

State Asset Acquisition Program

2004-05



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. Assets controlled under finance leases are also included as part of asset acquisitions.

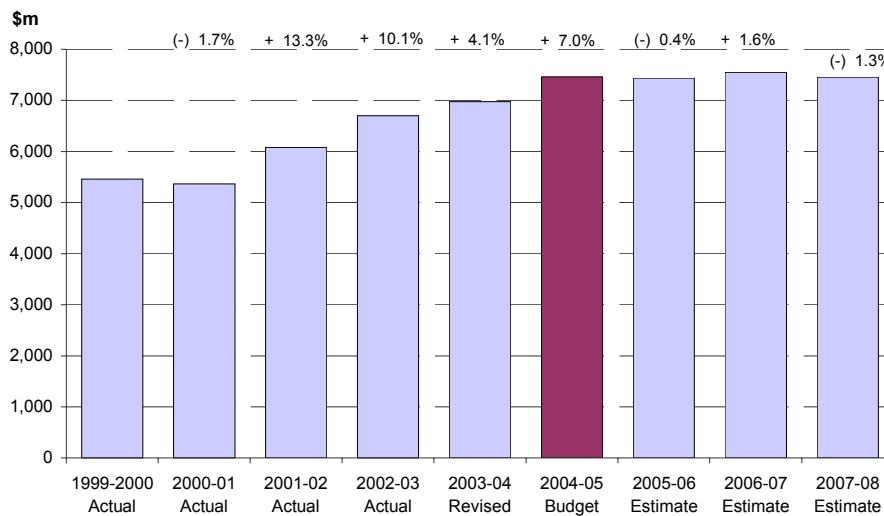
The NSW Government's asset acquisition program plays a key role in the growth and development of the State economy by providing the basic infrastructure required by industry for urban and rural development and by providing the social infrastructure essential for the efficient and effective delivery of 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 construction delays/advances due to 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 2008, the State asset acquisition program is expected to total \$29,902 million.

This is an increase of \$4,787 million, or 19.1 percent, on the \$25,115 million expenditure in the four years to 30 June 2004.

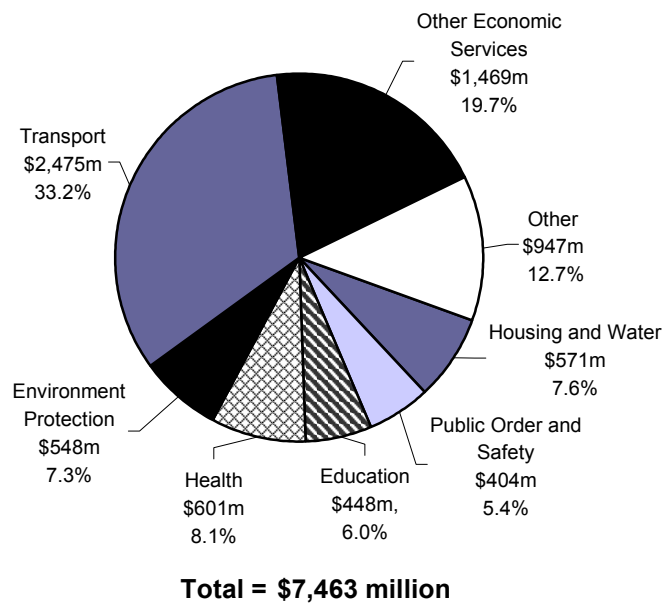
The increase in the future four-year program is driven by new spending on hospitals, schools and rail reflecting the Government's priority programs. Housing, roads and electricity infrastructure spending is also planned to increase during this period.

Major new capital works with a completed cost of \$5,017 million will begin in 2004-05 with spending of \$1,489 million in that year.

1.3 2004-05 PROGRAM

The State asset acquisition program analysis is presented under policy areas adapted from Australian Bureau of Statistics categories (see Chart 1.2). This classification means that an agency's activities could be spread over a number of policy areas with expenditure classified accordingly. For example, Australian Inland's energy-related expenditure is included in other economic services, water-related expenditure in housing and water, and sewerage-related programs in the environment protection policy area.

Chart 1.2: State Asset Acquisition Program, 2004-05, by Policy Area



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 providing essential public services such as health, education, transport (roads) and public order and safety. 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>2003-04 Budget \$m</i>	<i>2003-04 Revised \$m</i>	<i>2004-05 Budget \$m</i>	<i>2005-06 Estimate \$m</i>	<i>2006-07 Estimate \$m</i>	<i>2007-08 Estimate \$m</i>
General Government Sector	3,499	3,417	3,614	3,467	3,628	3,676
Public Trading Enterprise Sector	3,640	3,557	3,852	3,970	3,926	3,780
State Asset Acquisition Program^(a)	7,138	6,972	7,463	7,435	7,551	7,453

(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

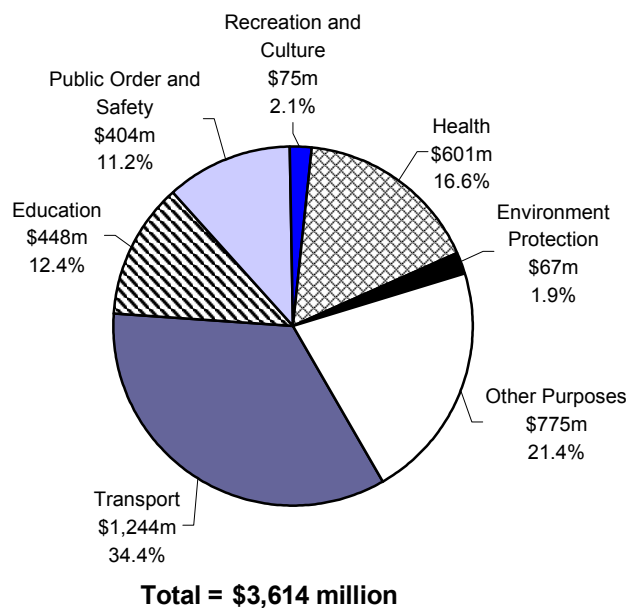
2.1 2003-04 PROGRAM OUTCOME

Asset acquisitions by the general government sector in 2003-04 are expected to be \$82 million or 2.3 percent below the budget at \$3,417 million. This decrease is due mainly to planning delays in some projects in the public order and safety, environment protection and transport policy areas.

2.2 2004-05 PROGRAM

The 2004-05 asset acquisition program of the general government sector is estimated to be \$3,614 million, which is \$197 million or 5.8 percent higher than the 2003-04 revised estimates. Most of the increased expenditure will be in the health, education and transport policy areas reflecting the Government's priority programs.

Chart 2.1: General Government Sector Asset Acquisitions, 2004-05, by Policy Area



The main features of the general government sector's 2004-05 asset acquisition program are:

HEALTH

In 2004-05, asset acquisitions in the health policy area will total \$601 million. Of this, the Department of Health accounts for \$600 million, an increase of \$143 million on 2003-04, and includes around \$23 million contributed by investment earnings from the Health Super-Growth Fund.

Over the next four years, the Department will undertake a substantial asset acquisition program totalling some \$2.4 billion. Of this, major new works commencing in 2004-05 account for \$358 million over the four year period, with \$119 million of this directed to the following priority areas in 2004-05:

- ◆ *Local initiatives* - \$58.2 million for a range of acquisitions that will support local service delivery priorities such as imaging equipment, and will be funded by local area health services from donations and asset sales;
- ◆ *Cancer care* - \$23.1 million (\$76.2 million over four years) to establish radiotherapy services at Coffs Harbour and Port Macquarie; replace ageing linear accelerators at Royal Prince Alfred and Liverpool Hospitals, and in the Macarthur Region; replace breast screening equipment and develop new breast screening assessment sites which incorporate state-of-the-art digital, ultrasound and biopsy technology, in line with the Government's *Plan for Cancer* and its commitment to improving outcomes for cancer patients;
- ◆ *Rural hospitals and community health services* - \$12.8 million (\$111.7 million over four years) to upgrade rural accident and emergency departments; refurbish operating theatres, ward/service areas and consulting suites; relocate services and construct community health centers, in line with the Government's commitment to achieve social justice for the people, families and communities of rural New South Wales and ensuring that patients can be treated closer to home;
- ◆ *Central Sydney Area Resource Transition Program Stage 2a* - \$6.5 million (\$19.2 million over four years) for the development of the Clinical Services Building and subsequent refurbishment of the Victoria Pavilion at Royal Prince Alfred Hospital;
- ◆ *Sylvania Community Health Services* - \$5.0 million to relocate existing community health services to a new stand-alone facility at Sutherland Hospital, and relocate the Hospital's allied health, administration and clinical support services to the new building;

- ◆ *Information Management and Technology* - \$4.7 million (\$24.2 million over four years) for state-wide programs that will support clinical excellence, and expand patient and clinical information databases;
- ◆ *Mental health* - \$3.7 million for refurbishment, upgrading or expansion of mental health facilities across the state, in line with the Government's policy of assisting the development of new models of care and improving mental health services;
- ◆ *Improving access to health services* - \$1.2 million (\$36.8 million over four years) to construct hostel-style accommodation for short stay use by patients (and their families) travelling long distances to receive treatment and care at Nepean Hospital; and to establish a new community/outpatient brain injury rehabilitation service at Westmead Hospital by extending the existing Brain Injury Unit;
- ◆ *Northern Sydney* - \$0.6 million to refurbish and restructure the Toxicology Unit of the Northern Sydney Area Health Service pathology service at Macquarie Hospital, to improve functionality of laboratory facilities;
- ◆ *Hornsby Hospital* - \$0.5 million to refurbish Leighton Lodge and provide improved accommodation for community-based aged care services;
- ◆ *Northern Beaches Strategy* - \$0.5 million to progress overall health services planning for the redevelopment of Manly Hospital in the Brookvale Area; and
- ◆ *Bathurst, Orange, Bloomfield and Queanbeyan hospital redevelopments* - \$2 million has been provided to begin planning on the redevelopment of these hospitals.

In addition, \$363.7 million has been allocated to continue work on major asset strategies in 2004-05, including:

- ◆ *Central Coast Health Access Plan* (Gosford and Wyong Hospitals) - \$64.0 million;
- ◆ *Central Sydney Area Resource Transition Program* (including Royal Prince Alfred and Concord Hospitals) - \$23.4 million;
- ◆ *Liverpool Mental Health Facility* - \$18.6 million;
- ◆ *Newcastle Strategy* - \$57.7 million;
- ◆ *Patient Administration System* - \$22.9 million;

- ◆ *Royal North Shore Hospital Redevelopment Stage 2* - \$22.6 million; and
- ◆ *Western Sydney Strategy* - \$29.9 million.

EDUCATION

Asset acquisitions in the education policy area will total \$448 million in 2004-05. 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 provide for a significant upgrade of school accommodation and the expansion of internet services for staff and students.

Funding provides for:

- ◆ the commencement of 32 major new works projects in schools, at an estimated total cost of \$102 million (\$16.7 million in 2004-05), including new schools at Ashtonfield and Hamlyn Terrace, new pre-schools, various upgradings, replacement of demountable classrooms with permanent facilities, libraries, school halls and gymnasiums;
- ◆ \$72 million in 2004-05 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 60 school projects commenced in previous years at an estimated total cost of more than \$381 million (\$125 million in 2004-05):
 - these projects comprise a new school at Banora Point as well as staged works at Denistone East, James Ruse (Carlingford), Jindabyne, Mullumbimby and Westfields Sports High School (Fairfield West). Work will also continue on the redevelopment of Brisbane Water Secondary College, Tuggerah Lakes Secondary College and Callaghan College;
 - work will continue on the \$107 million program over four years for the provision of accommodation at schools to meet the Government's commitment to lower class sizes; and

- six 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. \$20 million will be spent on this program in 2004-05.
- ◆ \$92 million in 2004-05 on a wide range of projects, including air-conditioning demountable classrooms and upgrading student and teacher facilities;
- ◆ commencement of 13 new TAFE projects with an estimated total cost of more than \$54 million (\$10 million in 2004-05), including new facilities at Armidale, Enmore, Glendale, Mount Druitt, Orange, Padstow and Wauchope;
- ◆ continuation of 20 TAFE projects commenced in previous years at an estimated total cost of more than \$130 million including \$48.8 million in 2004-05. 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 \$26 million. Other major works include projects at Armidale, Blue Mountains, Grafton, Meadowbank, Mudgee, Shellharbour and Wollongong; and
- ◆ \$58 million in 2004-05 for the construction of five new schools in new urban release areas of the State using a Privately Financed Project (PFP) arrangement (classified as a finance lease). Three new primary schools are to be constructed at Rouse Hill, Shell Cove and Woongarah and two new high schools at Glenwood and Horningsea Park.

PUBLIC ORDER AND SAFETY

The Government will support an asset acquisition program of \$404 million in the public order and safety policy area in 2004-05. This is an increase of \$43 million compared to the approved 2003-04 program, excluding the \$187.3 million financing transaction for the relocation of NSW Police's corporate headquarters to Parramatta last year.

The program provides for the following key initiatives:

- ◆ \$94.1 million for capital works by NSW Police including:
 - \$11 million for new works, including the upgrade of police cells and the replacement of Police's marine fleet;
 - \$33.5 million to replace police stations at St Mary's, Armidale, Redfern, Muswellbrook, Thirroul, Chatswood and Griffith;

- \$18 million for ongoing technology upgrades to enhance operational efficiency; and
- \$8.8 million for the continuing upgrade of the Police Radio Network, as part of the Government's Long-Term Radio Strategy.

The overall Budget projections also include a sum of \$50 million per annum from 2004-05 to implement NSW Police's IT Strategy, including the replacement of its existing mainframe computer and associated application. The forward Budget projections assume that a program of station upgrades will commence in 2005-06 with an annual allocation of roundly \$40 million per annum.

- ◆ \$110.5 million for capital works by the Department of Corrective Services including:
 - \$4.4 million (estimated total cost of \$25 million) for completion of a 150 remand bed extension at the Mid North Coast Correctional Centre;
 - \$16 million (estimated total cost of \$48 million) to continue the redevelopment of Mulawa Correctional Centre;
 - \$9.8 million (estimated total cost of \$24 million) to complete the construction of Mental Health Screening Units at the Metropolitan Remand and Reception Centre and Mulawa Correctional Centre at Silverwater; and
 - \$20.9 million (estimated total cost of \$122.5 million) for construction of a 500 bed Western Region Correctional Centre at Wellington.
- ◆ \$76.5 million for capital works by the Attorney General's Department including:
 - \$21.4 million (estimated total cost \$42.1 million) to build courthouses at Bankstown, Blacktown, Mount Druitt and Nowra;
 - \$11.3 million to complete implementation of Phase 2 of the Courts Administration System;
 - \$3.0 million (estimated total cost \$250 million) to commence an upgrade of court facilities across the State in response to the lack of suitable facilities to support delivery of the Department's client services;
 - \$15.8 million (estimated total cost \$35.8 million) for construction of six new children's courtrooms at Parramatta, and a new children's court in the Hunter District at Broadmeadow;

- \$6.6 million to establish a new centralised information technology network infrastructure;
 - \$0.2 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
 - \$3.6 million to establish a regionally based community residential centre for young Aboriginal people at risk of contact with the criminal justice system.
- ◆ \$37.9 million for capital works by the Department of Juvenile Justice including:
- \$18.4 million (estimated total cost \$29.2 million) for the construction of a young women's facility on the Minda/Minali site at Lidcombe;
 - \$10.1 million (estimated total cost \$23.6 million) to complete the redevelopment of the Reiby Juvenile Justice Centre at Campbelltown;
 - \$3.4 million (estimated total cost \$15.3 million) to complete the construction of additional facilities at the Cobham Juvenile Justice Centre, St Mary's.
- ◆ \$43.3 million for capital works by the NSW Fire Brigades including:
- continuation of the new fire station and training facility building program in the greater Sydney area (\$3.6 million), the lower Hunter (\$2.5 million) and the central coast and country locations (\$4.4 million);
 - heritage restoration works at Sydney No 1 Fire Station (\$4 million); and
 - continuation of an ongoing program to acquire and replace firefighting appliances (\$18 million).

TRANSPORT

Asset acquisitions in the transport policy area will total \$1,244 million in 2004-05 including the following significant works:

Roads

- ◆ Sydney Region
 - in conjunction with the private sector, Orbital roads projects including the Westlink M7 (Western Sydney Orbital) link between the M5/Hume Highway at Prestons and the M2 at West Baulkham Hills (\$71 million in 2004-05), the Lane Cove Tunnel between the M2 and the Gore Hill Freeway (\$19 million in 2004-05) and the Cross City Tunnel between Darling Harbour and Kings Cross (\$20 million in 2004-05);
 - continuation of major upgrading of Old Windsor Road and Windsor Road (\$63 million in 2004-05), continuation of works on the Bangor Bypass (\$25 million in 2004-05) and continuation of major upgrading and widening of Cowpasture Road and Hoxton Park Road (\$21 million in 2004-05);
- ◆ Pacific Highway
 - continuation of works on the Cooperook deviation (\$16 million in 2004-05), and jointly funded with Commonwealth, the Taree to Cooperook duplication (\$15 million in 2004-05), the Bundacree Creek to Possum Brush duplication (\$48 million in 2004-05), Brunswick Heads to Yelgun dual carriageways (\$33 million in 2004-05) and the Karuah to Bulahdelah dual carriageways (\$56 million in 2004-05);
- ◆ Great Western Highway
 - continuation of widening of the Great Western Highway to four lanes between Leura and Katoomba (\$25 million in 2004-05);
- ◆ Wollongong, the Central Coast and Hunter
 - upgrading the Entrance Road (\$14 million in 2004-05) and reconstruction work on Lawrence Hargrave Drive (\$30 million in 2004-05), and continuation of the State and Federal funded North Kiama Bypass on the Princes Highway (\$51 million in 2004-05); and

- ◆ Rural roads
 - construction of the Federal funded Moree Bypass on the Newell Highway (\$20 million in 2004-05) and State and Federation funded new bridges and approaches on Murray River crossings (\$27 million in 2004-05).

Other Transport

- ◆ commencement of construction for the NorthWest Transitway Network (Stage 1) at a total cost of \$493 million (\$80 million in 2004-05).
- ◆ continuation of priority works to improve rail access for general freight services (\$11 million in 2004-05); and
- ◆ upgrade of Manly Wharf and Dawes Point seawall by the Waterways Authority (\$5.0 million in 2004-05) and other minor plant and equipment purchases to assist the Authority in promoting navigation safety and co-ordinating responses to marine emergencies.

(Note: See Chapter 3 for details on rail projects, including the Chatswood to Epping Rail Link).

ENVIRONMENT PROTECTION

Asset acquisitions in the environment protection policy area will total \$67 million in 2004-05. Funding will support the following key initiatives:

- ◆ \$27.8 million for capital works by the Department of Environment and Conservation including:
 - \$500,000 to commence the \$5 million program to acquire lands for conservation in Western New South Wales;
 - \$1.7 million to develop and establish parks and reserves on recently acquired lands;
 - \$1.1 million for further improvements to Kosciuszko roads and bridges;
 - a further \$1 million to continue the upgrade of significant parks in the Sydney Metropolitan area;
 - a further \$2.5 million to finalise land and lease acquisitions in north-east New South Wales, as a follow-on from the North East Forests Agreement;

- a further \$2.8 million for the Sewerage Upgrade Program across the State's national park reserve system;
 - a further \$500,000 for purchase of wilderness areas; and
 - a total of \$12.3 million for minor capital works to support the department's asset maintenance, infrastructure provision and development works.
- ◆ \$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.

RECREATION AND CULTURE

Asset acquisitions in the recreation and culture policy area will total \$75 million in 2004-05. Funding will support the following key initiatives:

- ◆ \$9.8 million in 2004-05 for the Sydney Olympic Park Authority to further develop its significant public assets, including the development of the Millennium Parklands through additional landscaping, picnic facilities, shade structures, cycle ways, educational technology and supporting infrastructure;
- ◆ funding to the State Library of \$7.1 million in 2004-05 for the acquisition of collection material including books, journals, pictures, maps, manuscripts and electronic resources and \$2.6 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;
- ◆ commencement of work on a major program of gallery refurbishment and accommodation improvements at the Australian Museum. This program will cost \$40.9 million over five years (\$1 million in 2004-05) and will address a range of health, safety and security issues at the Museum, as well as significantly improving a number of the Museum's older galleries;
- ◆ further work on the conservation of historic industrial buildings behind the Mint in Macquarie St, Sydney. This has been a four year project with \$2 million being provided in 2004-05 to enable completion of the project;
- ◆ continuation of upgrade works at Sport and Recreation Centres and Academies of Sport and Recreation costing \$5.7 million in 2004-05; and
- ◆ continuation of the Centennial Park and Moore Park Trust's planned seven-year park improvement plan. The plan is in its third year and \$10.5 million has been provided in 2004-05.

OTHER

Asset acquisitions for other policy areas will amount to \$775 million in 2004-05. Major expenditure on each policy area covered in this category includes:

Social Security and Welfare

- ◆ \$13.7 million provided to the Department of Community Services including:
 - accommodation for additional caseworkers at \$8.6 million; and
 - development of a common minimum data set across Government at an estimated cost of \$1.8 million.
- ◆ \$36.8 million provided to the Department of Ageing, Disability and Home Care including:
 - \$15.9 million for purchase of group homes resulting from closure of large residences;
 - \$7.3 million to progress the implementation of a new Client Information System;
 - \$1 million for purchase of group homes to house children; and
 - \$2 million for asset acquisitions to relocate individuals with a disability from boarding houses.

Agriculture, Forestry and Fishing

- ◆ \$20.8 million provided to the Department of Infrastructure, Planning and Natural Resources, including:
 - \$4.6 million for high resolution satellite image covering of New South Wales;
 - \$3.1 million for improved water monitoring and information systems;
 - \$5.2 million for improved systems and processes to help implement the Sinclair Report recommendations;
 - \$4.2 million for upgrades of buildings and plant and equipment; and
 - \$1.6 million for a salt interception system on the Murray River at Buronga.

- ◆ \$15.1 million provided to the Department of Primary Industries, including:
 - \$1.3 million for construction of new laboratory facilities at Wagga Wagga Agricultural Institute;
 - \$0.6 million for marine parks;
 - \$3.5 million for the purchase and replacement of plant and equipment; and
 - \$3.1 million to enhance and upgrade information technology infrastructure.

Other Economic Activities

- ◆ \$23.8 million provided to the Department of Commerce, including:
 - \$12.6 million for the Long-Term Radio Strategy to extend the useful life of the Government's existing radio networks, including securing communications through digitisation and encryption and improving the resilience of the current networks;
 - \$4 million to continue the upgrade of the Government Radio Network; and
 - \$3.6 million to amalgamate the Office of Fair Trading Call Centres into a single, integrated, multi-channel contact centre.
- ◆ \$11.5 million provided to the Department of Primary Industries, including \$10.8 million for facilitating the relocation of mineral resources staff to Maitland; and
- ◆ \$16 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.

Housing and Community Amenities

- ◆ \$5.4 million for capital works for the Department of Infrastructure, Planning and Natural Resources, including:
 - \$1 million for transport preplanning; and
 - \$1.5 million for coastal land acquisition.
- ◆ \$8.3 million for the completion of 57 units and the commencement of a further 11 units of accommodation by the Aboriginal Housing Office.

Other Purposes

- ◆ \$12.4 million to the Crown Property Portfolio in 2004-05 for major government office building construction as follows:
 - \$7.1 million to refurbish and upgrade the services in the historic Chief Secretary's Building to accommodate the NSW Industrial Courts and the State Governor;
 - \$4.3 million for Crown Property Portfolio building refurbishments and miscellaneous minor works;
 - \$1 million to refurbish the Meteorological Building;
- ◆ \$101.1 million to the Crown Finance Entity for the purchase of motor vehicles to lease to other government agencies;
- ◆ \$73 million to the Crown Finance Entity to provide funding to agencies whose IT asset management plans justify a transition from finance leasing to the purchase of IT equipment;
- ◆ \$14.4 million provided to the Office of Government Business for various IT projects;
- ◆ \$34 million for capital projects of *NSW businesslink*, including:
 - \$15.1 million for HR/Payroll, Finance and rostering requirements;
 - \$7.1 million for renewal and rationalisation of IT servers and infrastructure; and
 - \$5.4 million for a records and document management system; and
- ◆ \$110 million allocation under the Treasurer's Advance in 2004-05 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 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 Rail Corporation New South Wales). 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 2003-04 PROGRAM OUTCOME

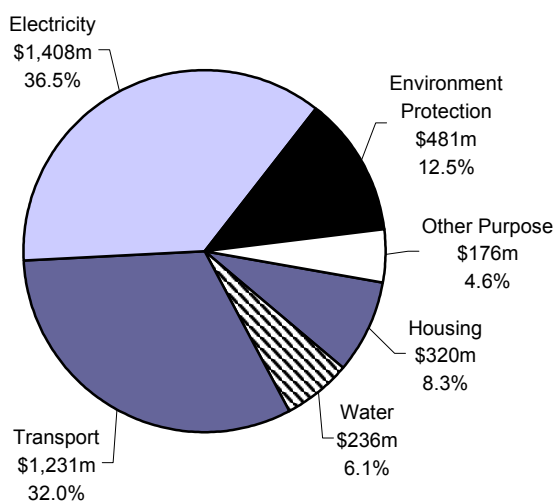
The 2003-04 asset acquisition program within the public trading enterprise sector is expected to be \$83 million below budget at \$3,557 million.

The decrease is mainly attributable to delays/postponement of some projects by Macquarie Generation, the Sydney Harbour Foreshore Authority and the State Transit Authority.

3.3 2004-05 PROGRAM

The 2004-05 asset acquisition program of the public trading enterprise sector is estimated to be \$3,852 million, which is \$295 million or 8.3 percent higher than the 2003-04 revised estimates. This increase is primarily due to increased level of expenditure and catch up on some projects delayed in 2003-04.

Chart 3.1: Public Trading Enterprise Sector Asset Acquisitions, 2004-05, by Policy Area



Total = \$3,852 million

ELECTRICITY

The asset acquisition program for the electricity businesses for 2004-05 is estimated at \$1,408 million.

Capital expenditure in the electricity generator businesses is focussed on maintaining the efficiency and reliability of its power stations and ancillary assets.

Macquarie Generation's capital expenditure of \$61.5 million is primarily for continuing plant upgrades at the Liddell power station providing improved efficiency and a small increase in generation capacity.

One of Eraring Energy's major capital projects for 2004-05 is the continuing replacement of the Integrated Control Management Systems at Eraring Power Station. In addition, the mid-life refurbishment program at Eraring Power Station, commenced in 2002-03, will continue. This program includes significant expenditure on low pressure turbine blading and boiler tube condenser replacement.

Delta Electricity will continue a program of significant capital investment to ensure ongoing optimum reliability and efficiency of its generation plant. This includes the installation of a new generator stator and rotor at the Wallerawang Power Station at a cost of \$25 million.

The capital investment of the electricity network businesses is focussed on ensuring network reliability and security and meeting growth in demand.

EnergyAustralia is projecting expenditure of \$424 million in 2004-05, of which \$361 million relates to network infrastructure expenditure required to meet increasing capacity requirements and fund the replacement of ageing assets. Included in this total is \$134 million for expenditure in the Hunter region on seven zone substations and associated work including the Tomaree Peninsular Feeder and Nelson Bay upgrade; \$20 million on the Green Square zone substation; \$5 million to commence work to replace the City North zone substation; \$34 million on the Central Coast for network upgrades in Erina and Long Jetty; and \$42 million on upgrades to substation security and public safety initiatives.

Integral Energy is expected to spend \$295.9 million on capital investments in 2004-05. Major projects for Integral include \$77.4 million for capital refurbishment and \$42.1 million for work relating to upgrades and new connections. Other projects include \$11.3 million for underground residential development; \$11.2 million for new industrial and commercial customer connections; and \$9.5 million for the high voltage distribution network development program. As well, \$8.9 million will be spent on the establishment of the Mamre Zone Substation and \$8.3 million for the Werrington Zone Substation rebuild and augmentation.

Country Energy plans to spend a total of \$344.2 million in 2004-05, including \$195.5 million on network growth and renewal across its region. Included in this total is \$4.9 million on Cudgen substation upgrade; \$3.2 million on Griffith substation; \$3 million on the Moonee to Coffs Harbour 66kV line; \$2.5 million on undergrounding at Terranora; and \$2.4 million on the Bohnock Tee to Forster 66kV feeder.

Australian Inland will invest \$4.2 million in 2004-05 to augment the electricity network in both Broken Hill and Wentworth-Balranald regions.

The addition of new transmission assets is necessary to meet the growth in demand for electricity. Similarly, the replacement of existing assets ensures that assets which have reached the end of their useful lives are upgraded. Capital expenditure of \$162 million for TransGrid in 2004-05 includes \$14 million for the replacement of an existing 330/132kV substation at Yass; \$19 million for other various substations; and \$13.8 million for various transformers.

WATER

The 2004-05 program for water businesses, excluding environment protection spending, for 2004-05 is estimated at \$236 million.

Sydney Water and Hunter Water plan to spend \$131 million and \$17.8 million, respectively, in 2004-05 on various projects designed to maintain, upgrade and ensure the security of water treatment and distribution networks.

The Sydney Catchment Authority's capital works program is estimated to be \$49 million in 2004-05, and is primarily aimed at the construction and renewal of assets used to collect, store and deliver bulk water. The program includes:

- ◆ continued construction of the auxiliary spillway at Warragamba Dam to ensure dam safety, at a total project cost of \$120 million (\$3.4 million in 2004-05); and
- ◆ upgrading and renewal of dams, pipelines and other catchment infrastructure totalling \$335 million (\$45.6 million in 2004-05).

State Water is planning to invest \$25.9 million on maintaining and upgrading its infrastructure assets, including major dams and weirs, to ensure efficient supplies for stock, domestic, irrigation and town water users in country New South Wales.

Australian Inland will spend \$1.2 million in 2004-05 in the first stage of an upgrade to its water filtration plant in Broken Hill.

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 \$481 million in 2004-05.

The estimated cost of Sydney Water's environment protection related program in 2004-05 is estimated at \$384 million and includes:

- ◆ \$80.8 million for treatment and reliability upgrades of various sewerage treatment plants;
- ◆ \$75 million for 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;
- ◆ \$50.8 million for the Government's Priority Sewerage Program designed to connect selected areas, based on wider environmental and health benefits, to the reticulated sewerage network; and
- ◆ \$17.5 million for upgrade of sewage treatment plants discharging into the Hawkesbury/Nepean River systems to further reduce nutrient loads into the river.

The estimated cost of Hunter Water's environment protection related program in 2004-05 is estimated at \$44.1 million and includes the amplification of the Warners Bay Valentine wastewater transport system at an estimated cost of \$7 million in 2004-05.

The Waste Recycling and Processing Corporation will undertake various capital works in support of its waste disposal facilities including \$24 million at landfill sites and \$5.3 million at its transfer stations.

TRANSPORT

The transport portfolio's asset acquisition program in 2004-05 totals \$1,231 million and includes:

- ◆ \$553.9 million for Rail Corporation New South Wales (RailCorp);
- ◆ \$495 million for the Chatswood to Epping Rail Link project;
- ◆ \$89.9 million for State Transit Authority; and
- ◆ \$83.5 million for the three port corporations and Sydney Ferries.

A key focus on RailCorp's program will be on improving the safety, reliability, security and cleanliness of rail services. Funding will be available for continuation of new rollingstock purchases and the first stages of the Rail Clearways, a \$1,018 million program which is designed to deliver more frequent and reliable services to remove bottlenecks and hence minimise delays on the metropolitan network.

Funding will also be available for installation of vigilance control systems; enhancements to network traction power supply to cater for new generation rolling stock and growth in the fleet size; station upgrading to improve easy access; security and the provision of information to passengers. Development of a new rail station at North Warnervale will also begin.

Major works included in RailCorp's \$553.9 million program for 2004-05 are:

- ◆ \$80 million for Rail Clearways, including the \$55 million Bondi Junction turnback, the \$17 million Macdonaldtown turnback, the \$40 million Revesby turnback, Hornsby platform 5 (\$60 million) and duplication of the Cronulla line (\$145 million);
- ◆ *Easy Access* station upgrades across the CityRail network including the completion of 6 locations currently in progress (\$16.5 million in 2004-05), as well as the addition of 5 new sites (\$1.8 million in 2004-05);
- ◆ ongoing delivery of the Stage 2 of the Millennium Train rail cars (\$102 million in 2004-05);
- ◆ supply of 41 new outer suburban cars (\$50.1 million in 2004-05);
- ◆ supply of 14 new Hunter Valley Rail Cars (\$59.5 million in 2004-05);
- ◆ continuation of the \$30 million program to install vigilance control systems (\$18 million in 2004-05);
- ◆ a significant upgrade to the electrical traction supply system to meet the needs of new generation rollingstock (\$28.8 million in 2004-05);
- ◆ upgrades to existing rollingstock (\$36.2 million in 2004-05);
- ◆ information technology based business system improvements (\$25 million in 2004-05); and
- ◆ \$50 million for miscellaneous plant and equipment for the metropolitan network.

Spending on the Chatswood to Epping Rail line will increase to \$495 million in 2004-05, with works also underway on the Parramatta and Chatswood transport interchanges. The \$2 billion project, due for completion in 2008, will be a major transport improvement for Sydney.

State Transit Authority's \$89.9 million capital works program in 2004-05 includes \$69 million for 160 new buses for the Sydney network, \$5 million for 12 new buses for Newcastle and \$4 million for upgraded video surveillance on the existing bus fleet and the replacement of bus radio equipment.

Sydney Ferries will commence operation from 1 July as a State owned corporation, independent of the State Transit Authority. In 2004-05 \$4.9 million will be available for various works including \$3 million for upgrading the Manly ferry control system, vessel management systems, wharf redevelopment and radar and \$0.8 million for refurbishment of the Balmain Shipyard wharves and environmental controls.

The portfolio program also includes capital works by the three port corporations totalling \$78.5 million in 2004-05. Major projects include the Multi Purpose Berth extensions at Port Kembla (\$13.5 million in 2004-05) upgrading of the bulk liquids berth in Port Botany (\$5.1 million in 2004-05) and preparatory work for the proposed third container project at Port Botany (\$11.9 million).

(Note: In addition to its 2004-05 capital program, Rail Infrastructure Corporation will receive a grant from the Government of \$110 million in 2004-05 for maintenance of rural track infrastructure.)

HOUSING

Asset acquisitions in the housing policy area will total \$320 million in 2004-05. The policy area includes initiatives of the Department of Housing, City West Housing, Landcom and the Teacher Housing Authority.

The Department of Housing's Asset Acquisition program for 2004-05 will total \$298.6 million in 2004-05. This will involve:

- ◆ \$66.3 million for the commencement of 378 units and works in progress for general public housing;
- ◆ \$67.9 million for the commencement of 167 new units and works in progress for general community housing;
- ◆ \$10 million for the commencement of 29 units of crisis accommodation;

- ◆ \$138.6 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
- ◆ \$15.8 million for other non housing related assets, eg IT hardware and other administration assets.

Additional housing is also provided through City West Housing Pty. Ltd. Its program of providing affordable housing will continue in 2004-05, with a total of \$14.9 million allocated for the completion of 125 units in Green Square and the Ultimo/Pymont area.

OTHER

Asset acquisitions for other policy areas will amount to \$176 million in 2004-05. Significant asset acquisitions for 2004-05 include:

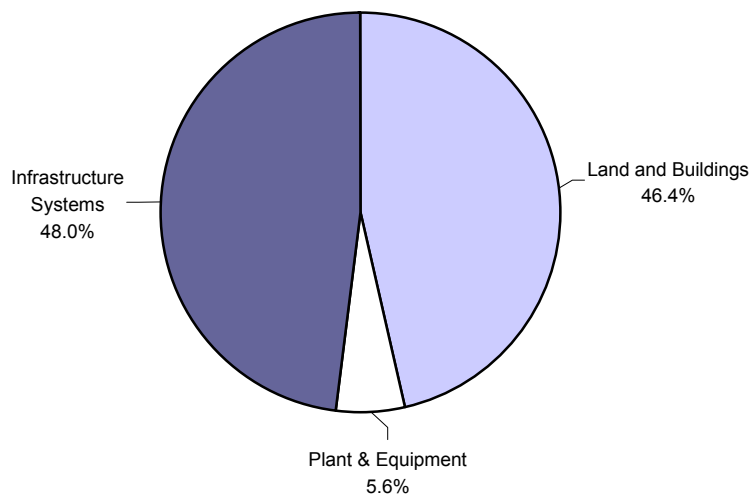
- ◆ \$48.8 million by the State Forests of New South Wales. Its program primarily involves the establishment of hardwood and softwood plantations and associated infrastructure in accordance with Government policy and initiatives regarding timber resource establishment. Planned outlays for major works in 2004-05 include the establishment of hardwood plantations (\$2.9 million) and softwood plantations (\$14.3 million). A further \$20.5 million is planned to be spent in 2004-05 on major purchases of plant and equipment and construction of roads and bridges;
- ◆ \$26.7 million by the Sydney Opera House including \$5.9 million for the continued implementation of security upgrade, \$20 million for the continuation of venue improvement and \$0.8 million for further development of Opera House external lighting;
- ◆ \$68.3 million by Sydney Harbour Foreshore Authority on various public assets including Australian Technology Park (\$16.1 million), building and infrastructure improvements (\$11.9 million), Sydney Fish Market site (\$23.5 million), further development of the Sydney Convention and Exhibition Centre (\$6.4 million); and
- ◆ \$45.7 million by the Zoological Parks Board of New South Wales for the construction of new exhibits and continuing redevelopment of Taronga Zoo (\$37.5 million), Western Plains Zoo (\$7.8 million) and other minor works.

CHAPTER 4: STATE ASSET MANAGEMENT

4.1 OVERVIEW

As of 30 June 2004, NSW Government non-financial assets will amount to \$166.5 billion. As shown in Chart 4.1, the majority of these assets are physical assets in land and buildings (\$75.3 billion), infrastructure¹ (\$78.0 billion) and plant and equipment (\$9.1 billion).

Chart 4.1: Public Sector Non-Financial Asset Allocation

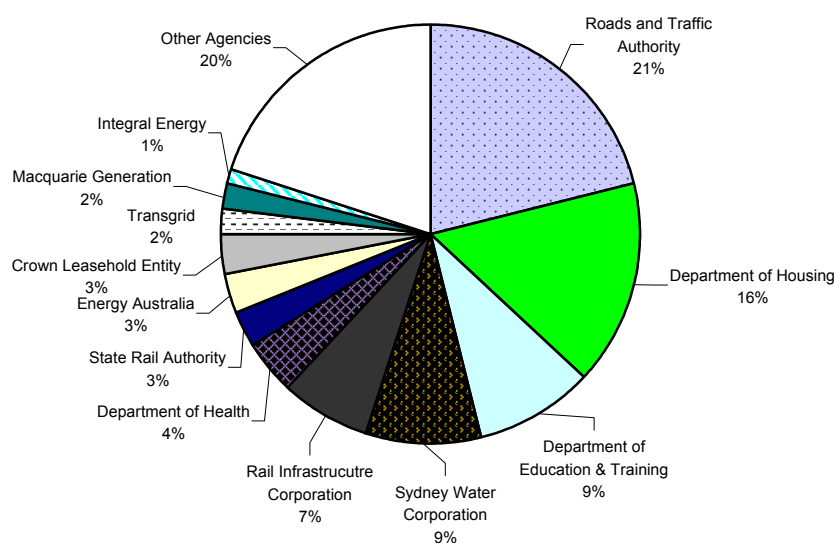


Total = \$166.5 billion

As shown in Chart 4.2 overleaf, the control of assets is highly concentrated. About 80 percent of the total non-financial assets are held in twelve organisations.

¹ Infrastructure includes assets such as roads, bridges, sewerage systems, water supply and reservoirs, power generation plants and transmission lines.

Chart 4.2: Public Sector Agency Non-Financial Asset Allocation



Source: 2002-03 Agency Annual Reports

The general government sector (\$81.3 billion) and the public trading enterprise (PTE) and public financial enterprise (PFE) sector (\$85.2 billion) each control approximately half of the State's assets.

Table 4.1: NSW Government Non-Financial Assets

As at 30 June	2001 Actual \$m	2002 Actual \$m	2003 Actual \$m	2004 Estimate \$m	2005 Budget \$m
Non - Financial Assets					
General Government Sector	67,153	74,868	79,983 ^(a)	81,331	80,541
PTE and PFE Sector	62,028	62,867	83,168 ^(b)	85,190	89,326
Public Sector Non-Financial Assets	129,181	137,735	163,151	166,521	169,867

(a) includes revaluation of the Roads and Traffic Authority property assets and road infrastructure (\$3,269 million)

(b) includes reinstatement and revaluation of rail infrastructure assets (\$8,600 million), and revaluation of housing assets (\$7,961 million).

4.2 GENERAL GOVERNMENT SECTOR

Non-financial assets in the general government sector include such diverse assets as roads, hospitals, schools, prisons, national parks, sporting venues, art collections and other cultural institutions.

Non-financial assets in the general government sector are projected to decrease by \$790 million from \$81.3 billion at 30 June 2004 to \$80.5 billion at 30 June 2005 due primarily to the corporatisation of State Water. This corporatisation will result in the transfer of more than \$2.0 billion in assets from the general government sector to the PTE sector.

The projected increase in fixed assets (after accounting for the transfer of State Water assets) reflects the Government's capital investment strategy to increase its capacity to deliver services to the community.

Three general government agencies (i.e. Roads and Traffic Authority, Department of Education and Training, and the Department of Health) control a total of \$56.9 billion in non-financial assets, or approximately 70 percent of the total general government sector.

Procurement Policy and Asset Management Reforms

Procurement policy responsibilities were transferred to the Treasury in 2003-04 and related reforms are in progress. A more systematic approach to government procurement, in particular to the procurement of capital assets, should provide more effective outcomes. The reforms emphasise more up-front preparation, resulting in better and more accountable outcomes from agencies. Cost/time overruns should be reduced and this greater certainty of outcomes will strongly assist in delivering better budgetary outcomes. Treasury is working closely with the Department of Infrastructure, Planning and Natural Resources and the Department of Commerce in this reform process.

The reforms essentially consist of simplifying the existing procurement policy and introducing a new monitoring process. The extent of monitoring will depend on the size and risk of the project, and on agency experience. The reforms commence for all new projects from 1 July 2004.

Simplification of Policy

The simplified NSW Government Procurement Policy consists of a short description of procurement policy, web based process maps for three separate strands of procurement (construction, information and communication technology, goods and services) with links to relevant guidelines and procedures.

A large number of existing outdated policy and guideline documents have been culled with further changes to occur following stakeholder consultation.

Agency Accreditation

Treasury will determine an agency's experience-related capability to undertake capital works procurement valued at over \$1 million. Those agencies with adequate procurement planning and delivery experience will be able to undertake these activities unaided. All others must seek expert help. This help will consist of using external experts to assist agencies and the use of "approved procurement systems". The scheme for capital works will begin on 1 July 2004 and will later be extended to cover information and communication technology and other major goods and services procurement.

The Gateway Review Process

The Gateway Review process consists of a series of six review points in the procurement cycle. The Gateway Review facility will be provided to agencies by the Department of Commerce, acting for Treasury. The Review involves a two day "desktop" audit of agency processes at the key stages of asset/service strategy, business case, procurement strategy, tender evaluation, precommission and post implementation. Gateway uses independent expert reviewers who assist agencies in analysing their procurement decisions without diminishing agency accountability. A Gateway review at the Business Case stage is mandatory for all complex or innovative procurements and other procurements valued at \$10 million or more.

Treasury Monitoring

Treasury will adopt a more pro-active role in monitoring major capital works. Project risk will be determined by a risk assessment conducted at the start of the project. Agencies will inform Treasury of the project status at key decision points by routine submission:

- ◆ for complex and innovative and other projects over \$50 million – project appraisal report including business case gateway review and economic appraisal prior to any funding decision being made, procurement options report, pre-tender estimate, post-tender review report and material variation report.
- ◆ for projects valued between \$10 million and \$50 million, not complex and innovative – business case gateway review prior to any funding decision being made, procurement strategy and pre-tender estimate.

- ◆ for projects valued between \$1 million and \$10 million, not complex and innovative - summary of economic appraisal prior to any funding decision being made.

Asset Management and New Budget Process

Sound management of the existing asset base and newly acquired assets is required to ensure that services are delivered efficiently and effectively over the long term. This necessitates an appropriate balance between the acquisition of new fixed assets to meet community needs and the efficient utilisation of existing assets.

This balance is achieved through the implementation of the Government's Total Asset Management (TAM) Policy. TAM is being more strongly integrated into the Treasury budget process, which focuses on agencies' service delivery performance. Efficient service delivery requires agencies to align their asset planning and management practices with their service delivery priorities and strategies.

TAM aims to ensure that agencies' assets support service delivery in the most efficient way on a whole-of-life basis. TAM involves agencies reviewing service delivery options, including removing the past bias towards acquisition of new capital assets at the expense of appropriate asset maintenance. It also encourages agencies to reduce asset dependency through non-asset or less asset-intensive solutions, including strategic demand management, and to dispose of unnecessary and/or non-performing assets.

Agencies' Asset Strategies and supporting Capital Investment, Maintenance, Asset Disposal and Accommodation Strategic Plans are used to inform the Government's decision making in resource allocation and in developing the State Infrastructure Strategy.

4.3 PUBLIC FINANCIAL AND TRADING ENTERPRISE SECTOR

As shown in Table 4.1, total non-financial assets for the PTE and PFE sector are projected to increase by \$4,136 million from \$85.2 billion at 30 June 2004 to \$89.3 billion as at 30 June 2005.

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 maximise value to the State. 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 financial appraisals conducted on any new asset acquisitions or major refurbishment proposals and 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 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.

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 2004-05) 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 2004-05 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 competitive government sector in Section 5.3 and a brief description of their program is given under the relevant policy area in Chapter 3.