

State Asset Acquisition Program

2003-04



New South Wales

Budget Paper No. 4

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CHAPTER 1: TOTAL STATE PROGRAM

1.1 INTRODUCTION

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

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

The asset acquisition program provides for the construction, acquisition and upgrading of the physical assets of the State. In addition, assets controlled under finance leases are now included as part of asset acquisitions for the first time.

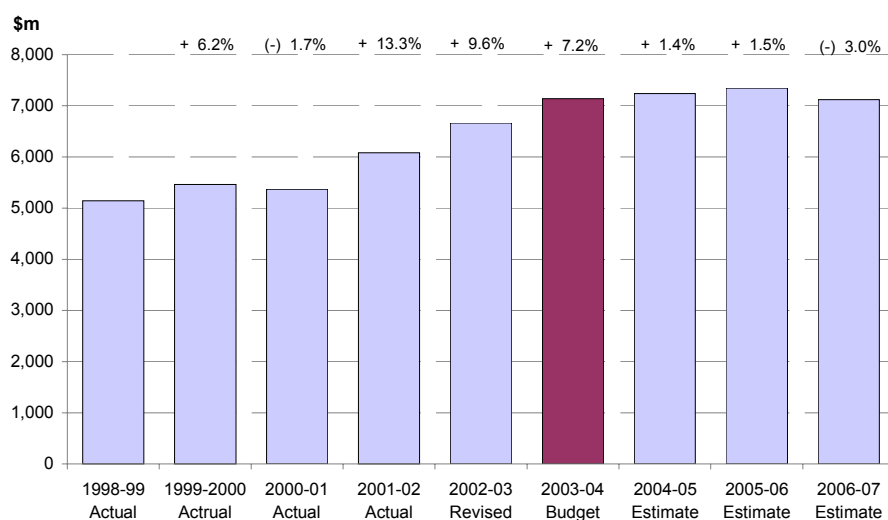
The New South Wales Governments asset acquisition program plays a key role in the growth and development of the State economy by providing the basic infrastructure required by industry for urban and rural development and by providing the social infrastructure essential for the efficient and effective delivery of community services.

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

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

1.2 EXPENDITURE TRENDS

Chart 1.1: State Asset Acquisition Program



In the four years to 30 June 2007, the state asset acquisition program is expected to total \$28,836 million.

This is an increase of \$5,268 million, or 22.4 percent, on the \$23,568 million spent in the four years to 30 June 2003.

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

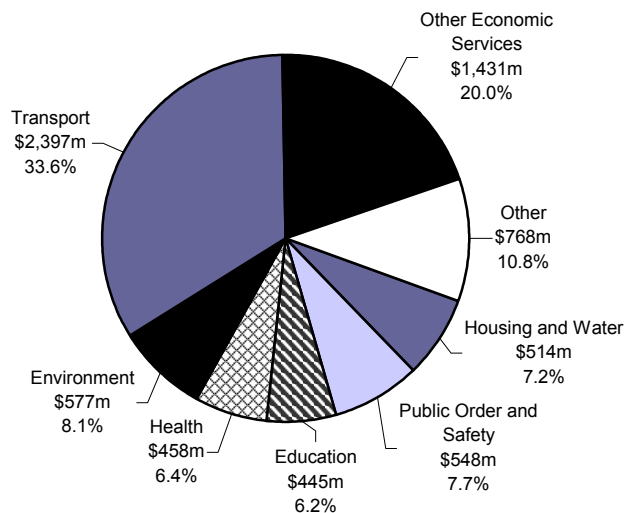
Major new capital works with a completed cost of \$3,412 million will begin in 2003-04 with spending of \$1,165 million in that year.

1.3 2003-04 PROGRAM

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

After the March 2003 State Election, the structure of some Ministerial portfolios and agencies has changed. As a result, their program structures are not finalised and the classification of projects to policy areas may alter.

Chart 1.2: State Asset Acquisition Program, 2003-04, by Policy Area



Total = \$7,138 million

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

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

Table 1.1: State Asset Acquisition Program Summary

	<i>2002-03 Budget \$m</i>	<i>2002-03 Revised \$m</i>	<i>2003-04 Budget \$m</i>	<i>2004-05 Estimate \$m</i>	<i>2005-06 Estimate \$m</i>	<i>2006-07 Estimate \$m</i>
General Government Sector	3,022	3,393	3,499	3,262	3,342	3,286
Public Trading Enterprise Sector	3,331	3,269	3,640	3,975	4,002	3,835
State Asset Acquisition Program^(a)	6,350	6,661	7,138	7,235	7,343	7,120

(a) Total state asset acquisition may not total general government and public trading enterprise sector acquisitions because of intersectoral purchases cancelling out on consolidation.

CHAPTER 2: GENERAL GOVERNMENT SECTOR ASSET ACQUISITION PROGRAM

2.1 2002-03 PROGRAM OUTCOME

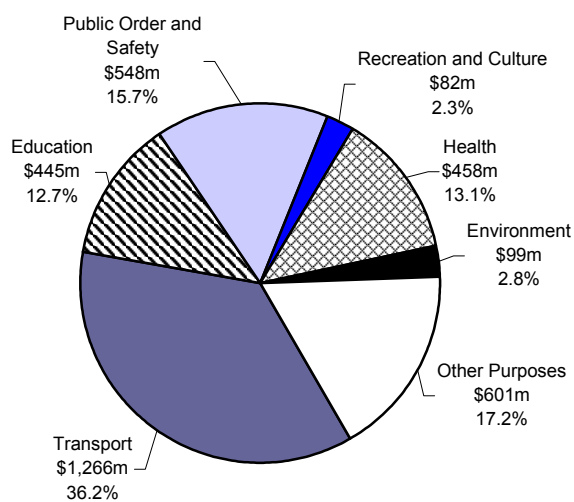
Asset acquisitions by the general government sector in 2002-03 are expected to total \$3,393 million. This is an increase of \$371 million or 12.3 percent against the original estimate, and \$297 million or 9.6 percent against the 2001-02 actual result.

The \$371 million increase over budget is mainly due to increased expenditure in the education, public order and safety, and transport policy areas. In addition, finance leases are now included in asset acquisitions.

2.2 2003-04 PROGRAM

The 2003-04 asset acquisition program of the general government sector is estimated to be \$3,499 million, which is \$106 million or 3.1 percent higher than the 2002-03 revised estimates. Most of the increased spending will be in the public order and safety, and education policy areas.

Chart 1.3: General Government Sector Asset Acquisitions, 2003-04, by Policy Area



Total = \$3,499 million

The main features of the general government sector's 2003-04 asset acquisition program are:

HEALTH

Asset acquisitions in the health policy area will total \$458 million in 2003-04, of which the Department of Health accounts for \$457 million. The Department will undertake a substantial asset acquisition program amounting to \$1,944 million over the next four years.

During 2003-04, funding has been allocated to the following new projects:

- ◆ upgrading of Department of Health and NSW Ambulance Service equipment to improve response and treatment capacity for victims of a terrorist attack, at a total cost of \$4.1 million in 2003-04;
- ◆ commencement of Mental Health Stage 3a including a 15-bed Intensive Psychiatric Care Unit at Macquarie Hospital and a 20-bed non-acute facility to service the Western Mental Health Network, at an estimated total cost of \$12 million with spending of \$1 million in 2003-04;

- ◆ commencement of a new Forensic Hospital comprising 120 beds for forensic mental health patients and 15 high security non-forensic beds for civilian patients, at an estimated total cost of \$57.6 million with initial planning costs of \$0.5 million in 2003-04;
- ◆ implementation of Information Management and Technology Patient and Clinical Systems to complement the Patient Administration System already underway, at an estimated total cost of \$42.5 million with expenditure of \$2.5 million in 2003-04;
- ◆ provision of the Information Management and Technology Infrastructure to support the current system upgrade to Patient, Clinical and Corporate Services groups, at an estimated total cost of \$15 million with expenditure of \$1 million in 2003-04;
- ◆ planning for future major projects including the redevelopment of Bathurst/Orange Hospitals, Mid North Coast Area Health Service Radiotherapy Service, Wagga Wagga Hospital and the Richmond Clinic at Lismore Base Hospital at a cost of \$1 million in 2003-04; and
- ◆ planning for the Rural Hospital and Health Services Program in Batlow, Bingara, Bombala, Dunedoo, Guyra, Junee, Merriwa, Portland, Berrigan, Tinga, Tottenham, Tullamore, Walcha and Warialda, at a cost of \$1 million in 2003-04.

In additional, significant funding has been allocated to continue work on the following major asset strategies:

- ◆ Central Coast Health Access Plan with spending of \$68.8 million in 2003-04;
- ◆ Central Sydney Resource Transition Program with spending of \$16.3 million in 2003-04;
- ◆ Newcastle Strategy with spending of \$16.2 million in 2003-04;
- ◆ Illawarra Area Health Service Strategy Stage 2 with spending of \$12.9 million in 2003-04;
- ◆ Royal North Shore Hospital Redevelopment Stages 1 and 2 with spending of \$10.2 million in 2003-04; and
- ◆ Macarthur Sector Strategy with spending of \$8.5 million in 2003-04.

Expenditure on other ongoing works is detailed in Chapter 5.

EDUCATION

Asset acquisitions in the education policy area will total \$445 million in 2003-04. The focus of the program will be on the continuation of the Schools Improvement Package, announced in 2001-02. Over the next four years, around \$1.2 billion will be available to provide for a significant upgrade of school accommodation and the expansion of internet services for staff and students.

Funding provides for:

- ◆ commencement of 27 major new works projects in schools, at an estimated total cost of \$200 million (\$36.2 million in 2003-04), including new pre-schools, various upgradings, replacement of demountable classrooms with permanent facilities, libraries, school halls and gymnasiums and expansion of facilities to meet the Government's commitment to lower class sizes;
- ◆ \$50 million in 2003-04 for major enhancements in information and communication technology, including provision for corporate services business reform and network bandwidth at schools and colleges as part of the Government's strategy of improving internet services and e-learning opportunities;
- ◆ continuation of more than 70 school projects commenced in previous years at an estimated total cost of more than \$312 million (\$163 million in 2003-04). These projects comprise new or replacement schools, major upgradings and refurbishments including projects at Banora Point, Bogangar, Denistone East, Dorriggo, Glenbrook, Merrylands, Kiama, Lightning Ridge, Merimbula, Randwick and Sefton.

Sixteen of the above 70 continuing school projects are being undertaken as part of the Revitalisation of Inner Sydney Schools program. These include the redevelopment of facilities for Alexandria Park Community School, Cleveland Street Intensive English High School, Rose Bay Secondary College, and the Sydney Secondary College campuses at Balmain, Blackwattle Bay and Leichhardt. \$45 million will be spent on this program in 2003-04;

- ◆ \$83 million in 2003-04 on a wide range of minor miscellaneous works projects, including continuation of air-conditioning demountable classrooms and upgrading of student and teacher facilities;
- ◆ commencement of 14 new TAFE projects with an estimated total cost of more than \$56 million, including new facilities at Belmont, Blue Mountains, Granville, Mudgee and Wagga Wagga (\$16.5 million in 2003-04);

- ◆ continuation of 24 projects commenced in previous years at an estimated total cost of more than \$120 million including \$41.9 million in 2003-04. These projects include the construction of a new multi-storey building at the Ultimo campus of the TAFE NSW Sydney Institute at an estimated total cost of more than \$28 million;
- ◆ commencement of the upgrading of the National Art School at East Sydney at an estimated total cost of more than \$8 million (\$1 million in 2003-04); and
- ◆ \$34 million in 2003-04 for the construction of 9 new schools in new urban release areas of the State using a Privately Financed Project (PFP) arrangement (classified as a finance lease). Six new primary schools are to be constructed at Horsley, Kellyville, Mungerie Park, Shell Cove, Stanhope Gardens, and Wongarah, two new high schools at Glenwood and Horningsea Park and a special needs school at Kellyville.

PUBLIC ORDER AND SAFETY

The Government will support an asset acquisition program of \$548 million in the public order and safety policy area in 2003-04. This includes \$187.3 million for NSW Police's new corporate headquarters at Parramatta, which is being accounted for as a finance lease.

The program also provides for the following key initiatives:

- ◆ \$69.6 million for capital works by NSW Police including:
 - \$6.5 million to replace police stations at St Mary's, Armidale and Redfern;
 - \$3 million to upgrade educational facilities, including the Goulburn Police Academy;
 - \$3.6 million to establish a new Forensic Research and Investigative Science Centre. This will significantly improve the quality and quantity of forensic services available to NSW Police;
 - \$9.5 million to complete the relocation of the Sydney Water Police to Balmain and provide new police accommodation at Cabramatta, Griffith, Muswellbrook and Thirroul; and

- \$19.2 million for ongoing technology developments, including \$8.8 million for the continuing development of Police's Country Radio Communications Network, \$5.3 million to complete the PhotoTrac project and the Enforcement Notices (e-Notices) Database, and \$5.1 million for the continuing roll-out of Livescan fingerprint equipment and for Police's Integrated Business Information Solution project to improve the delivery of resource management and rostering services;
- ◆ \$109.6 million for capital works by the Department of Corrective Services including:
 - \$16.1 million for an additional 150 remand beds as an extension of the Mid North Coast Correctional Centre;
 - \$3 million (estimated total cost of \$48 million) to redevelop the Mulawa Correctional Facility;
 - \$10 million (estimated total cost of \$24 million) for the construction of Mental Health Assessment Units at the Metropolitan Remand and Reception Centre and Mulawa Correctional Centre at Silverwater; and
 - \$0.6 million (estimated total cost of \$17.7 million) to relocate 109 Head Office Corporate Support positions to Goulburn;
- ◆ \$58.2 million for capital works by the Attorney General's Department including:
 - \$9.8 million (estimated total cost \$35.1 million) to build courthouses at Bankstown, Blacktown, Mount Druitt and Nowra;
 - \$12.6 million to continue implementation of Phase 2 of the Courts Administration System;
 - \$1 million to plan construction of a new Sydney West Trial Court facility at Parramatta. This facility is expected to cost \$58 million and will feature nine trial courts, a court registry, jury assembly rooms and conference and interview rooms; and
 - \$2.1 million to establish a regionally based community residential centre for young Aboriginal people at risk of contact with the criminal justice system;

- ◆ \$45.4 million for capital works by the Department of Juvenile Justice including:
 - \$14.3 million (estimated total cost \$25 million) to commence construction of a young women's facility on the Minda/Minali site at Lidcombe;
 - \$10.9 million (estimated total cost \$23.6 million) for redevelopment of the Reiby Juvenile Justice Centre at Campbelltown;
 - \$9.4 million (estimated total cost \$15.3 million) to construct additional facilities at the Cobham Juvenile Justice Centre, St Mary's; and
- ◆ \$37.9 million for capital works by the NSW Fire Brigades including:
 - purchase of state-of-the-art fire fighting appliances and pumpers at a cost of \$18 million in 2003-04.

TRANSPORT

Asset acquisitions in the transport policy area will total \$1,266 million in 2003-04. Highlights for the 2003-04 asset acquisition program for the transport sector include:

- ◆ \$1,209 million expenditure on roads in 2003-04 supporting the following major projects:

Sydney Region

- in conjunction with the private sector, Orbital roads projects including the Western Sydney Orbital link between M5/Hume Highway at Prestons and the M2 at West Baulkham Hills (\$62.1 million in 2003-04), the Lane Cove Tunnel between the M2 and the Gore Hill Freeway (\$26 million in 2003-04) and the Cross City Tunnel between Darling Harbour and Kings Cross (\$22 million in 2003-04);
- continuation of major upgrading of Windsor Road and Old Windsor Road (\$53 million in 2003-04), continuation of works on the Bangor Bypass (\$37 million in 2003-04) and continuation of major upgrading and widening of Cowpasture Road and Hoxton Park Road (\$24.5 million in 2003-04);

Pacific Highway

- ongoing upgrading works including the Ballina Bypass (\$12 million in 2003-04), Cooperook deviation (\$10 million in 2003-04), and jointly funded with the Commonwealth, the Karuah Bypass (\$36 million in 2003-04), Taree to Cooperook duplication (\$14.5 million in 2003-04), and the Bundacree Creek to Possum Brush duplication (\$18.6 million in 2003-04);

Wollongong, the Central Coast and Hunter Area

- continuation of the North Kiama Bypass on the Princes Highway (\$32 million in 2003-04) and upgrading the Entrance Road (\$10.4 million in 2003-04);
- continuation of the Federal funded widening of the F3 to 6 lanes from the Hawkesbury River to Calga (\$43 million in 2003-04); and

Rural roads

- construction of the Federal funded Moree Bypass on the Newell Highway (\$10 million in 2003-04), widening of the bridge over Coxs River on the Castlereagh River (\$9.7 million in 2003-04); and
- Federation and State funded new bridges and approaches on Murray River crossings (\$22.3 million in 2003-04);

◆ Transitways

- commencement of the NorthWest Transitway Network (Stage 1) at a total cost of \$482 million (\$82 million in 2003-04); and
- continuation of the Liverpool to Parramatta Transitway (\$40 million in 2003-04);

◆ Interchanges

- major ongoing construction of public transport interchanges and commuter parking facilities funded from parking space levy revenue, including works at Mt Druitt, Emu Plains and Wentworthville (\$25 million in 2003-04);

- ◆ Other
 - continuation of priority works to improve rail access for freight to Port Botany and through southern Sydney (\$14.8 million in 2003-04);
 - commencement of major restoration works at Manly Wharf at a total cost of \$9.9 million (\$2 million in 2003-04); and
 - continuation of major restoration works at Walsh Bay (\$1.9 million in 2003-04), Dawes Point (\$1.5 million in 2003-04) and the Rozelle Bay maritime precinct (\$2.2 million in 2003-04).

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

ENVIRONMENT PROTECTION

Asset acquisitions in the environment protection policy area will total \$99 million in 2003-04. Funding will support the following key initiatives:

- ◆ \$48.1 million for capital works by the National Parks and Wildlife Service including:
 - \$7 million for acquiring land with high conservation values, including \$1 million for purchase of wilderness areas;
 - a further \$2.6 million to finalise land and lease acquisitions in north-east New South Wales, as a follow-on from the North East Forests Agreement;
 - \$15 million towards the upgrade of water, sewerage and road infrastructure in the Perisher Resort; and
 - a further \$2.5 million for the Sewerage Upgrade Program across the State's national park reserve system;
- ◆ \$35 million for regionally significant and open space lands within the Sydney metropolitan area, either acquired or improved through funding provided by the Sydney Region Development Fund;
- ◆ \$12.5 million for capital works by the Department of Infrastructure, Planning and Natural Resources, including:
 - \$4.3 million for upgrading of plant and equipment;
 - \$3.5 million for coastal land acquisition;

- \$1.4 million to establish a water information system; and
- \$1.3 million for a salt interception system on the Murray River at Buronga.

RECREATION AND CULTURE

Asset acquisitions in the recreation and culture policy area will total \$82 million in 2003-04. Funding will support the following key initiatives:

- ◆ \$10.8 million in 2003-04 for the Sydney Olympic Park Authority to further plan and develop its significant public assets, and for the development of the Millennium Parklands through additional landscaping, picnic facilities, shade structures, cycle ways, educational technology and supporting infrastructure;
- ◆ \$10.9 million over four years, including \$7 million in 2003-04 for the construction of a collections storage facility at Castle Hill for the Museum of Applied Arts and Sciences;
- ◆ funding to the State Library of \$6 million in 2003-04 for the acquisition of collection material including books, journals, pictures, maps, manuscripts and electronic resources and \$5.6 million for the rationalisation of the collection storage, improvement to occupational health and safety and periodic facilities maintenance under the State Library's Total Asset Management Plan;
- ◆ further work on the conservation of historic industrial buildings behind the Mint in Macquarie St, Sydney. This is a four year program with \$8.8 million being provided this financial year;
- ◆ continuation of upgrade works at Sport and Recreation Centres and Academies of Sport and Recreation costing \$10.4 million in 2003-04; and
- ◆ continuation of the Centennial Park and Moore Park Trust's planned seven-year park improvement plan. The plan is in its second year and \$6.9 million has been provided this financial year.

OTHER

Asset acquisitions for other policy areas will amount to \$601 million in 2003-04. Major expenditure on each policy area covered in this category includes:

Social Security and Welfare

- ◆ Spending within the Department of Community Services of \$14.9 million will support:
 - accommodation of additional caseworkers at \$5.9 million;
 - improving service delivery in out-of-home care at \$3.8 million;
 - development of a Corporate Information System for management, performance and external data needs at an estimated cost of \$2 million;
- ◆ Expenditure by the Department of Ageing, Disability and Home Care of \$14.1 million in 2003-04 includes:
 - \$6 million for a new Client Information System to support the operational activities and the management of clients under its care; and
 - \$2 million for asset acquisitions to relocate individuals with a disability from boarding houses.

Agriculture, Forestry and Fishing

- ◆ \$24.8 million for capital works by the State Water Branch of the Ministry of Energy and Utilities, including:
 - \$6.1 million for flood security and upgrade works at Chaffey, Burrendong, Copeton, Keepit, Blowering and Wyangala dams;
 - \$4 million for major periodic maintenance of dams;
 - \$5 million for rehabilitating river structures;
 - \$3.6 million to upgrade Warren and Gunningbar weirs on the Macquarie River to ensure efficient supplies for stock, domestic and irrigation users, and town water to Nyngan and Cobar; and
- ◆ \$7.5 million for capital works for the Department of Agriculture, including \$2.5 million to enhance and upgrade information technology infrastructure.

Other Economic Activities

- ◆ \$22.2 million provided to the Department of Commerce including:
 - \$12.4 million to continue the upgrade of the Government Radio Network;
 - \$3.2 million to the Office of Fair Trading for the amalgamation of call centres into a single integrated, multi-channel contact centre; and
 - \$1 million to provide a network storage solution for data held by the Office of Fair Trading;
- ◆ \$18.4 million for the WorkCover Authority for a range of technology applications to support its business and meet the requirements of the WorkCover Scheme reform and related occupational health and safety legislative changes; and
- ◆ \$5.7 million for the Department of Mineral Resources for the Process System and Improvement Project.

Housing and Community Amenities

- ◆ \$9.6 million for an additional 42 units of Aboriginal housing.

Other Purposes

- ◆ \$322 million in car purchases under finance-lease arrangement;
- ◆ \$20.4 million to the Crown Property Portfolio in 2003-04 for major government office building construction as follows:
 - \$12.7 million to refurbish and upgrade the services in the historic Chief Secretary's Building to accommodate the NSW Industrial Courts and the State Governor;
 - \$6.6 million to complete the construction of an office building in Lithgow to accommodate the State Debt Recovery Office and the Police Assistance Line; and
 - \$1.1 million for Crown Property Portfolio building refurbishments;
- ◆ \$14.8 million expenditure by the Office of Government Business mainly for information technology projects, including the Central Corporate Services Unit's information systems (\$3.5 million) and information technology infrastructure (\$7.4 million);

- ◆ \$8.2 million to Treasury to:
 - commence redevelopment of the fines management system to deal with larger volume transactions; and
 - software development and computer systems acquisitions to improve processing performance; and
- ◆ \$60 million allocation under the Treasurer's Advance in 2003-04 as a contingency allowance for changes in the scope, expenditure profile of projects and total costs, or other new initiatives.

CHAPTER 3: PUBLIC TRADING ENTERPRISE SECTOR ASSET ACQUISITION PROGRAM

3.1 OVERVIEW

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

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

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

3.2 2002-03 PROGRAM OUTCOME

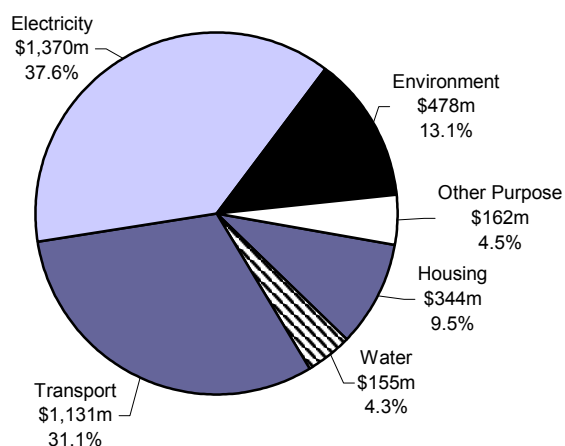
The 2002-03 asset acquisition program within the public trading enterprise sector is expected to be \$62 million below budget at \$3,269 million.

This decrease is mainly attributable to underspending in the electricity sector due to the sale of Powercoal and Pacific Power International, as part of the wind-up of Pacific Power. As a result, most of the capital expenditure in 2002-03 for these businesses is no longer within the public sector.

3.3 2003-04 PROGRAM

The 2003-04 asset acquisition program of the public trading enterprise sector is estimated to be \$3,640 million, which is \$371 million or 11.3 percent higher than the 2002-03 revised estimates. Most of the increased spending will be in the transport and electricity sectors.

Chart 1.4: Public Trading Enterprise Sector Asset Acquisitions, 2003-04, by Policy Area



Total = \$3,640 million

The main features of the public trading enterprise sector's 2003-04 asset acquisition program are:

ELECTRICITY

The program for the electricity businesses for 2003-04 is estimated at \$1,370 million.

The 2003-04 program for the electricity generators focuses on expenditure to ensure the continuing reliability and output of power stations and ancillary assets. Macquarie Generation's capital expenditure of \$60 million is primarily for efficiency upgrades at the Liddell power station and expenditure at the Bayswater power station to expand capacity.

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

Eraring's major capital projects for 2003-04 are replacement of the Integrated Control Management Systems at Eraring Power Station and continuation of mid-life refurbishment works commenced in 2002-03.

The electricity network businesses are all investing in infrastructure to ensure the ongoing stability and security of the network. Integral Energy is expected to spend \$264 million on capital investments in 2003-04. Major projects for Integral include \$11.7 million for new industrial and commercial customer connections, \$33.6 million for capital contribution works relating to upgrades and new connections, and \$11.5 million for the establishment of the Eastern Creek Zone substation. Integral is also installing capacitors in a number of locations to improve network efficiency in response to increasing demand levels in key parts of the network; this project started in 2000-01 and is due for completion in 2003-04.

EnergyAustralia is projecting to spend \$340 million on capital expenditure in 2003-04, of which \$280 million relates to network infrastructure expenditure required to meet increasing capacity requirements and fund the replacement of ageing assets. Included in this total is \$30.4 million on the Campbell Street Zone substation, \$17.7 million on the Beresfield sub transmission substation, \$10 million on the Tomaree Peninsular Feeder and Nelson Bay Environmental Impact Statement project, \$7.6 million on the Nulkaba Zone substation and \$6 million on the Gosford/Ourimbah 132 kV augmentation project.

Australian Inland will invest \$4.1 million in 2003-04 to augment the electricity network in both the Broken Hill and Wentworth-Balranald regions.

Country Energy plans to spend a total of \$294.6 million in 2003-04 on projects including \$197.5 million on network growth and renewal across its region, and \$84.2 million on regulatory compliance and operational requirements.

The most significant capital expenditure project for TransGrid in 2003-04 is the MetroGrid project. This project involves laying a 330kV underground cable from Picnic Point to Haymarket, to meet growing electricity demand in the Sydney CBD and inner metropolitan area. TransGrid also plans to progress the South Australian inter-connector with projected expenditure of \$28 million in 2003-04, and to replace an existing 330/132kV substation at Yass (\$18.2 million to be spent in 2003-04).

WATER

The program for water businesses, excluding environmental protection spending, for 2003-04 is estimated at \$155.4 million. The program includes various projects to ensure the reliability of water networks, provide for growth and include various business related projects.

Sydney Water and Hunter Water plan to spend \$79.9 million and \$13.5 million, respectively in 2003-04 on various projects designed to maintain, upgrade and ensure the security of water treatment and distribution networks.

The Sydney Catchment Authority's asset acquisition program for 2003-04 is anticipated to be \$36.8 million and includes:

- ◆ continued construction of the auxiliary spillway at Warragamba Dam to ensure dam safety, at a total project cost of \$121 million (\$9.7 million in 2003-04); and
- ◆ upgrading and renewal of dams, pipelines and other catchment infrastructure totalling \$254.3 million (\$26.5 million in 2003-04).

Australian Inland Energy will spend a total of \$9 million on a new project over the next two years to upgrade its water filtration plant in Broken Hill (\$4.5 million in 2003-04).

ENVIRONMENT PROTECTION

The projects included in this category focus on the upgrade of waste disposal, wastewater transport systems and treatment plants at an estimated cost of \$478 million in 2003-04.

The estimated cost of Sydney Water's environment protection related program in 2003-04 is estimated at \$419.1 million and includes:

- ◆ continued maintenance and renewal of various sewerage systems to improve performance at an estimated cost of \$35 million in 2003-04;
- ◆ the sewer overflow abatement program to reduce dry weather and wet weather overflows in relation to the 27 sewerage systems serving Sydney, the Blue Mountains and the Illawarra at an estimated cost of \$99 million in 2003-04;

- ◆ the Government's Priority Sewerage Program designed to connect selected areas, based on wider environmental and health benefits, to the reticulated sewerage network at an estimated cost of \$38.6 million in 2003-04; and
- ◆ upgrade of sewage treatment plants discharging into the Hawkesbury/Nepean River systems to further reduce nutrient loads into the river at an estimated cost of \$29 million in 2003-04.

The estimated cost of Hunter Water's environment protection related program in 2003-04 is estimated at \$28.2 million and includes the amplification of the Warners Bay Valentine wastewater transport system at an estimated cost of \$7.6 million in 2003-04.

The Waste Recycling and Processing Corporation will undertake various capital works in support of its waste disposal facilities including \$4.2 million at landfill sites and \$4.4 million at its transfer stations.

TRANSPORT

The transport portfolio's asset acquisition program in 2003-04 totals \$1,131 million comprising \$336.9 million by the State Rail Authority, \$227.4 million by the Rail Infrastructure Corporation, \$420 million by Parramatta Rail Link Project, \$69.7 million by State Transit Authority and \$76.7 million by the three port corporations.

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

Major works included in StateRail's \$336.9 million program for 2003-04 are:

- ◆ *Easy Access* station upgrades across the CityRail network including the completion of 7 locations currently in progress (\$17.2 million in 2003-04), as well as the addition of 5 new sites (\$1.4 million in 2003-04);
- ◆ ongoing delivery of the Millennium Train rail cars (\$152.4 million in 2003-04);

- ◆ continuation of works on 41 new outer suburban cars (\$6.9 million in 2003-04);
- ◆ continuation of works on 14 new Hunter Valley Rail Cars (\$10.3 million in 2003-04);
- ◆ ongoing implementation of safety improvements including the delivery of a train visibility monitoring system throughout the network (\$5.6 million in 2003-04);
- ◆ provision of improved operating systems including the introduction of additional simulator training aids (\$7.8 million in 2003-04);
- ◆ ongoing implementation of fire and hazard safety measures (\$12.9 million in 2003-04);
- ◆ various infrastructure enhancements including turnback facilities at Bondi Junction and Macdonaldtown (\$26 million in 2003-04); and
- ◆ continuation of development works on amplification of the Cronulla line.

Rail Infrastructure Corporation's asset acquisition program for 2003-04 totals \$227.4 million. This includes \$64.1 million for track improvements and \$30.8 million for signalling system upgrades and signalling box rationalisation. The program also provides \$22.6 million for upgrade of wrought iron and other bridges throughout New South Wales, including work on the bridge at Menangle, over the Nepean River.

Construction commenced in 2002-03 on the Chatswood to Epping section of the Parramatta Rail Link. The \$1.6 billion project (2000 dollars), due for completion in 2008, will represent a major transport improvement for Sydney. In 2003-04 \$420 million will be spent on project works, \$119.4 million by StateRail and \$300.6 million by Rail Infrastructure Corporation.

State Transit Authority's \$69.7 million capital works program in 2003-04 includes \$24.1 million for the acquisition of 60 new diesel buses, \$17.4 million for the first 24 of 80 new high capacity compressed natural gas (CNG) buses and \$3.5 million to complete the contract of 30 new Volvo buses for Newcastle.

The portfolio program also includes capital works by the three port corporations at Newcastle, Sydney and Port Kembla totalling \$76.7 million in 2003-04.

HOUSING

Asset acquisitions in the housing policy area will total \$344 million in 2003-04. The policy area includes initiatives of the Department of Housing, City West Housing, Landcom and the Teacher Housing Authority.

Features of the \$329.6 million asset acquisition program of the Department of Housing include:

- ◆ \$62.6 million for the commencement of 298 new units and works in progress in general public housing;
- ◆ \$62.6 million for the commencement of 266 new units and works in progress in general community housing;
- ◆ \$8.3 million for the commencement of 25 units of crisis accommodation; and
- ◆ \$177.4 million allocated to the upgrading of existing general public and community housing stock and crisis accommodation and to improvement programs on large public housing estates.

Additional housing is provided through City West Housing Pty. Ltd. Its program of providing affordable housing will continue in 2003-04, with a total of \$7 million allocated for asset acquisitions.

OTHER

Asset acquisitions for other policy areas will amount to \$162 million in 2003-04. Significant asset acquisitions for 2003-04 include:

- ◆ \$46.5 million by the State Forests of New South Wales. Its program primarily involves the establishment of hardwood and softwood plantations and associated infrastructure in accordance with Government policy and initiatives regarding timber resource establishment. Planned outlays for major works in 2003-04 include the establishment of hardwood plantations (\$3.6 million) and softwood plantations (\$12.4 million). A further \$8.2 million is planned to be spent in 2003-04 on major purchases of plant and equipment;

- ◆ \$73.9 million by Sydney Harbour Foreshore Authority on various public assets including Australian Technology Park (\$15 million), Sydney Fish Market site (\$24 million), further development of the Sydney Convention and Exhibition Centre (\$9 million) and other works around the harbour foreshore; and
- ◆ \$36.8 million by the Zoological Parks Board of New South Wales for the construction of new exhibits and continuing redevelopment of Taronga and Western Plains Zoos. This will include \$22.7 million for a new Asian precinct at Taronga Zoo and \$5.3 million for a centralised retail catering food precinct.

CHAPTER 4: STATE ASSET MANAGEMENT

4.1 OVERVIEW

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

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

4.2 GENERAL GOVERNMENT SECTOR

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

Around 99 percent of general government total non-financial assets are fixed assets. These fixed assets (as shown in Table 4.1) are projected to increase from \$75.2 billion as at 30 June 2003 to \$76.3 billion as at 30 June 2004, an increase of \$1,092 million.

Table 4.1: General Government Sector Non-Financial Assets

<i>As at 30 June</i>	<i>2000 Actual \$m</i>	<i>2001 Actual \$m</i>	<i>2002 Actual \$m</i>	<i>2003 Estimate \$m</i>	<i>2004 Budget \$m</i>
Non - Financial Assets					
Property, Infrastructure, Plant and Inventory	64,710	66,306	73,916	75,229	76,321
Other	754	847	952	1,021	1,122
Total Non - Financial Assets	65,464	67,153	74,868	76,250	77,443

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

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

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

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

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

This balance is achieved through the implementation of the Government's Total Asset Management (TAM) Policy. The TAM Policy requires agencies to take a holistic and strategic approach to fixed asset management, by developing Asset Strategies which guide their capital investment, maintenance and asset disposal decisions. The TAM Policy aims to ensure that agencies' assets support their service delivery in the most appropriate way and to minimise the whole-of-life costs of asset management, as discussed below.

First, to ensure that Government agencies can deliver the services needed by the community requires strategic investment in fixed assets to create the capacity to deliver services over the long term.

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

Second, capital investment decisions need to consider the options available to achieve the most efficient and effective long-term whole-of-life cost of assets acquired. This includes assessment of long-term demand drivers, financial and economic appraisals, and value management and risk management techniques in evaluating capital investment options.

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

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

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

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

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

4.3 PUBLIC FINANCIAL AND TRADING ENTERPRISE SECTORS

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

The Government's major objective in terms of asset management of these commercial enterprises is to ensure that assets and liabilities are managed efficiently and effectively to add value to the Government as shareholder. This is achieved by monitoring the financial performance of these enterprises. By targeting returns on the fixed asset investments of these enterprises that at least cover the enterprises' cost of capital, the Government's aim is to achieve an appropriate return on its equity in these enterprises.

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

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

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

Table 4.2 shows the trend in non-financial assets for the PTE and PFE sectors. After allowing for new asset acquisitions and depreciation, total fixed assets for the PTE and PFE Sectors in 2003-04 are projected to increase by \$2,747 million to \$69.5 billion as at 30 June 2004.

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

<i>As at 30 June</i>	<i>2000 Actual \$m</i>	<i>2001 Actual \$m</i>	<i>2002 Actual \$m</i>	<i>2003 Estimate \$m</i>	<i>2004 Budget \$m</i>
Non - Financial Assets					
Property, Infrastructure, Plant and Inventory	58,887	61,724	62,621	66,782	69,529
Other	295	304	245	279	308
Total Non - Financial Assets	59,182	62,028	62,866	67,061	69,837

CHAPTER 5: ASSET ACQUISITION PROJECTS

5.1 INTRODUCTION

For the purpose of this Chapter, major works refers to any specific project with an estimated total cost of \$250,000 or more. Major works are further subdivided into new works (projects which have been approved to commence in 2003-04) and works-in-progress (projects which were commenced in earlier years but have not yet been completed). In addition, an aggregate allocation for minor miscellaneous works (those with an estimated total cost of less than \$250,000) is shown for each agency.

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

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

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

All expenditures under project allocation for 2003-04 in the following pages are recorded on an accrual basis. The expenditure, therefore, is recognised at the time when work is performed rather than at the time of payment.

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

The program embraces a large number of individual projects ranging from the acquisition of minor plant and equipment, through 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.

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

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