of Statistics categories, is shown in Chart 1.4. This approach results in some agencies' activities being categorised over a number of policy areas with capital expenditure recorded accordingly. For example, expenditure by the Department of Primary Industries on agriculture and fisheries programs is included in the agriculture, forestry and fishing policy area, and the mineral resources program expenditure is included in the other economic activities policy area.

The chart indicates that capital expenditure in the electricity, transport, and housing and water policy areas will total \$10.1 billion or 72.9 per cent of the State's infrastructure budget.

Chart 1.4: Total State Sector Capital Expenditure, 2008-09: by Policy Area^(a)



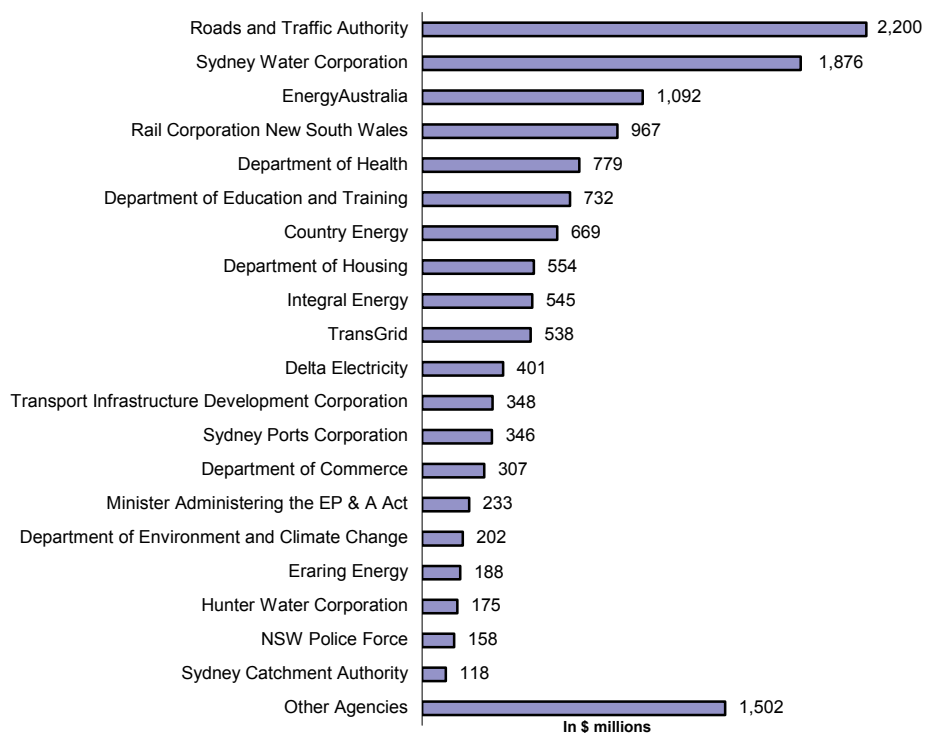
State Total = \$13.9 billion

(a) Excludes the public financial enterprise sector.

An analysis of capital expenditure by policy area for the general government and PTE sectors is presented in Chapters 3 and 4, respectively.

The allocation of capital expenditure across agencies in 2008-09 is shown in Chart 1.6. The top 20 agencies account for \$12.4 billion or 89.2 per cent of the total expenditure.

Chart 1.5: State Capital Expenditure 2008-09^(a)



(a) Excludes the public financial enterprise sector.

1.4 PHYSICAL ASSET MAINTENANCE

During 2005-06, NSW Treasury issued guidelines requiring that direct employee costs on asset maintenance activities be reported as part of an agency's maintenance expenditure. This was done to address the variability in and, in particular, understatement of reported maintenance expenditure. This requirement has resulted in a more comprehensive and consistent reporting of physical asset maintenance costs.

The maintenance expenditure estimates for the general government and PTE sectors under the new reporting regime are set out in Table 1.3.

Table 1.3: Maintenance Expenses^(a)

	2007-08		2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>	<i>Forward estimates</i>		
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
General Government Sector	1,669	1,893	1,971	2,114	2,207	2,285
Public Trading Enterprise Sector	1,964 ^(b)	1,963	2,072	1,981	1,962	2,013
Total	3,633	3,857	4,043	4,095	4,168	4,298

(a) Excludes the public financial enterprise sector.

(b) Budget for 2007-08 adjusted for re-classification of maintenance expenditure.

In 2007-08, maintenance expenses in the general government sector are expected to be around \$1.9 billion – 13.4 per cent or \$224 million above Budget. This reflects increased repair costs incurred by the RTA following the floods in the Central and North Coasts over the last 12 months and other road maintenance projects. Maintenance expenses in the PTE sector are on budget.

Expenditure on asset maintenance in 2007-08 is equivalent to 2.7 per cent of the Government's total built asset holdings at 30 June 2008. This percentage is estimated to remain at 2.7 per cent for 2008-09. The Government's asset management policies are described in Section 2.3.

CHAPTER 2: POLICIES

2.1 PLANNING

In 2006 the Government released the *State Plan: A New Direction for New South Wales*. The State Plan sets clear priorities and targets for Government action and establishes new accountability structures to deliver on the priorities. One of these priorities is P2 - Maintain and invest in infrastructure, and is delivered via the Budget and the 10 year *State Infrastructure Strategy*.

A number of other State Plan priorities drive infrastructure planning and decision making. For example, the State's metropolitan and regional strategies and cities plans are consistent with delivering State Plan Priorities E6 - Housing Affordability and E5 - Jobs Closer to Home. These strategies and plans set the background for the *State Infrastructure Strategy* and agencies' asset planning.

The Government is also engaged in a program of reform to the NSW planning system. A key feature of the reforms is far greater emphasis on the upfront investigation and resolution of infrastructure requirements for land release proposals. These reforms aim to reduce the regulatory burden and assist infrastructure agencies in the timely delivery of projects.

METROPOLITAN STRATEGY

The *Metropolitan Strategy* is the Government's long-term plan for efficient and sustainable growth in the Sydney region over the next 25 years and is designed to maintain Sydney's status as Australia's primary global city. Sydney is expected to grow by 1.1 million people over the period, from 4.2 million in 2004 to 5.3 million in 2031.

Draft metropolitan regional strategies have been prepared to interpret the actions and objectives of the *Metropolitan Strategy* at local and subregional levels. These will aid agencies and local government in their strategic planning.

Key directions and key actions are listed in each subregional strategy. There are dwelling and employment capacity targets by local government area for each subregion to 2031, with specific targets for important employment centres. These targets will ensure there is sufficient capacity to cater for future growth and changes to each subregion.

<i>Metropolitan Subregion</i>	<i>Additional dwellings</i>	<i>Additional jobs</i>	<i>Status</i>
East	20,000	25,000	Draft released
North East	17,300	19,500	Draft released
Inner North	30,000	60,000	Draft released
North	21,000	13,500	Draft released
South	35,000	29,000	Draft released
South West	155,000	89,000	Draft released
North West	140,000	130,000	Draft released
West Central	95,500	61,000	Draft released
Inner West	30,000	10,000	Draft pending
City of Sydney	55,000	58,000	Draft pending

REGIONAL STRATEGIES AND CITIES PLANS

Seven government strategies have been released or are being finalised for regional New South Wales. They plan for increased population and job opportunities to 2031 as listed below.

<i>Region</i>	<i>Additional people</i>	<i>Additional dwellings</i>	<i>Additional jobs</i>	<i>Status</i>
Lower Hunter	160,000	115,000	66,000	released
Far North Coast	60,400	51,000	32,500	released
South Coast	60,000	45,600	25,800	released
Mid North Coast	91,000	58,400	47,000	exhibited for public comment
Illawarra	47,600	38,000	30,000	released
Central Coast ^(a)	64,250	36,000	35,300	exhibited for public comment
Sydney Canberra Corridor	44,200	25,200	27,800	exhibited for public comment

(a) The Central Coast is also a sub-region of the Metropolitan Strategy.

The regional strategies identify sufficient residential and employment land capacity to sustainably accommodate projected population growth. The strategies provide a clear understanding of where expected future growth is to occur in regional areas.

The Government has also delivered visions, detailed planning and civic improvement strategies for the six regional cities of Wollongong, Gosford, Parramatta, Penrith, Liverpool and Newcastle. Each city planning vision has been developed in partnership with the relevant local council. These plans are designed to boost job, housing and lifestyle opportunities and will support these cities maintain their status as drivers of the NSW economy.

2.2 STATE INFRASTRUCTURE STRATEGY

The *State Infrastructure Strategy* (SIS) is a rolling 10 year strategy to plan and fund the infrastructure that supports growth in New South Wales and the services that the Government delivers. The SIS is guided by agency Total Asset Management plans and forms the link between the four forward years in this Budget Paper, the 10 year State Plan, and the 25 year metropolitan and regional strategies.

The initial SIS published in 2006 covered 2006-07 to 2015-16. An updated SIS will be published every two years, with the next release in June 2008. The SIS forecasts the major expected capital priorities for the coming decade, with final project approval subject to completion of detailed planning and normal budget processes. The SIS is regularly reviewed within Government as infrastructure requirements and priorities can and do change.

The initial SIS put forward a substantial program of capital projects over the decade. Total capital expenditure to 2015-16 was forecast at \$110 billion, premised on a sustainable average increase in infrastructure expenditure of 4.6 per cent per annum. The 2008 SIS will update the capital expenditure forecast to 2017-18.

There have been a number of major infrastructure initiatives announced by the Government since the publication of the 2006 SIS, including:

North West Metro and *South West Rail Link* – The North West Metro is the first metro rail line initiative in the new SydneyLink program. It will be a \$12 billion European-style metro line, from the central business district to the city's growth areas in the north-west. The Government is also committed to delivering the \$1.36 billion, 13 kilometre South West Rail Link by 2012. Both of these projects are part of SydneyLink, the new generation public transport network for Sydney.

Water Security – The Sydney Desalination Plant will provide up to 250 million litres of water per day from early 2010. The project will cost about \$1.9 billion and, as a non-rainfall dependent source of water, it will significantly improve Sydney's water security.

The \$379 million¹, 450 billion litres Tillegra Dam project will secure water supplies for the lower Hunter and Central Coast for the next 60 years. Hunter Water expects the first water from Tillegra Dam to be available around 2013.

Energy Security – The Owen Inquiry into Electricity Supply found that New South Wales needs to prepare for additional baseload generation capacity by 2013-14. Creating the conditions for the private sector to invest in baseload generation will save NSW taxpayers from investing up to \$15 billion over the next 10 to 15 years.

Barangaroo – In 2006, the Government unveiled the blueprint for the development of Barangaroo, the renewal of a 22 hectare port precinct on the western edge of Sydney's central business district. The Government determined that this site will be renewed as an extension of the central business district with a significant new foreshore park. Supporting transport infrastructure could include new public transport ferry wharves, bus stations and light rail.

These additional initiatives are now included in the four year capital expenditure estimates to 2011-12, however, expenditure commitments extend beyond this timeframe.

Significant increases in infrastructure spending in both the general government and non-commercial PTE sectors are expected to extend beyond the forward estimates period, driven by several factors – including population growth, ageing and redistribution; advances in technology; and the need for infrastructure renewal in several sectors.

In order to ensure ongoing sustainability, future infrastructure investment and the budget operating result that supports it will need to be carefully managed. To manage any potential risks, Treasury has refined the process by which agencies plan and budget for future capital investments. The objective underlying the changes is to increase the information available to the Government to forecast capital requirements and prioritise investments on a whole-of-Government basis over the medium term. The State Plan will play a key role in guiding the prioritisation of existing and future infrastructure and service delivery initiatives.

¹ Previously reported as real 2006-07 dollars. Current estimates include inflation costs. Including proceeds from the sale of excess land acquired as part of the project, the net cost will be \$344 million.

2.3 ASSET MANAGEMENT AND PROCUREMENT

ASSET MANAGEMENT AND THE BUDGET PROCESS

Sound management of existing and newly acquired infrastructure and other physical assets helps ensure that services are delivered efficiently and effectively over the longer term. This requires an appropriate balance between the acquisition of new assets and the efficient utilisation of existing assets, including disposal of those that are surplus.

This balance is achieved through application of the Government's Total Asset Management (TAM) policy, enabling closer integration of the physical asset planning for each agency with the budget process. Through TAM, agencies align their asset planning and management with their business and service delivery priorities and strategies as set out in their Results and Services Plans. They review business and service delivery options, including addressing any bias towards acquisition of new capital assets at the expense of appropriate asset maintenance on a whole-of-life basis.

The TAM approach encourages agencies to reduce asset dependency through less asset-intensive solutions and also encourages agencies to dispose of unnecessary and/or non-performing assets.

In 2007-08, the Government introduced an annual Infrastructure Review as part of the budget process. As part of the Review, the Government considers the 10 year project proposals set out in agency TAM plans. The review not only considers individual agency plans but assesses the aggregate capital requirements of all agencies over this period within the context of the fiscal outlook. This allows the Government to take into account these medium term demands and fiscal constraints when making investment decisions.

The review will guide capital budget decisions, result in feedback to agencies on their infrastructure planning and lead to the development of the SIS.

These changes assist the Government to forecast infrastructure requirements and prioritise investments as well as improve the linkage between physical assets and service delivery.

ASSET MANAGEMENT

In 2006, the Government established the State Property Authority with a core objective of improving the operational efficiency of generic assets. Generic assets include office accommodation, depots, warehouses and car parks. To underpin the Authority's role, a suite of operating and guiding property principles have been developed. The Government Property Principles outline details of the property policy framework as well as other considerations relating to property title, preferred office locations, provision of car parking, lease precommitments, sale and lease back proposals and fitout amortisation.

Two principles, in particular, will improve management of office accommodation:

- ◆ all owned office buildings will be progressively vested in the State Property Authority. The first tranche will be vested from 1 July 2008 and
- ◆ the State Property Authority will assume lease negotiation and management responsibility for all leased office space and other leased property assets.

The consolidation of generic property assets in a specialist agency will lead to improved asset management through better space, facility and contract management and lease negotiation.

PROCUREMENT POLICY

The Government's Procurement Policy objectives are value for money, fairness of process and probity. The 2004 Procurement Policy reforms emphasise better upfront planning by agencies prior to funding decisions being made. They also focus on improved procurement discipline, risk management and agency accountability with the aim of reducing time and cost overruns on projects. Key elements of the reforms include simplification of existing policy, application of a Gateway review process, accreditation of agencies and enhanced Treasury monitoring. In 2007-08, further reforms were introduced to improve information and communication technology (ICT) governance and the assessment of service delivery options early in the project planning process.

Simplification of Policy

Separate process maps for construction, goods and services, ICT, accommodation and property procurement have reduced complexity and improved compliance by agencies. Further opportunities to simplify policy, including a single procurement website concept, will be implemented in 2008-09.

The Gateway Review Process

The Gateway review process provides an independent assessment of a project at key stages of the procurement process.

Since 2004-05, Business Case Gateway Reviews have been mandatory for all high value, complex or innovative procurements prior to the funding decision. In 2007-08, Strategic Gateway Reviews also became mandatory for larger projects. These Strategic Gateway Reviews aim to assist in identifying alternative strategic delivery options, as well as the merits and potential risks associated with proposed projects early in the planning process.

To date 162 projects with a total value of \$11.9 billion have undergone Gateway reviews, mainly at the business case stage. All types of procurement projects (construction, ICT, goods and services and real property) have been reviewed.

Agency Accreditation

Accreditation drives the effective use of internal and external expertise in procurement, ensuring that agencies whose core function does not include procurement have access to resources and/or expertise. Thirteen agencies are currently accredited for planning construction procurement and seven of these are accredited for project delivery. An accreditation scheme for goods and services procurement was developed in 2007-08.

Treasury Monitoring

Treasury is proactive in monitoring major or complex capital works projects, including reviewing business cases and Gateway reviews prior to submission for funding approvals. It also reviews reports on procurement options, pre-tender estimates, contract award recommendations and exception reports during project delivery to confirm the validity of the initial business case.

2.4 FUNDING OF INFRASTRUCTURE EXPENDITURE

Capital investments are ultimately funded by revenues. Debt financing can only be used to bridge any timing mismatch between capital expenditure and receipt of revenues.

Details underlying funding of the capital program in this budget year and over the forward estimate period is described in Budget Paper No. 2 *Budget Statement*.

New South Wales holds a Triple A credit rating, which reflects the State's strong financial position and its ability to service its debt obligations. Maintaining the rating is important for budgetary flexibility and business and investor confidence, and is one of the priorities in the State Plan.

A strong balance sheet provides New South Wales with the flexibility to manage fluctuations in short-term revenue, such as those that follow from movements in the property cycle. This enables service delivery to be maintained at desired levels.

User Charges

Users are charged for government services where they are of significant direct benefit to the users and the users are in a position to pay. The payment may not be for the full cost of service to allow for the financial circumstances of users and for any benefits received by the wider community.

For example in 2008-09, CityRail's fare revenue as a proportion of operating expenses, excluding depreciation, is estimated to be only 24.6 per cent. Total Government grants to non-commercial PTEs, account for an estimated 55 per cent of their revenue.

Prices charged by PTEs (such as for electricity and water) are set by independent regulators who allow for a commercial rate of return on efficient capital expenditure.

Budgeted asset acquisitions of \$6.3 billion in 2008-09 for the PTE sector will earn a commercial rate of return through regulatory pricing determinations in the water, electricity network and ports sectors. The balance, approximately \$2.1 billion, is forecast to be spent in non-commercial PTE sectors – transport and housing – and is largely Budget funded.

While commercial investments are repaid through increased revenues and efficiencies, the total level of debt financing is limited by the investment risks – similar to any private commercial business.

Development Contributions

Development contributions are a form of user charges. They are contributions made by developers to State and local governments to help fund the infrastructure (roads, open space, waste-water treatment, etc.) requirements that new developments generate.

In October 2007, the NSW Government announced a new framework for levying developer contributions for infrastructure. This will result in a reduction in the level of contributions paid by developers and, ultimately, result in savings to homebuyers.

The revised framework is to be applied across the State and reflects incremental costs attributable to specific developments. This new framework involves a notional separation between infrastructure related to the development of the land and infrastructure required due to population growth. The former will be from development charges while infrastructure related to population growth will be funded by existing State taxes, or in the case of councils, rate revenue.

Australian Government Infrastructure Reforms

On 20 December 2007, the Council of Australian Governments (COAG) agreed to a revitalised COAG Reform Agenda underpinned by a common commitment to clear reform objectives and outcomes. Commonwealth-State Working Groups, chaired by the relevant Commonwealth Minister, have been established to deliver reforms in seven national priority reform areas. Infrastructure is one of the nominated reform priority areas.

The *Infrastructure Working Group* will focus on better coordination of infrastructure planning and investment across the nation, and identifying and removing blockages to productive investment in infrastructure.

The Australian Government has established Infrastructure Australia to develop a strategic blueprint for removing infrastructure bottlenecks and modernising the nation's transport, water, energy and communication assets. During 2008, Infrastructure Australia will conduct a National Infrastructure Audit, which will draw on state submissions and recommend national priorities to the Australian Government to invest its funds in economic infrastructure that enhances productivity.

The NSW Government is working collaboratively with the Australian Government, and other state and territory governments, to better coordinate infrastructure planning and investment.

2.5 PRIVATELY FINANCED PROJECTS

Privately Financed Projects (PFP) are one of a number of options the Government uses to procure infrastructure. Private sector financing is only used where it provides the best value-for-money outcome. Such projects are conducted in strict accordance with the well established *Working with Government Guidelines for Privately Financed Projects* (WWG). Contracts that have recently been awarded include:

- ◆ Orange Hospital Redevelopment and Associated Services (awarded)
- ◆ Bonnyrigg Living Communities Project (awarded)
- ◆ Rail Corporation Electric Passenger Rollingstock (under construction)
- ◆ Long Bay Prison and Forensic Hospitals (under construction)
- ◆ New Schools Project 2 (10 new schools) (under construction)
- ◆ Newcastle Mater Hospital Redevelopment (under construction) and
- ◆ Colongra Gas Pipeline (under construction).

In addition, the Royal North Shore Hospital Redevelopment, Stage 2 is currently under tender.

CHAPTER 3: GENERAL GOVERNMENT INFRASTRUCTURE EXPENDITURE

3.1 OVERVIEW

General government sector agencies provide essential public services in areas such as health, education and public order and safety. The sector, in the main, comprises those agencies that receive funding from the Budget.

Processes are in place to ensure that the capital funding program for agencies in this sector reflects Government priorities and resource capabilities. These processes include strategic planning, Total Asset Management (TAM) and the procurement policy, as outlined in Chapter 2.

3.2 2007-08 CAPITAL EXPENDITURE

At \$4.9 billion, the revised 2007-08 capital expenditure for the general government sector is within 1.5 per cent of budget.

Major projects completed, or due to be completed, in 2007-08 (with estimated total costs) include:

- ◆ 29 school and seven TAFE projects including major upgrades/enhancements at Concord West Public School, Ulladulla High School and Guyra Central School; and at Granville, Griffith, Queanbeyan and Tamworth TAFEs (\$304 million)
- ◆ the North-West Transitway, Windsor Flood Evacuation Route and the upgrade of the Pacific Highway from Yelgun to Chinderah (more than \$850 million) and
- ◆ Gosford Hospital, Bathurst Hospital Redevelopment, Lismore Hospital Stage 1 (Mental Health) and Rozelle Mental Health Facility Relocation (\$145 million).

3.3 2008-09 CAPITAL EXPENDITURE

Capital expenditure in the general government sector for 2008-09 is expected to be \$5.5 billion. This is a 10.9 per cent or \$540 million above the 2007-08 Budget. Most of the increase is for increased funding for education, roads, health, accommodation for the aged and disabled, bus purchases for State Transit and private bus operators, and land purchases for planned new rail corridors in the north west and south west of Sydney.

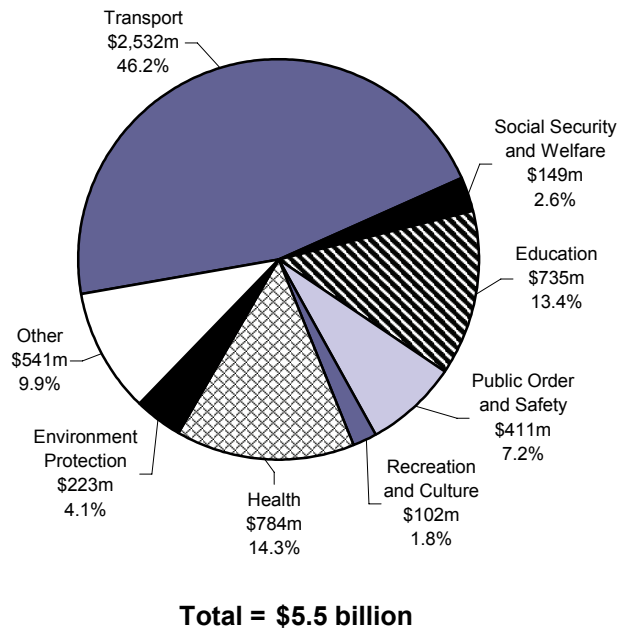
Major new projects commencing in 2008-09 (with the estimated total cost) include:

- ◆ 19 major new school projects (including new schools at Elderslie, Kariong, Middleton Grange, Rouse Hill and Wilton) and 12 new TAFE projects (\$246 million)
- ◆ M5 East Filtration (\$65 million), Alford's Point Bridge northern approach (\$61 million), Victoria Road upgrade (\$150 million), Great Western Highway widening at Lawson (\$220 million) and Wentworth Falls, and Hume Highway lane separation
- ◆ 263 new buses for State Transit and private bus operators (\$110 million), with orders placed for a further 150 buses (\$112 million)
- ◆ redevelopment of Narrabri Hospital, Lismore Integrated Cancer Care, ambulance infrastructure and other new health projects (\$264 million)
- ◆ accommodation for the disabled under the Stronger Together program (\$91 million)
- ◆ redevelopment of the Riverina Juvenile Justice Centre (\$56 million)
- ◆ Riverstone Police Station and Lake Macquarie Local Area Command Police Station (\$35 million) and
- ◆ bio-security upgrade at the Elizabeth Macarthur Agricultural Institute, Menangle (\$43 million).

These initiatives and other features of the general government sector's 2008-09 capital expenditure program are discussed in detail under each policy area.

Health, transport (roads), education and public order and safety policy areas account for 82.3 per cent of the general government sector's 2008-09 capital program (refer Chart 3.1).

Chart 3.1: General Government Sector Capital Expenditure, 2008-09: by Policy Area



HEALTH

In 2008-09, capital expenditure in the health policy area will total \$784 million. This is a 19.3 per cent increase on the \$657 million budgeted in 2007-08. The health policy area largely comprises the Department of Health's capital expenditure of \$779.5 million. The balance of the health policy area comprises capital expenditure by the Cancer Institute NSW (\$3 million), Health Care Complaints Commission (\$191,000) and NSW Food Authority (\$1.7 million).

The \$779.5 million capital expenditure for the Department of Health includes recognition of \$85.8 million for the Mater Hospital redevelopment and \$81.6 million for the Forensic Hospital at Long Bay Correctional Facility, as privately financed projects (PFPs). The total represents an increase of 19.1 per cent over the prior year capital expenditure of \$654.3 million. In addition, the operating budget for the Department of Health in 2008-09 includes \$60 million recurrent expenditure on capital works, bringing the Department's total capital works program for 2008-09 to \$839.5 million.

Over the next four years, the Department of Health will undertake a substantial capital works program totalling \$2.3 billion, including the recurrent expenditures on capital (capital expensing). Major new works commencing in 2008-09 have an estimated total cost (ETC) of \$264 million, including \$88.8 million capital expenditure in 2008-09. These funds will be directed to the following priority areas:

- ◆ *Hospital Upgrades* – \$41.7 million ETC (\$5.6 million in 2008-09), for the redevelopment of Narrabri Hospital and \$27 million ETC for Lismore Hospital Integrated Cancer Care Centre (\$12.2 million in 2008-09)
- ◆ *Ambulance Infrastructure Program* – \$17 million ETC (\$6.9 million in 2008-09) for the Electronic Patient Record, the medical equipment program, the Government Radio Network and Private Mobile Radio Network, and new ambulance stations at Batemans Bay and Byron Bay
- ◆ *Rural Hospital and Health Service Program Phase 4* – \$31 million ETC (\$7.8 million in 2008-09) for Multi-Purpose Service projects at Coonamble and Manilla
- ◆ *Equipment* – \$11.9 million ETC (\$10.9 million in 2008-09) for supplementation of a range of medical imaging, patient monitoring equipment and other equipment in hospitals across New South Wales
- ◆ *Radiotherapy Services* – \$20 million ETC (\$10 million in 2008-09) for the development of radiotherapy services at Orange Base Hospital and other minor works
- ◆ *Cyclic Maintenance Program* – \$78.3 million ETC (\$3.1 million in 2008-09) for cyclical asset maintenance for the Department of Health's PFPs
- ◆ *Local Initiatives* – \$8 million ETC in 2008-09 to support local service delivery priorities such as equipment upgrades and minor refurbishments that can be funded by Area Health Services sources such as donations and asset sales
- ◆ *Mental Health Stage 4A* – \$2.6 million ETC (\$2 million in 2008-09) for a Psychiatric Emergency Care Centre at Prince of Wales Hospital and
- ◆ *Planning Funds* – \$26.5 million ETC (\$22.3 million in 2008-09) for planning future new works including Mental Health Stage 4 (including a new unit at Hornsby Hospital), Rural Hospital and Health Services Phase 4, Information and Communications Technology (ICT) strategy, and hospital projects including Wagga Wagga.

These priorities reflect the Government's commitment to meet the needs in population growth areas, improve clinical services in rural areas, streamline corporate and clinical services, and expand and improve cancer care.

In addition, \$491.2 million has been allocated to continue work on other major strategies and projects in 2008-09, including:

- ◆ *Auburn Health Services Redevelopment* – \$50.6 million to progress the construction of a new hospital on the existing Auburn Hospital site to provide a comprehensive range of services
- ◆ *Central Coast Health Access Plan* – \$5.9 million to complete the redevelopment of Wyong and Gosford Hospitals
- ◆ *Central Sydney Resource Transition Program* – \$7.4 million to continue the upgrade of Royal Prince Alfred Hospital
- ◆ *Liverpool Hospital Stage 2* – \$106.2 million to continue the major redevelopment of Liverpool Hospital to support the forecast service requirements of this growth area
- ◆ *Maitland Hospital Emergency Department* – \$3.5 million to continue the upgrade of the Emergency Department.
- ◆ *Multi Purpose Services and HealthOne NSW* – \$18.7 million to address access and improve health services primarily in rural areas including Multi Purpose Services at Balranald and Eugowra
- ◆ *Nepean Hospital Allied Health Relocation* – \$5.6 million to continue refurbishment of wards in North Block and provide a new building for Aged Care Rehabilitation
- ◆ *Newcastle Strategy* – \$22.4 million to improve hospital and clinical services at John Hunter Hospital and Belmont Hospital and for the costs relating to the PFP at Newcastle Mater Hospital that are the responsibility of the Department of Health
- ◆ *Orange Hospital Redevelopment* – \$5.9 million for the costs relating to the delivery of this PFP that are the responsibility of the Department of Health
- ◆ *Queanbeyan Hospital Redevelopment* – \$2.8 million to complete the redevelopment of the hospital on the current site
- ◆ *Redfern/Waterloo Community Health* – \$4.6 million to redevelop the community health centre on the Redfern Police Station and Courthouse site

- ◆ *Royal North Shore Hospital Redevelopment* – \$61.4 million for redevelopment of the main hospital and community health facility, and for the completion of the Research and Education Building which is being jointly funded by the University of Sydney
- ◆ *Ryde Hospital Upgrade* – \$2.5 million to complete the upgrade of Ryde Hospital
- ◆ *Improved Mental Health Facilities* – \$37 million to continue work on various projects that include the Mandala Mental Health Unit at Gosford Hospital, Psychiatric Emergency Care Centre and Illawarra Older Persons Mental Health Unit at Wollongong Hospital, Child and Adolescent Units at the Sydney Children’s Hospital and at Shellharbour, and Non Acute Mental Health Units at Sutherland, Shellharbour, St George, James Fletcher and Coffs Harbour Hospitals. This also includes the Department of Health costs for the delivery of the Forensic and Tertiary Mental Health Units at Bloomfield Hospital as part of the Orange Hospital Redevelopment PFP
- ◆ *Rural Hospitals and Health Services* – \$10.5 million to redevelop or upgrade 13 rural hospitals and multipurpose health services, including Bingara, Merriwa, and Warialda, and a further \$14 million to progress a range of other rural projects including the Manning Base, Grafton Base, and Singleton Hospital Emergency Departments, Nyngan Health Service, Ballina Rehabilitation Unit and site acquisition at Byron Bay
- ◆ *NSW Ambulance Service* – \$15.3 million to redevelop stations at Auburn, Deniliquin, Liverpool, Nelson Bay and Ryde as well as fleet and medical equipment upgrades
- ◆ *Breast Cancer Screening, Cancer Institute Program* – \$10.5 million to continue the introduction of digital imaging technology to provide improved breast cancer detection
- ◆ *Rural Cardiac Catheterisation Laboratory Strategy* – \$3 million to progress a Cardiac Catheterisation Unit at Lismore Hospital
- ◆ *Information and Communication Technology* – \$56.5 million to upgrade patient, clinical and corporate services ICT systems including the State-wide implementation of the Human Resource Information System, Business Information Strategy, Medical Imaging, Financial Management Information System, and procurement systems
- ◆ *Hyperbaric Chamber* – \$5.6 million to replace the hyperbaric chamber at Prince of Wales Hospital which is used for treating decompression illness and advanced wound management

- ◆ *Pathways Home Program* – \$3.4 million to complete improvements to ambulatory care, rehabilitation, transitional care and community health units at various locations throughout the State
- ◆ *Shared Corporate Services* – \$29.9 million to continue the implementation of the state-wide business model for managing and delivering shared corporate and business services across the NSW Health system and
- ◆ *Bowral Paediatric Unit* – \$2.7 million for the upgrade and expansion of the existing Paediatric Unit at Bowral Hospital.

The Department of Health will also continue its program of Privately Financed Projects (PFP). During 2008-09 two projects will be completed:

- ◆ *Newcastle Mater Hospital Redevelopment* – to include the existing hospital services as well as mental health services relocated from James Fletcher Hospital. The final stages are due for completion in 2008-09 with a value of \$85.8 million.
- ◆ *Forensic Hospital* – to provide a new 135-bed facility to be located at Long Bay Correctional Centre. The final stages are due for completion in 2008-09 with a value of \$81.6 million.

One project has been structured as a PFP since the last Budget:

- ◆ *Orange Hospital Redevelopment* – the project involves the construction of a new acute hospital, associated services, and Forensic and Tertiary Mental Health Units on the Bloomfield Hospital site. The project will be completed in two stages, \$3.7 million in 2009-10 and \$155.4 million in 2010-11.

The Department of Health will also assess proposals from the private sector for the redevelopment of Royal North Shore Hospital.

EDUCATION

The Government continues to provide the best possible environment in our public schools and TAFE facilities to support learning by students, to support teachers, and to provide the skilled workforce required by employers. Capital expenditure in the education policy area will total \$735 million in 2008-09.

The Department of Education and Training will spend \$732 million in 2008-09. This includes \$120 million from the Commonwealth Government for its election commitments for the Digital Education Revolution and Trade Training Centres.

Over the next four years, more than \$2 billion will be spent on delivering the largest public education and training capital works program ever undertaken in New South Wales.

This includes funding for the following 2007 NSW election commitments:

- ◆ \$280 million for the *Building Better Schools* initiative which includes the upgrading of 800 science laboratories; construction of a further 18 primary school halls and 10 high school gyms; and additional toilet upgrades, electrical upgrades and security fences
- ◆ \$119 million for the *Connected Classrooms* initiative, focussed on the use of videoconferencing and interactive whiteboards, and tools that enable the sharing of information in interactive environments
- ◆ \$50 million for the *School Sport* initiative to improve sport facilities and equipment in government schools
- ◆ \$20 million for the *Climate Change* initiative to provide water tanks for government schools and
- ◆ \$19 million for the *Learn or Earn* initiative, which includes the provision of an additional 15 new trade schools across schools and TAFE colleges.

In 2008-09, the Department will:

- ◆ start 16 major new building projects in schools, at an estimated total cost of \$148 million (\$18 million in 2008-09), including various upgrades, replacement of demountable classrooms with permanent facilities, libraries, school halls and gymnasiums
- ◆ spend \$94 million on major information technology projects – the *Connected Classrooms* initiative and the Learning Management and Business Reform program
- ◆ continue the implementation of 42 major building works projects at schools commenced in previous years at an estimated total cost of more than \$308 million (\$128 million in 2008-09)
- ◆ continue the provision of new schools under a privately financed project arrangement at a total estimated cost of more than \$106 million. Three more schools will be completed for 2009, with public schools at Elderslie and Middleton Grange and a high school at Rouse Hill

- ◆ commence 12 new TAFE projects at an estimated total cost of \$60 million (\$8 million in 2008-09), including facilities at Granville, Hamilton, Macquarie Fields and Temora and
- ◆ continue the implementation of 22 TAFE projects commenced in previous years at an estimated total cost of more than \$135 million (\$49 million in 2008-09). This includes works at Blue Mountains (Katoomba), Dubbo, Ryde and Tamworth TAFE colleges.

In addition, around \$370 million will be spent in 2008-09 on school minor works, including upgrading of student and teacher facilities and new technology and computers for schools. The TAFE minor works program of \$27 million includes building upgrades at TAFE facilities and new and replacement equipment. Some of the projects in the capital works program will attract Commonwealth Government funding.

PUBLIC ORDER AND SAFETY

The Government has provided \$411 million for capital expenditure in the public order and safety area in 2008-09. This is \$22.6 million, or 5.8 per cent, higher than the amount allocated last year.

The program provides for the following key initiatives:

- ◆ \$158.2 million for capital works by the NSW Police Force including:
 - \$61 million for new and continuing works to upgrade and replace police stations at Riverstone, Glendale, Parramatta, Camden, Granville, Kempsey, Lake Illawarra Local Area Command, Raymond Terrace, Windsor, Wyong, Burwood, Leichhardt Local Area Command, Dubbo, Wagga Wagga, Orange, and The Rocks
 - \$2.4 million to upgrade the Sydney Police Centre
 - \$4 million for a new forensic information management system
 - \$46.8 million to upgrade Police's Core Operating Policing System and undertake other information and communications technology projects, including the upgrade of mobile data terminals
 - \$16.6 million for radio network and communication infrastructure upgrades and
 - \$25.3 million to replace information technology and other equipment and complete minor building works.

- ◆ \$97.3 million for capital works by the Department of Corrective Services including:
 - \$70.6 million (ETC \$296.4 million) for the continued planning and construction of an additional 1,000 inmate beds, including 250 beds at Cessnock and a new 500 bed facility at Nowra
 - \$10 million to continue the redevelopment of the Silverwater Women's Correctional Centre (formerly Mulawa)
 - \$1.5 million towards the implementation of information technology systems to assist in electronic case management and to manage corporate and organisational information
 - \$1.5 million for continuing refurbishment works at the Kariong Juvenile Correctional Centre and
 - \$1.5 million to complete enabling works associated with the 85 bed prison hospital at the Long Bay Correctional Centre.

- ◆ \$50.1 million for capital works within the Attorney General's Department including:
 - \$6.9 million for the refurbishment of the Parramatta Local Court to complete the Sydney West Trial Courts complex
 - \$3.2 million for the continuing roll out of the remote witness program to provide closed circuit television facilities at a number of courts
 - \$2.6 million for the Registry of Births, Deaths and Marriages' Technology Upgrade Program
 - \$20.5 million for the Court Upgrade Program to improve service delivery at various courthouses across New South Wales and
 - \$13.2 million for the ongoing upgrade and replacement of the Department's plant and equipment and other minor works.

- ◆ \$45.9 million for capital works by the NSW Fire Brigades including:
 - \$18 million for an ongoing program to acquire and replace fire fighting appliances
 - \$5 million for fire station renovations at Dunheved, Silverwater, Glebe, Darlinghurst, Chester Hill, Gloucester, Coffs Harbour, Grenfell and Batlow
 - \$2.4 million for community fire units
 - \$15.5 million for fire fighting and counter terrorism plant and equipment and
 - \$3.6 million for information technology and station communications equipment.

SOCIAL SECURITY AND WELFARE

The social security and welfare policy area capital expenditure will total \$149 million in 2008-09. Funding will support the following key initiatives:

- ◆ \$115.2 million for capital works by the Department of Ageing, Disability and Home Care including:
 - \$35 million for new accommodation facilities for clients under Stronger Together
 - \$11.9 million to reconfigure the Grosvenor and Lachlan Centres as specialist State-wide accommodation services for people with complex health care needs and challenging behaviours, respectively
 - \$13.6 million for the redevelopment of the Peat Island facility to a 100-bed aged care facility and a 20-bed cluster accommodation
 - \$19 million for acquisition of supported accommodation places for new clients and
 - \$16.2 million for improvements to and replacement of the Department's existing accommodation facilities.
- ◆ \$29.8 million for capital works by the Department of Community Services, including \$26.8 million for accommodation of new and existing caseworkers.

TRANSPORT

The transport policy areas capital expenditure in 2008-09 is budgeted at \$2.5 billion. This compares to the \$2.3 billion budgeted for 2007-08, and represents an increase of \$196 million or 8.4 per cent. There are a number of key initiatives being undertaken in the transport policy area.

Chapter 4 provides details of transport projects undertaken by rail, bus, ferry and port corporations, which are all in the PTE sector.

Roads

Capital expenditure by the Roads and Traffic Authority on State roads is budgeted at \$2.2 billion, about 87 per cent of the transport spending. Major road projects are:

- ◆ Sydney Region
 - complete Castle Hill Eastern Ring Road (\$3 million in 2008-09)
 - commence Falcon St pedestrian bridge, underpass and ramp (\$8 million in 2008-09)
 - continuation of the M5 East Tunnel filtration (\$40 million in 2008-09).
 - complete Alford's Point Bridge duplication and commence Alford's Point Bridge northern approach (\$5 million in 2008-09)
 - commence Bangor Bypass Stage 2 (\$4 million in 2008-09)
 - complete Mamre Road, M4 overpass duplication (\$10 million in 2008-09)
 - complete widening of the F3 from Mount Colah to Cowan, jointly funded with the Commonwealth (\$30 million in 2008-09)
 - complete the F3 Incident Management Scheme (\$23.4 million in 2008-09)
 - complete widening of Cowpasture Road from Main Street to Camden Valley Way (\$13 million in 2008-09)
 - continue widening Cowpasture Road, M7 to North Liverpool Road (\$12 million in 2008-09), upgrading Camden Valley Way (\$11 million in 2008-09), and Hoxton Park Road (\$15 million in 2008-09)

- continue Pinch Point Strategy (\$15 million in 2008-09)
- commence the Victoria Road upgrade, including Iron Cove Bridge duplication (\$40 million in 2008-09)
- continue planning for Riverstone Railway overpass (\$2 million in 2008-09), the M4 Extension (\$2 million in 2008-09) and the F3 Freeway to M2 motorway link (\$0.5 million in 2008-09) and
- undertake a corridor improvement study for the M5 East corridor, jointly funded with the Commonwealth (\$15 million in 2008-09).

◆ Pacific Highway

- continue dual carriageways between Tuggerah and Wyong (\$13 million in 2008-09), and Lisarow to F3 Stage 2, Glen Road to Burns Road (\$18 million in 2008-09)
- continue planning Lisarow to F3 Stage 3, Railway Crescent to Glen Road (\$2 million in 2008-09)
- complete Bonville bypass dual carriageways, jointly funded with the Commonwealth (\$30 million in 2008-09)
- continue dual carriageways on Karuah to Bulahdelah Stage 2 and 3, jointly funded with the Commonwealth (\$80 million in 2008-09)
- continue works, jointly funded with the Commonwealth, on Coopers Creek to Moorland dual carriageways (\$75 million in 2008-09), Moorland to Herons Creek (\$175 million in 2008-09), and Bulahdelah bypass, dual carriageways (\$25 million in 2008-09) and
- continue Ballina bypass, dual carriageways, jointly funded with the Commonwealth (\$110 million in 2008-09).

◆ Great Western Highway

- complete widening, Leura to Katoomba Stage 2, from East View Avenue to Bowling Green Avenue (\$12 million in 2008-09)
- continue widening to four lanes between Woodford and Hazelbrook (\$21 million in 2008-09)

- commence widening, at Lawson, to four lanes between Ferguson Avenue and Ridge Street (\$30 million in 2008-09) and Wentworth Falls East between Tableland Road and Station Street (\$5 million in 2008-09) and
 - continue route selection and planning, Mount Victoria to Lithgow (\$2.4 million in 2008-09).
- ◆ Hume Highway
- continuation of planning, jointly funded with the Commonwealth, for widening the Hume Highway to four lanes between Brooks Road and Narellan Road (\$1 million in 2008-09) and
 - continue works, funded by the Commonwealth, for Coolac Bypass (\$68 million in 2008-09), duplication of Sheahan Bridge in Gundagai (\$43 million in 2008-09) and Southern Hume duplication (\$450 million in 2008-09).
- ◆ Princes Highway
- continue works jointly funded with the Commonwealth, on Conjola Mountain realignment (\$20 million in 2008-09)
 - continue the Wollongong Northern Distributor extension (\$33 million in 2008-09) and dual carriageways between Oak Flats to Dumore (\$45 million in 2008-09)
 - complete safety upgrade, jointly funded with the Commonwealth, between South Nowra and Jervis Bay Road (\$11.8 million in 2008-09)
 - complete Kiama Ramps (\$4 million in 2008-09)
 - commence Lawrence Hargrave Drive intersection upgrade (\$6 million in 2008-09) and
 - continue route selection and planning for Gerringong to Bomaderry (\$4 million in 2008-09).
- ◆ Other Regional Roads
- complete the upgrading of Weakleys Drive interchange on New England Highway, funded by the Commonwealth (\$15.8 million in 2008-09)
 - commence New England Highway, Sunnyside realignment, funded by the Commonwealth (\$7.6 million in 2008-09)

- complete widening of the Central Coast Highway to four lanes from Ocean View Drive to Tumbi Road (\$2 million in 2008-09) and commence Carlton to Ocean View (\$17 million in 2008-09)
- continue the replacement of Tourle Street Bridge over the Hunter River on Nelson Bay Road (\$20 million in 2008-09)
- continue the third Hunter River crossing (\$10 million in 2008-09)
- continue works, jointly funded by the Commonwealth and local governments, for upgrading road from Nowra to Nerriga (\$15 million in 2008-09)
- continue the Newell Highway Moree Bypass funded by the Commonwealth (\$18 million in 2008-09)
- continue the Bruxner Highway, Alstonville Bypass funded by the Commonwealth (\$13.6 million in 2008-09)
- continue the Oxley Highway upgrade from Wrights Road to the Pacific Highway (\$16 million in 2008-09)
- commence planning and preconstruction for the Barton Highway duplications, ACT to Hume Highway (\$19 million in 2008-09) and
- commence improvements to the Kings Highway between Queanbeyan and Bungendore funded by the Commonwealth (\$16.3 million in 2008-09).

Other Transport

Other major capital expenditures are by the Minister Administering the Environment Planning and Assessment Act (\$212.5 million), the Ministry of Transport (\$111.5 million) and the Maritime Authority of New South Wales (\$18.7 million). Funding will support the following key projects:

- ◆ \$212.5 million will be available from the Sydney Region Development Fund (established under the *Environmental Planning and Assessment Act 1979*) for land acquisitions for the North West Metro and South West Rail Link

- ◆ \$109.9 million will be available within the Ministry of Transport's program, for new buses being delivered over the next four years, at a total cost of \$221.5 million¹ including:
 - \$60.8 million for 122 replacement buses and 150 new buses to meet passenger growth for the State Transit Authority (STA) and
 - \$48.9 million for 101 replacement buses and 40 new buses to be used by private operators in the metropolitan and outer metropolitan regions.
- ◆ \$18.7 million will be available to the Maritime Authority of New South Wales for various works including \$5.2 million for upgrading of Sydney Harbour commuter and charter wharves, \$3 million to upgrade Ballast Point sewerage pumpout facilities and \$1.2 million for improvements to the cargo facilities at Eden.

ENVIRONMENT PROTECTION

Capital expenditure in the environment protection policy area will total \$223 million in 2008-09. This is around \$133 million more than the 2007-08 Budget, primarily due to a significantly expanded capital program for the Department of Environment and Climate Change (DECC).

Funding in 2008-09 will support the following key initiatives:

- ◆ \$201.2 million will be provided for capital works by the Department of Environment and Climate Change including:
 - \$137.4 million on water purchases under a number of programs such as The Living Murray and the Rivers Environmental Restoration Program
 - a further \$8.2 million to upgrade visitor facilities and other infrastructure within parks
 - \$6.8 million for the replacement of the Parks and Wildlife radio network to ensure effective and safe radio communication during emergencies and bushfires
 - \$6.6 million for land acquisitions for parks across New South Wales

¹ Under new bus contracting arrangements new bus purchases are deemed to have been purchased under a finance lease as control ultimately rests with the Ministry of Transport.

- \$6 million for land acquisitions and park establishment for Brigalow/Nandewar
- \$3.9 million for the upgrade of essential public infrastructure in the Kosciuszko National Park
- \$3.5 million for high resolution satellite imagery to support natural resource decision making and
- \$3.4 million for fire management in accordance with new standards.
- ◆ \$20.2 million will be provided for the continued acquisition and improvement through the Sydney Region Development Fund (established under the *Environmental Planning and Assessment Act 1979*) of regionally significant open space land including the Western Sydney parklands, and land required for planning purposes within the Sydney metropolitan area.

RECREATION AND CULTURE

Capital expenditure in the recreation and culture policy area in 2008-09 will total \$102 million. Funding will support the following key initiatives:

- ◆ \$25.3 million for the Department of the Arts, Sport and Recreation, including \$9.9 million to upgrade infrastructure at the Sydney Academy of Sport, and the Jindabyne, Broken Bay and Milson Island Sport and Recreation Centres, \$5.3 million for asset maintenance at various centres, \$6.5 million for information technology projects including a new regulatory information system and an electronic document and records management system and \$2.1 million for upgrading Wharf 4/5, the Gunnery and the Lilyfield arts facility
- ◆ \$18.4 million for the Art Gallery of NSW including \$12.1 million for a new fine arts collection storage facility, an upgraded loading dock and refurbishment of display space, \$2 million for the acquisition of works of art and \$4.3 million for ongoing heritage building upgrade and other building maintenance works
- ◆ \$17.9 million for the Sydney Olympic Park Authority to further develop its significant public assets, including \$9.1 million for supporting infrastructure provided through developer funded works and \$2.5 million for asset replacement and renewal

- ◆ \$10.4 million for the State Library, including \$6.7 million for the acquisition of collection material including books, journals, pictures, maps, manuscripts and electronic resources, \$2.1 million for an expanded electronic catalogue, and \$1.6 million for major asset management
- ◆ \$8.3 million for the Centennial Park and Moore Park Trust to complete its seven-year Park Improvement Plan
- ◆ \$7 million for the Australian Museum, including \$4.5 million to continue its gallery refurbishment and accommodation improvements program which will cost \$40.9 million over five years and will address a range of health, safety and security issues
- ◆ \$4.2 million for the Western Sydney Parklands Trust, including \$2.5 million for a pathway network, \$1 million for recreation facilities and ecological restoration works at Bungarabee Park and \$650,000 for environmental conservation works
- ◆ \$3.6 million for the Historic Houses Trust, including \$2.2 million for the Rouse Hill House and Farm Education Facility, \$960,000 for the replacement of the airconditioning plant at Hyde Park Barracks Museum and \$420,000 for collections acquisition and the replacement and upgrade of computers, plant and equipment
- ◆ \$3.1 million for the Royal Botanic Gardens and Domain Trust, including \$850,000 for the restoration of the Woolloomooloo Sea Wall and \$585,000 for the replacement of IT equipment and
- ◆ \$2.9 million for the Museum of Applied Arts and Sciences for collection maintenance, and the replacement and upgrade of computers and plant and equipment.

OTHER

Capital expenditure for other policy areas will amount to \$541 million in 2008-09. Major expenditure on each policy area covered in this category are outlined below.

Agriculture, Forestry and Fishing

- ◆ \$22.5 million will be provided to the Department of Primary Industries, including:
 - \$4 million to purchase new and replacement plant and equipment
 - \$2.8 million to rationalise and replace information, communications and technology infrastructure
 - \$2.8 million to construct a new laboratory to upgrade research facilities at Wagga Wagga
 - \$8 million for Stage 2 of rationalisation and relocation of facilities from Narara to Somersby
 - \$1.5 million for the Biosecurity Upgrade of Elizabeth Macarthur Agricultural Institute
 - \$350,000 for health, safety, environment and compliance upgrades of laboratories, buildings and infrastructure and
 - \$718,000 for a replacement laboratory at the Port Stephens Fisheries Centre.

- ◆ \$9.5 million will be provided to the Department of Water and Energy, including:
 - \$5.5 million for improved water monitoring and information systems
 - \$1.3 million for a drilling rig and
 - \$2.7 million for general plant and equipment and office refurbishment.

Other Economic Activities

- ◆ \$30.1 million will be provided to the Department of Commerce which includes \$3.1 million for an electronic document and records management system, \$2.5 million to upgrade the Rental Bond Board computer system, \$4.2 million on providing a single call centre and web portal to improve access to government services and \$11.3 million for other computer projects and equipment replacement.
- ◆ A total of \$14.3 million will be spent by the WorkCover Authority which includes \$5.9 million to improve the technology platform on which the core business activities of WorkCover are based, \$4.6 million for a range of software applications to facilitate WorkCover Scheme reforms and \$3.1 million for the ongoing program to upgrade regional office accommodation including Wollongong and Gosford.
- ◆ \$2.5 million will be provided to the Worker's Compensation (Dust Diseases) Board for the replacement and upgrade of computer and scientific equipment.
- ◆ \$1.6 million will be spent by the Department of Primary Industries mainly for mineral resources information systems.
- ◆ \$1.1 million will be provided to the Department of State and Regional Development for office fitout works and tourism signposting initiatives.
- ◆ \$358,000 will be provided to the Department of Water and Energy for the renewal of computer equipment and software.

Housing and Community Amenities

- ◆ \$13.5 million will be spent by the Aboriginal Housing Office, including \$13 million to complete 29 works-in-progress and to commence 27 new dwellings.
- ◆ \$3.7 million will be provided to the Department of Planning, including \$3 million for land acquisitions under the Coastal Land Protection Scheme.
- ◆ \$3.7 million will be spent by the Redfern-Waterloo Authority for precinct improvement works and the commencement of construction of the North Eveleigh pedestrian bridge.

Chapter 4 includes a discussion of capital expenditure on housing by the Department of Housing, City West Housing, Teacher Housing Authority and Landcom, all of which are in the PTE sector.

Other Purposes

- ◆ \$277 million will be provided to the Department of Commerce, including:
 - \$264 million for purchasing motor vehicles for StateFleet² and
 - \$13 million for building repairs, restoration and office rationalisation.
- ◆ \$18.9 million will be spent by the State Property Authority in 2008-09 for major government office building construction and refurbishment works including:
 - \$10 million for the construction of a government office building at Penrith
 - \$2 million for the construction of a government office building at Queanbeyan
 - \$3.2 million for refurbishment of the McKell building in Sydney and
 - \$3.7 million for other building refurbishments and miscellaneous minor works.
- ◆ \$12.5 million will be spent by NSW Businesslink to enhance its shared services technology infrastructure.
- ◆ \$100 million will be allocated under the Treasurer's Advance in 2008-09 as a contingency allowance to cover changes in the scope, timing or cost of planned projects or to fund new initiatives.

² *These motor vehicles are primarily used in delivering services by general government agencies, for example, by the Department of Health, the NSW Police and the Department of Education and Training.*

CHAPTER 4: PUBLIC TRADING ENTERPRISE INFRASTRUCTURE EXPENDITURE

4.1 OVERVIEW

Public trading enterprise (PTE) sector agencies provide major economic services in areas such as water, electricity and public transport. The PTE sector, in the main, comprises those agencies that finance the bulk of their operations from their own revenues and borrowings. As a result, capital expenditure decisions are driven by commercial considerations.

Some PTEs are provided with Budget funding to undertake services required by the Government. The Government provides budget funding to agencies for public rental housing (Department of Housing) and public rail transport (CityRail and CountryLink services of Rail Corporation of New South Wales).

For commercial PTEs (electricity, water and ports), the Government's major objective is to ensure that assets and liabilities are managed efficiently and effectively to maximise value to the State. By targeting returns on the assets of the commercial enterprises, the Government's aim is to achieve an appropriate return on its equity in these enterprises.

Shareholding ministers negotiate performance agreements with each PTE. For commercial enterprises, 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.

The broad approach to asset management is for investment decisions to be consistent with the principles underlying the Government's Total Asset Management policy. This includes financial appraisals being conducted on any new capital projects or major refurbishment proposals and the requirement that 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 the Government's consideration. Projects in this category include any joint public/private sector capital projects, any projects with an estimated total cost in excess of \$100 million, complex or innovative projects with significant risks, and investments in interstate or overseas activities.

4.2 2007-08 CAPITAL EXPENDITURE

The PTE sector capital expenditure is expected to be \$1.1 billion under budget in 2007-08 at \$6.5 billion. Around one third of the variation is due to revisions to expenditure on Sydney Water's desalination plant. This is the outcome of the final contractual obligations for the project having a different cash flow profile compared with that assumed in the budget, with higher expenditure occurring in 2008-09 and 2009-10. The balance of the underspend is made up of a number of variations across several projects, including:

- ◆ lower than anticipated spending on the acquisition of the new airconditioned rail cars and the Rail Clearways projects, which will be carried forward to 2008-09
- ◆ the termination of the passenger transport ticketing contract
- ◆ a delay in several electricity transmission projects including the Holroyd Substation, the Yass to Wagga Wagga, and Coffs Harbour to Kempsey transmission lines, which will be carried forward to 2008-09
- ◆ change in the scope of Delta Electricity's Mt Piper power station upgrade and delay in commencing Macquarie Generation's Hunter River pumping station upgrade and
- ◆ the carry forward of some housing projects to future years.

Major PTE projects completed or due to be completed in 2007-08 (with estimated total costs) include:

- ◆ 330kV substations at Yass and Coffs Harbour (\$79 million), Sydney West 330kV transformer replacement (\$27 million), Haymarket and Sydney CBD South 132kV tunnel and cable installation (\$64 million)

- ◆ Liddell Power Station turbine upgrade (\$45 million), co-generation plants at Condong and Broadwater (\$105 million), and Eraring Energy's gas turbine generator project to meet peak loads and also supply power to transmission lines following a complete power failure (\$23 million) and
- ◆ 1,160 units of general public housing, community housing, crisis accommodation and minor housing projects (\$170.5 million).

4.3 2008-09 CAPITAL EXPENDITURE

Capital expenditure in the PTE sector in 2008-09 is estimated to be \$8.5 billion, which is \$856 million, or 11.3 per cent, higher than the 2007-08 Budget. This increase is primarily due to commencement of construction of the Sydney Desalination Plant, and increased levels of expenditure by the electricity distributors and TransGrid to meet growth in demand and to enhance system reliability.

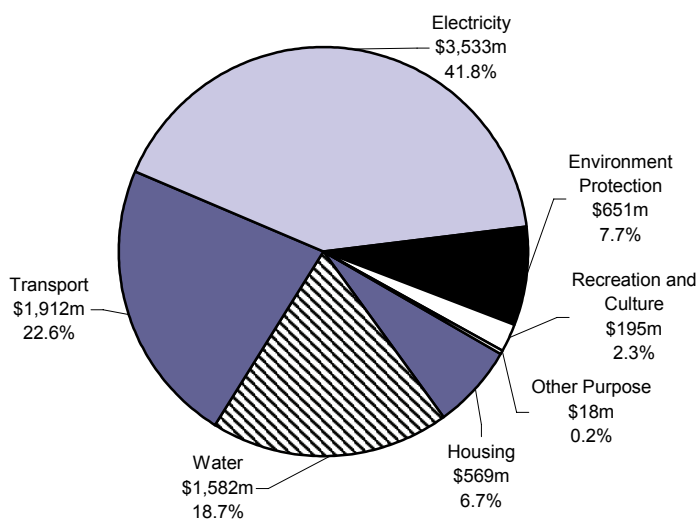
Major new projects commencing in 2008-09 include:

- ◆ 1,291 new units of general public housing, community housing and crisis accommodation (\$201 million)
- ◆ RailCorp's Digital Train Radio System
- ◆ Priority Sewerage Program projects to connect a number of areas to sewage treatment plants including Agnesbank, Londonderry, Appin, Wilton, Douglas Park, Freemans Reach, Glossodia, Wilberforce, Hawkesbury Heights, and Yellow Rock (\$267 million)
- ◆ electricity zone substations at Abbotsbury, Oran Park, Marayong, Potts Hill and Castle Hill-Cheriton Avenue (\$171 million)
- ◆ Holroyd-Chullora 330 kV Cable (\$173 million) and Cooma-Bega Transmission Line (\$31 million) and
- ◆ Eraring Energy's power station boiler upgrade (\$52 million).

The total capital expenditure program for 2008-09 is discussed in more detail under each policy area.

As shown in Chart 4.1, transport and electricity businesses account for 64.4 per cent of the PTE sector's 2008-09 capital program. This compares to 59.8 per cent in the 2007-08 Budget.

Chart 4.1: Public Trading Enterprise Sector Capital Expenditure, 2008-09: by Policy Area



Total = \$8.5 billion

TRANSPORT

The transport sector's capital program in 2008-09 totals \$1.9 billion. This is an increase of \$235 million over the 2007-08 budget. The program includes:

- ◆ \$967.1 million for Rail Corporation of New South Wales (RailCorp)
- ◆ \$148.3 million for the Epping to Chatswood Rail Line and \$170 million for the North West Metro and South West Rail Link, as part of the Transport Infrastructure Development Corporation's program
- ◆ \$93.7 million for the Rail Infrastructure Corporation
- ◆ \$75.4 million for the State Transit Authority
- ◆ \$30.3 million for Sydney Ferries and
- ◆ \$396.7 million for the NSW Port Corporations.

Rail Services

A significant expansion of the rail network is underway. SydneyLink, announced in March 2008, is a series of major transport projects to transform Sydney's public transport infrastructure. The first stages of SydneyLink will be the North West Metro and the South West Rail Link. This is the largest expansion of the rail network since the 1930s.

- ◆ \$106 million is available in 2008-09 for the North West Metro, a \$12 billion, 38 km rail line to run from Rouse Hill to the Sydney CBD. Construction will begin from both ends in 2010 with the first trains operating between Epping and the Hills Centre in 2015 and services between Rouse Hill and the CBD operating by 2017. The new line includes 17 easy access stations with interchanges to existing transport services. Services will be high frequency and significantly reduce the travel times to the CBD for commuters along the corridor.
- ◆ \$64 million is available in 2008-09 for the South West Rail Link, a \$1.36 billion, 13 kilometre rail line from Glenfield to Leppington with two new stations at Edmondson Park and Leppington. Construction will commence in 2009 and be completed by 2012. An additional 1,650 commuter car parking spaces will be available, with bus interchanges at Leppington and Edmondson Park. The line will eventually enable up to eight trains per hour to the city.

An amount of \$30 million will be available in 2008-09, from the Commonwealth and the State, to undertake a feasibility study into a Western Metro Line, between Parramatta and the CBD. The feasibility study will identify preferred alignments and establish a business case for the project.

Spending on the Epping to Chatswood Rail Line is estimated at \$148.3 million in 2008-09. Construction will be complete around mid year and commissioning of the rail connections at Epping and Chatswood will begin in the second half of 2008, with services commencing after operational readiness processes and final safety assurances are complete.

Major works included in RailCorp's \$967.1 million program for 2008-09 are:

- ◆ \$353 million for Rail Clearways including
 - the planned completion of a new station platform at Hornsby
 - continued works on duplication of the Cronulla line which, when completed, will provide upgraded facilities at Sutherland, Kirrawee, Woolooware and Cronulla stations and significantly improve peak capacity for Cronulla services and
 - continuation of works on Liverpool, Revesby, Homebush and Lidcombe turnbacks, the Kingsgrove to Revesby quadruplication, the Richmond line duplication and a new platform at Macarthur.
- ◆ \$152.9 million for rollingstock acquisitions including
 - \$106.3 million to progress ancillary works on the privately financed project for 626 new carriages to replace non-airconditioned trains on the CityRail network
 - \$15.7 million to finalise the acquisition of 122 new Outer Suburban carriages for intercity services. New carriages are already servicing commuters in the Illawarra and Central Coast with services to be extended to the lower Blue Mountains later this year and
 - \$6 million for the upgrade of the long haul XPT and Endeavour cars, \$12.9 million for rollingstock enhancements, \$8 million for passenger initiated egress, and \$3 million for rollingstock maintenance and servicing facilities.
- ◆ \$25.3 million for Easy Access station upgrades across the CityRail network including completion of Eastwood station upgrade and continuation of works at Emu Plains and Lindfield, commencing work at Burwood and assessment of options for Newtown, as part of a \$127 million program
- ◆ \$132.4 million for various safety and reliability improvements to infrastructure and rollingstock, including consolidation of signal boxes, electrical traction power supply through new or upgraded substations and high voltage transmission lines to meet the needs of new generation rollingstock and other safety systems

- ◆ \$28.6 million for the North Sydney station and \$6.5 million for the Hurstville station upgrades. Planning for redevelopment of Town Hall, Redfern and Wynyard stations will continue, as well as planning for new stations at North Warnervale, Flinders and Glendale
- ◆ \$14.3 million to continue resignalling between Oatley and Sutherland and
- ◆ \$10 million for station passenger information systems to improve customer communications.

The Rail Infrastructure Corporation's \$93.7 million program includes \$41.7 million for resleepering on the country regional network, \$30 million for capacity improvements on the Gap to Narrabri line, and \$17.7 million to upgrade signalling infrastructure and to introduce new train control systems.

Bus Services

Contracted payments plus service revenue will allow for a \$75.4 million capital works program for the State Transit Authority in 2008-09 including:

- ◆ \$44.3 million for depot redevelopment including \$27.2 million toward the upgrade of Leichhardt Depot which will double its capacity and make it Australia's first "all green" bus depot. Ryde Depot will be upgraded at a cost of \$6.4 million along with Brookvale Depot at a cost of \$10.7 million
- ◆ \$13.9 million for 40 buses for private operators
- ◆ \$7.9 million for on-board surveillance cameras and driver security screens and upgrade of depot facilities and workshop modifications and
- ◆ \$3.1 million for five "super metro" high capacity buses, carrying up to 115 passengers to operate in a trial along routes linking the inner city and the CBD. The two year trial, costing \$12 million, also includes infrastructure upgrades and improvements to service information.

The STA will also acquire 52 Euro-5 diesel and 70 standard compressed natural gas buses for the Sydney and Newcastle networks (at a cost of \$60.8 million). These buses will be financed by the Ministry of Transport and be treated as part of its capital program.

Ferry Services

Sydney Ferries' \$30.3 million capital works program includes a number of initiatives designed to improve the Corporation's safety and service reliability performance. Key projects for 2008-09 include:

- ◆ \$3.2 million for the Ferry Operations and Customer Information System and
- ◆ \$3.2 million to continue the First Fleet re-engining strategy.

Ports

Around \$396.7 million will be invested in new or upgraded infrastructure in NSW ports in 2008-09.

Sydney Ports Corporation plans to spend \$346 million including:

- ◆ \$287.6 million on Port Botany expansion. The project includes a new container terminal, five new shipping berths, dedicated road and rail access and a new tug and support vessel berth facility. Complementing these works will be restoration and enhancement of public access facilities to increase the overall public amenity of the area and
- ◆ \$34.8 million on the Intermodal Logistics Centre at Enfield.

Port Kembla Port Corporation's \$33.6 million capital program includes \$12 million for land purchases for the Port's Outer Harbour development expansion plans. A further \$10.8 million is available for new berths and storage facilities and to improve road and rail access to the site, following the transfer of the car and other trades from Sydney Harbour.

Newcastle Port Corporation's \$17.1 million capital works program includes \$12.5 million towards the construction of the Mayfield No. 4 berth.

ELECTRICITY

The capital expenditure program for the electricity sector for 2008-09 is estimated at \$3.5 billion, which is \$660.1 million or 23 per cent above the 2007-08 budget.

Distribution

Around 65 per cent of the electricity sector's capital program in 2008-09 will be undertaken by the electricity distribution "poles and wires" businesses. The main focus of their capital expenditure is replacement or refurbishment of assets that are reaching the end of their economic life, meeting growth in demand across the State and enhancing reliability and security.

EnergyAustralia is projecting capital expenditure of \$1.1 billion in 2008-09 which includes about \$883 million in network infrastructure projects. Major network infrastructure works planned for 2008-09 include:

- ◆ \$94 million on distribution centres and mains replacement
- ◆ \$67 million to provide additional capacity to meet licence conditions, including works associated with 11 kV and individual feeder reliability works
- ◆ \$53 million on construction of a new 132/11kV zone substation at Kogarah and the associated 132kV connections to Peakhurst sub-transmission substation
- ◆ \$51 million to replace infrastructure and increase capacity and reliability to meet increasing demand in Sydney's CBD
- ◆ \$40 million on replacement of 132kV feeders from Canterbury-Bunnerong with two new circuits from Bunnerong to Kurnell
- ◆ \$35 million to replace Mayfield zone substation with Mayfield West zone substation formerly known as Mayfield North zone substation and the establishment of a new sub-transmission substation on Kooragang Island
- ◆ \$29 million for expenditure on programs to add capacity to the low voltage network
- ◆ \$23 million on replacement of Randwick zone substation with construction of a new substation at Kingsford and associated 11kV work
- ◆ \$14 million on replacement of Homebush sub-transmission and Auburn zone substations and
- ◆ \$10 million to complete a sub-transmission/zone substation at Argenton.

Country Energy is expecting to spend \$668.5 million on capital investment in 2008-09. Major network projects will include:

- ◆ \$37 million on the new Sawtell, Macksville and Raleigh zone substation (joint projects with TransGrid, which will share approximately \$21 million of the total expenditure)
- ◆ \$7.7 million on the new Ewingsdale zone substation
- ◆ \$7.5 million on the new Dubbo South zone substation
- ◆ \$7.4 million to rebuild the Coffs Harbour North substation
- ◆ \$6.8 million to rebuild the Wagga Ashmont substation
- ◆ \$6.5 million on the new Buronga zone substation
- ◆ \$6.3 million on the new Mulwala zone substation and
- ◆ \$3.7 million to rebuild the Eden South substation.

Integral Energy's forecast capital expenditure in 2008-09 is \$545 million. Major network expenditure in 2008-09 include:

- ◆ \$12.5 million on the new West Parramatta zone substation
- ◆ \$27.3 million on the new Mungerie Park zone substation
- ◆ \$32.6 million on the new East Liverpool substation and transmission lines on the existing site
- ◆ \$23.9 million on the replacement of Granville zone substation and
- ◆ \$11.9 million on the new Cheriton Avenue, Castle Hill zone substation.

Transmission

TransGrid is continuing substantial expansion and upgrades to the high voltage electricity network across New South Wales. Work is being undertaken to meet the growing demand for electricity. TransGrid's 2008-09 capital program of \$538.3 million includes the upgrade of the Bayswater-Mt Piper-Marulan transmission system to 500kV operation and the upgrading of transmission lines, transformers and substations across New South Wales.

Major projects will include:

- ◆ \$143 million for the Western 500kV Development – Stage 1 of the NSW 500kV Ring
- ◆ \$40 million for the construction of a new 330kV transmission line between Wollar and Wellington
- ◆ \$36 million for the construction of a new 330kV substation in the Macarthur district
- ◆ \$21 million to augment the Tomago 330/132kV Substation
- ◆ \$20 million to rebuild the existing Yass to Wagga single circuit 132kV transmission line
- ◆ \$18 million for security systems and fencing upgrades at substations and depots throughout the State
- ◆ \$18 million on communications systems upgrades at various locations throughout the State
- ◆ \$17 million for the construction of a new 132kV substation at Wagga North
- ◆ \$14 million towards the construction of a new 330/132kV substation at Holroyd and
- ◆ \$41 million for transformer additions and replacements at Armidale, Coffs Harbour, Finley, Kempsey, Koolkhan, Tuggerah, Wallerawang and Wagga Wagga.

Generation

Delta Electricity is forecasting capital expenditure of \$401 million for 2008-09. The expenditure is targeted at increasing generation capacity and optimising the efficiency and reliability of existing operations. Major projects will include:

- ◆ continued construction of the 667 megawatt Colongra open cycle gas turbine power station on the Central Coast
- ◆ commencement of the 80 megawatt baseload upgrade at Mt Piper power station and
- ◆ refurbishment works at Wallerawang and Munmorah power stations.

In 2008-09, Macquarie Generation will allocate \$100.7 million to capital projects which will provide:

- ◆ ongoing improvements in the performance of Bayswater and Liddell power stations and
- ◆ ongoing measures to mitigate the impact of drought by improving the efficiency of water systems.

Eraring Energy's forecast \$187.8 million capital expenditure in 2008-09 will include:

- ◆ Eraring power station 360 megawatt base load upgrade
- ◆ works on the new reservoir to assist in reducing temperatures of cooling water released into Lake Macquarie and
- ◆ new fly ash collection plant as the existing facility reaches maximum capacity.

WATER

The 2008-09 capital expenditure for water businesses, excluding environment protection spending, is estimated at \$1.6 billion. This is an increase of about \$356 million on 2007-08, mainly due to the Sydney Water desalination project. Excluding the desalination project, capital expenditure for water projects increased \$174 million or 33 per cent on 2007-08, driven by the Sydney Catchment Authority's borefield development program, increases in Sydney Water's recycling program, system renewals and property management program.

Major projects will include:

- ◆ \$886.3 million for the Sydney Water desalination project
- ◆ \$139.3 million on water recycling projects in Sydney including the Western Sydney Replacement Flows project and
- ◆ \$20 million borefield development and pumping trials in Upper Nepean and pilot testing at Leonay and Wallacia.

Other expenditure highlights for 2008-09 include:

- ◆ \$147.4 million on renewing water distribution infrastructure in Sydney
- ◆ \$60.9 million on Sydney Water's property management program
- ◆ \$58.6 million on Sydney Water's IT projects
- ◆ \$21.8 million on renewing critical watermains in Sydney and
- ◆ \$26 million on the construction of Tillegra Dam in the Hunter.

In total, Sydney Water is planning to spend \$1.3 billion in 2008-09 on the desalination project and projects designed to maintain, upgrade and ensure the security of the water treatment and distribution system.

In 2008-09, Sydney Catchment Authority's capital expenditure is estimated at \$117.5 million, an increase of \$34.4 million, or 41 per cent, on 2007-08. The Authority's capital program continues to be driven by the *Metropolitan Water Plan* projects, including borefield development and new Tallowa Dam infrastructure to provide a fish passageway and improve the quality of water releases. Sydney Catchment Authority's capital works will also include the renewal of assets used to collect, store and deliver bulk water.

Hunter Water's budget for water-related works is \$62.1 million, of which \$26 million is for the 450 billion litre Tillegra Dam. When constructed, the Tillegra Dam will provide greater long-term security for the water supply in the lower Hunter and the Central Coast.

State Water is planning to invest \$23 million on maintaining and upgrading its infrastructure assets, including major dams and weirs, to ensure efficient supplies for agricultural, domestic, irrigation and town water users in country New South Wales.

ENVIRONMENT PROTECTION

The projects included in this category focus on the upgrade of waste disposal, wastewater transport systems and treatment plants. Total expenditure in 2008-09 is expected to be \$651 million, which represents a \$83.6 million or 14.7 per cent increase on 2007-08.

The total cost of Sydney Water's environment protection related program in 2008-09 is estimated at \$525 million and includes:

- ◆ \$89.6 million for upgrading sewage treatment plants at a number of sites including North Head, Hawkesbury/Nepean, Shellharbour and Warriewood
- ◆ \$81.2 million for upgrading the sewer network
- ◆ \$63 million for the sewer overflow abatement program to reduce dry and wet weather overflows in relation to the 27 sewerage systems serving Sydney, the Blue Mountains and the Illawarra
- ◆ \$86.2 million for the Priority Sewerage Program which connects areas that are a high environmental priority to the reticulated sewerage network, including the upper Blue Mountains (\$49.9 million), Brooklyn-Dangar Island (\$5.2 million), Appin-Wilton-Douglas Park (\$8 million), and Hawkesbury Heights-Yellow Rock (\$8 million) and
- ◆ \$56.8 million for works to service new urban developments particularly in the North West Growth Centre.

Hunter Water's environment protection related capital expenditure in 2008-09 is estimated at \$84.8 million and includes several wastewater treatment plant and wastewater transport system upgrades.

WSN Environmental Solutions will spend \$41.4 million in 2008-09 on various capital works in support of its waste management activities.

HOUSING

Capital expenditure in the housing policy area will total \$569 million in 2008-09. The policy area includes initiatives of the Department of Housing, City West Housing Pty Ltd, the Teacher Housing Authority and Landcom.

The Department of Housing's capital program for 2008-09 will total \$553.9 million. This will include:

- ◆ \$243.2 million for the commencement of 893 units and works-in-progress for general public housing
- ◆ \$67.8 million for the commencement of 374 units and works-in-progress for general community housing
- ◆ \$7 million for the commencement of 24 units and works-in-progress for crisis accommodation
- ◆ \$176.4 million allocated to the upgrading of existing public and community housing and crisis accommodation and to community improvement programs on large public housing estates and
- ◆ \$59.5 million for other non housing related assets, including information technology hardware and other administrative assets.

Additional housing is also provided through City West Housing, which has allocated \$9.6 million in 2008-09 for affordable housing works in the Green Square and Ultimo/Pymont areas.

Landcom contributes to the Minto Renewal project for the Department of Housing. This involves the redevelopment of a former Department of Housing estate constructed during the 1970s. The objective is to create a sustainable, vibrant community by changing the community mix, enhancing amenities and upgrading housing, roads layout, open space and public areas across the Minto Estate and adjoining Council land.

The project is expected to run over a period of approximately 10 years and yield approximately 1,150 dwellings, a multipurpose community centre and 6 fully landscaped public reserves. The estimated project value on completion is \$150 million and 90 dwellings are expected to be released in 2008-09.

RECREATION AND CULTURE

Capital expenditure for the recreation and culture policy area will amount to \$195 million in 2008-09. Significant capital expenditures for 2008-09 include:

- ◆ \$63.2 million by the Sydney Cricket and Sports Ground Trust. Major projects include construction of a new Hill Grandstand (\$46.7 million) and old scoreboard replica (\$1.2 million) at the Sydney Cricket Ground, new Trust Offices (\$2.6 million), National Rugby League/Australian Rugby League Office and Hall of Fame (\$4 million), new video screen and scoreboard at the Sydney Football Stadium (\$1.2 million), and new turnstiles at the Sydney Cricket Ground and Sydney Football Stadium (\$1.5 million)
- ◆ \$61.9 million by the Sydney Harbour Foreshore Authority on various public assets including initial infrastructure (\$7 million), initial design (\$1 million) and commencement of works for Barangaroo (\$5 million), works at Ballast Point Park (\$8.4 million), capital improvements to property holdings (\$16.6 million), and upgrading and other capital works for the Sydney Convention and Exhibition Centre (\$6.9 million)
- ◆ \$33.3 million by the Sydney Opera House including \$17.6 million for general building upgrades, \$13.3 million to continue the Venue Improvement Program and \$2.3 million for upgrading fire service systems
- ◆ \$29.2 million by the Zoological Parks Board of New South Wales to continue a comprehensive program to construct new exhibits and redevelop Taronga Zoo and Western Plains Zoo and
- ◆ \$6.6 million by NSW Lotteries for upgrading its IT-related and general office equipment.

OTHER

In 2008-09, capital expenditure in this area is estimated at \$18.3 million. All of this amount will be spent by Forests NSW on land and buildings, plant and equipment, and construction of roads and bridges.

Forests NSW also will spend \$34.3 million in 2008-09 on plantation and related works which are classified as inventory purchases but included in the project listing in Section 5.4.

CHAPTER 5: AGENCY PHYSICAL ASSETS AND INFRASTRUCTURE EXPENDITURE PROGRAMS

5.1 INTRODUCTION

This Chapter provides the value of each agency's physical assets and the details of their capital expenditure program.

The value of each agency's existing physical assets as at 30 June 2007 is subdivided into Land, Buildings, Plant and Equipment and Infrastructure Systems. These details are provided in Section 5.2 and accord with current accounting standards.

Details of general government and PTE capital expenditure are provided in Sections 5.3 and 5.4 respectively on an agency basis.

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

Data provided on major works includes location, estimated start and completion, estimated total cost, estimated expenditure to date and expenditure in 2008-09. 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 this budget year) and works-in-progress (projects which were commenced in earlier years but have not yet been completed).

Expenditure earmarked for minor miscellaneous works is for purposes such as the purchase of minor plant and equipment, and annual provisions for replacements. An aggregate allocation for minor miscellaneous works (those with an estimated total cost of less than \$250,000) is shown for each agency.

As with any plan, circumstances and priorities may change in the course of its implementation. In relation to budget dependent general government agencies, Portfolio 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, plans may vary as part of the annual negotiation of Statements of Business Intent or Statements of Corporate Intent.

All expenditures under project allocations for this budget year 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.

In view of the competitive nature of WSN Environmental Solutions and the electricity sector agencies, information on individual capital projects for these agencies is regarded as commercial-in-confidence and is not provided. However, an aggregate total expenditure for these agencies is included under the competitive government sector in Section 5.4 and a brief description of their program is given under the relevant policy area in Chapter 4.

5.2 ACTUAL VALUE OF AGENCIES' PHYSICAL ASSETS AS AT 30 JUNE 2007

<i>Agency</i>	<i>Land \$000</i>	<i>Buildings \$000</i>	<i>Plant and Equipment \$000</i>	<i>Infrastructure \$000</i>	<i>Total Property, Plant and Equipment \$000</i>
General Government					
Aboriginal Housing Office	581,797	297,277	1,617	9,162	889,853
Art Gallery of New South Wales	17,250	116,208	783,094	...	916,552
Attorney General's Department	183,724	626,287	61,010	...	871,021
Audit Office of New South Wales	...	1,596	718	...	2,314
Australian Museum	21,000	138,198	551,083	3,067	713,348
Building and Construction Industry Long Service Payments Corporation	...	...	597	...	597
Cancer Institute NSW	...	...	2,182	...	2,182
Casino Control Authority ^(a)	...	...	370	...	370
Catchment Management Authorities	3,921	1,162	1,969	...	7,052
Centennial Park and Moore Park Trust	401,044	53,911	1,048	271,146	727,149
Community Relations Commission	...	383	130	...	513
Crown Finance Entity	...	...	45,663	...	45,663
Crown Leaseholds Entity	6,155,334	...	...	...	6,155,334
Crown Property Portfolio	256,113	446,190	20	...	702,323
Department of Aboriginal Affairs	...	...	1,015	...	1,015
Department of Ageing, Disability and Home Care	317,287	181,061	34,308	...	532,656
Department of Commerce	41,276	53,888	612,270	...	707,434
Department of Community Services	39,703	32,894	64,060	...	136,657
Department of Corrective Services	166,023	1,345,229	73,434	...	1,584,686
Department of Education and Training	6,412,783	9,871,434	246,783	...	16,531,000
Department of Environment and Climate Change	1,908,693	255,907	68,660	727,020	2,960,280
Department of Health	1,510,114	6,468,635	724,072	316,505	9,019,326
Department of Juvenile Justice	51,618	127,686	7,575	39,735	226,614
Department of Lands	8,880	10,674	4,906	28,791	53,251
Department of Local Government	...	...	451	...	451
Department of Planning	24,880	...	6,197	...	31,077
Department of Premier and Cabinet	...	...	13,718	...	13,718
Department of Primary Industries	65,908	126,090	40,988	34,492	267,478
Department of Rural Fire Service	...	...	15,840	...	15,840
Department of State and Regional Development	2,635	...	6,411	...	9,046
Department of the Arts, Sport and Recreation	112,412	340,716	9,553	...	462,681
Department of Water and Energy ^(b)	15,204	7,161	1,576	26,071	50,012
Growth Centres Commission	...	32	61	...	93
Health Care Complaints Commission	...	249	335	...	584
Historic Houses Trust of New South Wales	122,820	78,785	33,908	...	235,513
Home Care Service of New South Wales	115	393	4,314	...	4,822
Honeysuckle Development Corporation ^(c)	...	...	332	...	332
Independent Commission Against Corruption	...	239	900	...	1,139
Independent Pricing and Regulatory Tribunal	...	...	625	...	625
Independent Transport Safety and Reliability Regulator	...	419	289	...	708
Judicial Commission of New South Wales	...	...	269	...	269
Land and Property Information New South Wales	27,000	39,540	13,586	...	80,126
Legal Aid Commission of New South Wales	...	6,336	3,355	...	9,691
Luna Park Reserve Trust	10,895	8,215	...	7,170	26,280

<i>Agency</i>	<i>Land \$000</i>	<i>Buildings \$000</i>	<i>Plant and Equipment \$000</i>	<i>Infrastructure \$000</i>	<i>Total Property, Plant and Equipment \$000</i>
General Government (cont)					
Maritime Authority of New South Wales	96,495	156,914	13,997	362,230	629,636
Minister Administering the EP&A Act	1,347,634	...	1	...	1,347,635
Ministry for Police	...	...	1,042	...	1,042
Ministry of Transport	...	276	146,447	25,455	172,178
Motor Accidents Authority	...	1,866	213	...	2,079
Museum of Applied Arts and Sciences	33,135	81,528	420,575	...	535,238
Natural Resources Commission	...	...	659	...	659
New South Wales Coal Compensation Board	...	...	136	...	136
New South Wales Crime Commission	5,970	10,780	3,720	344	20,814
New South Wales Electoral Commission	...	...	2,690	...	2,690
New South Wales Film and Television Office	...	314	106	...	420
New South Wales Fire Brigades	114,443	157,480	161,958	...	433,881
New South Wales Rural Assistance Authority	...	...	128	...	128
NSW Food Authority	1,470	4,984	2,162	...	8,616
NSW Police Force	350,875	668,705	252,399	...	1,271,979
NSW Self Insurance Corporation	...	...	498	...	498
NSWBusinesslink Pty Limited	...	2,740	9,808	...	12,548
Office for Children	...	...	948	...	948
Office of the Board of Studies	...	1,045	1,567	...	2,612
Office of the Director of Public Prosecutions	...	...	10,811	...	10,811
Office of Transport Safety Investigations	...	498	92	...	590
Ombudsman's Office	...	...	992	...	992
Police Integrity Commission	...	524	4,112	...	4,636
Public Trustee NSW	9,559	10,955	4,072	...	24,586
Redfern-Waterloo Authority	...	166,650	41,532	...	208,182
Roads and Traffic Authority	...	2,646,322	97,361	36,230,756	38,974,439
Royal Botanic Gardens and Domain Trust	156,460	48,255	29,432	38,295	272,442
State Emergency Service	5,105	7,072	19,377	...	31,554
State Library of New South Wales	62,000	170,871	1,881,666	1,771	2,116,308
State Property Authority	187,830	...	118	...	187,948
State Records Authority	8,500	34,156	6,924	...	49,580
State Sports Centre Trust	...	874	1,489	5	2,368
Superannuation Administration Corporation	3,950	3,648	3,753	...	11,351
Sydney Olympic Park Authority	550,371	239,759	42,526	354,052	1,186,708
The Legislature	65,100	68,160	47,616	...	180,876
Treasury	...	...	26,885	...	26,885
WorkCover Authority	6,600	3,903	22,985	...	33,488
Workers' Compensation (Dust Diseases) Board	...	5,862	764	...	6,626
World Youth Day Co-ordination Authority	...	...	470	...	470
TOTAL GENERAL GOVERNMENT	21,463,926	25,130,936	6,701,323	38,476,067	91,772,252

Agency	Land \$000	Buildings \$000	Plant and Equipment \$000	Infrastructure \$000	Total Property, Plant and Equipment \$000
Public Trading Enterprises					
City West Housing Pty Ltd	70,569	106,827	11	...	177,407
Country Energy	44,201	88,714	163,602	2,954,694	3,251,211
Delta Electricity	26,326	37		2,193,379	2,219,742
Department of Housing - Land and Housing Corporation	16,916,360	10,647,613	21,881	240,611	27,826,465
EnergyAustralia	145,352	136,064	159,588	5,523,338	5,964,342
Eraring Energy	32,162	7,950	...	1,915,804	1,955,916
Forests NSW	1,029,693	36,319	31,362	117,037	1,214,411
Hunter Water Corporation	99,145	32,562	13,883	1,795,488	1,941,078
Integral Energy	79,549	90,926	98,710	2,796,933	3,066,118
Land Development Working Account	...	...	11	...	11
Landcom	974	7,587	1,509	...	10,070
Macquarie Generation	20,070	1,703	18,006	2,505,460	2,545,239
New South Wales Lotteries Corporation	7,390	10,323	11,576	...	29,289
Newcastle Port Corporation	8,385	63,473	10,529	36,066	118,453
Parramatta Stadium Trust ^(d)	9,750	28,192	204	...	38,146
Port Kembla Port Corporation	8,310	72,074	3,224	55,856	139,464
Public Transport Ticketing Corporation	...	...	2,649	...	2,649
Rail Corporation New South Wales	3,043,338	2,297,544	2,677,901	4,483,674	12,502,457
Rail Infrastructure Corporation	138,884	20,731	1,149	2,048,985	2,209,749
Residual Business Management Corporation	...	...	1	...	1
State Transit Authority	122,852	56,099	233,309	25,457	437,717
State Water Corporation	14,038	2,671	12,411	364,171	393,291
Sydney Catchment Authority	62,287	562	9,703	1,044,848	1,117,400
Sydney Cricket and Sports Ground Trust ^(d)	34,000	427,023	4,203	...	465,226
Sydney Ferries	9,831	3,714	68,099	18,276	99,920
Sydney Harbour Foreshore Authority	169,078	814,461	57,299	24,347	1,065,185
Sydney Opera House	75,000	1,675,281	73,183	...	1,823,464
Sydney Ports Corporation	144,106	628,657	22,648	147,531	942,942
Sydney Water Corporation	944,988	43,172	72,619	10,847,800	11,908,579
Teacher Housing Authority	29,067	111,673	74	...	140,814
TransGrid	301,253	51,886	44,974	2,868,157	3,266,270
Transport Infrastructure Development Corporation	117,718	...	...	1,771,341	1,889,059
Wollongong Sportsground Trust	16,150	32,929	582	...	49,661
WSN Environmental Solutions	110,645	80,150	12,480	19,788	223,063
Zoological Parks Board	49,986	191,259	1,579	15,548	258,372
TOTAL PUBLIC TRADING ENTERPRISES	23,881,457	17,768,176	3,828,959	43,814,589	89,293,181
TOTAL GOVERNMENT^(e)	45,345,383	42,899,112	10,530,282	82,290,656	181,065,433

Notes: Unlike the value of physical assets shown in Table 1.1, Section 5.2 includes only the value of agencies' land and buildings, plant and equipment, and infrastructure systems, including the value of 'assets classified as held for sale' and investment properties. It does not include the value of other physical assets such as inventories, software and easements, which are included within Table 1.1. Due to public sector reporting policy, the above dissection may differ slightly to the classification in some agencies' financial reports. The totals will remain consistent with agencies' reported figures.

- (a) The Casino Control Authority will cease to exist after 30 June 2008. The functions of the Casino Control Authority will be undertaken by the Casino, Liquor and Gaming Control Authority from 1 July 2008.
- (b) The Department of Water and Energy was created as part of the restructuring in the natural resourcing sector announced by the Government in April 2007.
- (c) The Honeysuckle Development Corporation was merged with the Regional Land Management Corporation in February 2008 to form the Hunter Development Corporation.
- (d) The figures for the Parramatta Stadium Trust are as at December 2006 and those for the Sydney Cricket and Sports Ground Trust are as at February 2007, in accordance with financial reporting periods used by these agencies.
- (e) Excludes public financial enterprise sector.