

2. PUBLIC TRADING ENTERPRISE SECTOR ASSET ACQUISITION PROGRAM

2.1 OVERVIEW

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

The Public Trading Enterprise Sector comprises those agencies which finance the bulk of their operations from own sources 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, Budget funding is provided to agencies by the Government for public rental housing (Department of Housing) and public rail transport (the CityRail and Country Link services of the State Rail Authority). In the rail sector, the provision of Budget funding reflects the view that, due to reasons of externalities, the general community should contribute towards these costs.

Unlike the General Government Sector, capital expenditure of the Public Trading Enterprise Sector, other than that funded by social programs, has no direct impact on the State's Budget. Accordingly, approval for commercially funded capital expenditure of Public Trading Enterprises is based on establishing that the proposed expenditures do not put at risk the agencies' ability to meet the financial targets stipulated in their Statement of Financial Performance or Statement of Corporate Intent.

2.2 1997-98 EXPENDITURE

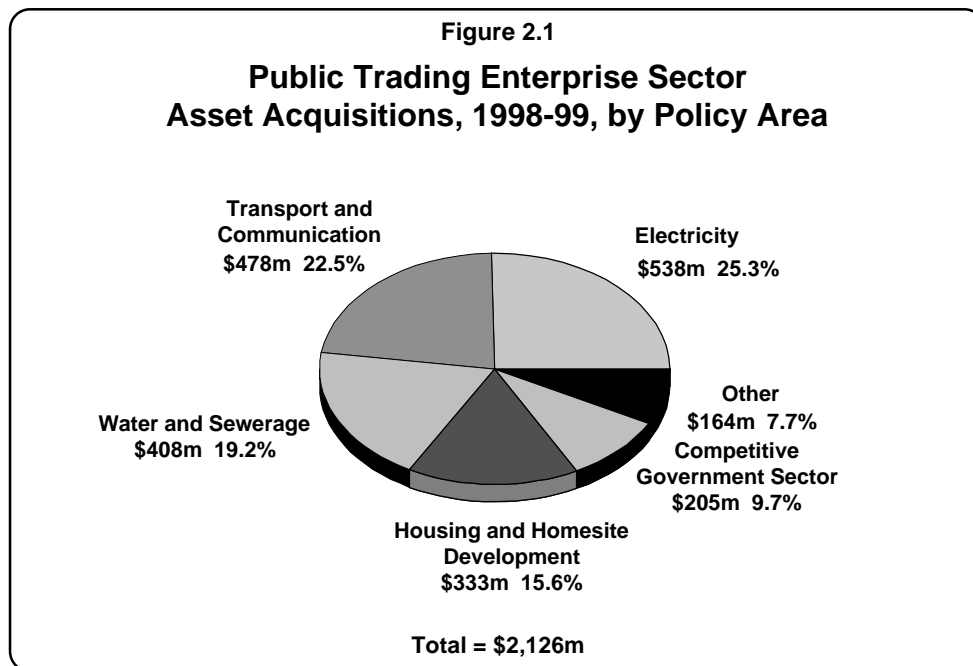
Overall, capital expenditure by Public Trading Enterprises in 1997-98 has been revised downwards to \$1,783 million, \$468 million below the original (revised) budget projection of \$2,251 million.¹

Of this \$468 million reduction, \$378 million is attributable to the transport and communication sector and reflects both a reclassification of major periodic maintenance projects from capital to recurrent (of \$225 million) and the deferral of some projects primarily for commercial reasons. A further \$46 million reduction is due to anticipated lower expenditure by TransGrid, as a result of the deferral of investment in Snowy Mountains transmission assets. In addition, capital expenditure by the State Forests of NSW is expected to be lower than anticipated by \$17 million. Also, capital expenditure by Sydney Ports Corporation is expected to be \$14 million lower than anticipated as a result of delays in, and the postponement of, several projects.

⁽¹⁾ The revised 1997-98 budget projection figure of \$2,251 million differs from the Total Non Budget Sector figure (of \$2,627 million) published in the 1997-98 Budget Papers. This amended budget projection figure reflects the difference in coverage due to the reclassification of certain Non Budget Sector agencies into General Government agencies in 1998-99.

2.3 1998-99 EXPENDITURE

The 1998-99 total capital expenditure of the Public Trading Enterprise Sector agencies is estimated to be \$2,126 million. This is an increase of \$343 million on the revised 1997-98 expenditure. Major areas of expenditure in 1998-99 are as indicated below.



Electricity

Continuing change in the electricity industry, following the restructure of both the distribution and generation sectors, has resulted in improvements, not only in the productivity of both sectors, but also in the budgeting for capital works.

The 1998-99 capital expenditure program for generators highlights -

- a concentration of expenditure on continuing improvements to the performance and reliability of existing power stations and ancillary assets.

For the transmission system, the highlights include -

- a forecast expenditure of \$118 million, the bulk of which involves the acquisition and development of major transmission assets.

For the distribution sector, capital expenditure highlights include -

- energyAustralia - major network expansion (\$49 million) to meet new demand and information technology development (\$39 million) as well as the undergrounding of powerlines at Homebush Bay (\$10 million). A further \$29 million is to be spent catering for general load growth.
- Integral Energy - major components include information technology systems (\$25 million) and metering (\$13 million).
- Major items of capital expenditure for the remaining distributors relate to both system enhancement and refurbishment, in addition to transport renewal.

Water and Sewerage

Sydney Water Corporation's asset acquisition program for 1998-99 is \$300 million (exclusive of assets constructed by developers and/or other third parties and handed over to the Corporation). This investment will allow the Corporation to continue to meet operational standards and environmental regulations and support urban growth. It also enables the Corporation to increase customer satisfaction, business efficiency and the value of the business.

Approximately 45 per cent of Sydney Water's 1998-99 asset acquisition program will focus on minimising sewage overflows. The bulk of this expenditure, \$130 million, will be on the construction of the Northside Storage Tunnel which will reduce the frequency of wet weather overflows and associated pollution within the Sydney Harbour area from the lower northern suburbs system. The tunnel is scheduled for completion by the Year 2000 at an estimated total cost of \$300 million. It will capture and transport sewage from Sydney's four largest volume sewage overflow points at Lane Cove, Tunks Park, Scotts Creek and Quakers Hat Bay.

Other significant capital expenditure items include -

- ensuring dam safety through the investment of \$103 million over four years (\$8.9 million in 1998-99) to construct an auxiliary spillway at Warragamba Dam;
- the upgrade of Cronulla Sewage Treatment Plant at an estimated cost of \$85 million up to 2000-01 (\$16.5 million in 1998-99);
- the provision of an integrated telemetry and control system for wastewater at a total cost of \$54 million up to 2001-02 (\$10 million in 1998-99); and
- the upgrade of the Illawarra Sewage Treatment Plant at \$90 million up to 2004 (\$1.3 million in 1998-99).

Hunter Water Corporation's capital investment totals \$52 million in 1998-99. Major capital works expenditures in 1998-99 include -

- construction of Morpeth wastewater treatment works (\$7.8 million);
- the Hunter Sewerage Project (\$4 million);
- the Medowie to Raymond Terrace wastewater transfer system (\$10.7 million);
- augmentation of the water supply to Tomaree (\$3.2 million);

- an additional reservoir at South Wallsend (\$4.1 million);
- the Bolwarra to Farley wastewater transfer system (\$1.3 million);
- the Wyee Point sewerage scheme (\$1 million);
- amplification of the water treatment plant at Lemon Tree Passage (\$2.6 million);
- construction of the Marylands/Minmi sewerage redirection to Shortland (\$3.5 million); and
- the second stage of the Grahamstown bridge and spillway construction (\$1.2 million).

Transport

The Transport Portfolio asset acquisition program aims to further the Government's public transport objectives of increased transport usage. Achievement of this objective will improve Sydney's air quality.

The program comprises two components: non-commercial programs (of State Rail Authority, Rail Access Corporation and the Department of Transport) and commercial programs (of Railway Services Authority, Freight Rail Corporation, Rail Access Corporation and the State Transit Authority).

The total of the 1998-99 non-commercial asset acquisition program for the transport sector is estimated to be \$330 million. Program highlights are –

- a \$55 million security upgrade of CityRail stations in 1998-99 to be completed in 1999-2000. This will involve the installation of closed circuit television, high intensity security lighting, long line public announcement facilities and emergency help point at every CityRail station. This upgrade will include the provision of security facilities in commuter car parks and interchanges;
- continued construction of the new Southern Railway and East Hills line amplification. This project, which is a joint development by the private and public sector, started in 1995. The project is to be completed in 1999-2000. A total of \$149 million is earmarked in 1998-99 for the New Southern Railway and East Hills line amplification projects;
- the Flemington junction grade separation. This project is required to achieve an efficient separation of freight and passenger services along the Western Line. It will also improve the priority freight path through the suburban network. \$31 million is allocated to this project in 1998-99 with \$15.5 million being contributed by the State and \$15.5 million being contributed by the Commonwealth;
- the Lidcombe-Homebush Bay shuttle project, which will provide for additional passenger services to Homebush Bay during suburban peak period without affecting existing Main Western Line passenger services. \$12 million is allocated to this project in 1998-99;
- Richmond Line Amplification, which will facilitate more frequent train services to the rapidly growing area between Blacktown and Richmond. \$13 million is allocated to this project in 1998-99 and will enable completion in the same period;

- 4th Generation Train Project. This project involves the planned acquisition of new suburban rail cars. \$2 million is allocated in 1998-99 to cover further project development costs, with the first of the new cars due to be operating on the rail network by the 2000 Olympics; and
- construction and enhancements to a series of facilities which will provide a direct connection between the various transport modes, such as bus/rail/ferry interchanges and commuter car parking at rail stations and ferry wharves. A majority of these projects are in Western Sydney eg. Liverpool bus/rail interchange and Merrylands car park and bus/rail interchange.

As mentioned above, the Transport Portfolio asset acquisition program also includes projects of a commercial nature that are undertaken by the Railway Services Authority, Freight Rail Corporation, Rail Access Corporation and the State Transit Authority.

The Railway Services Authority is intending to invest \$79 million in 1998-99. This investment is intended to improve the organisation's operating efficiency and to enhance its ability to compete with private sector organisations for rail infrastructure maintenance contracts.

The Freight Rail Corporation plans to invest \$43 million in 1998-99. The investment is mainly aimed at business growth and reform to improve productivity.

The Rail Access Corporation's 1998-99 budget provides for a capital program of \$117 million. Of this, \$52.7 million comprises commercial projects funded by the Corporation.

The State Transit Authority plans to invest \$55 million on capital projects during 1998-99. Major projects during the year include -

- the delivery of 124 new buses at a cost of \$38 million in 1998-99. These buses will provide enhanced passenger comfort and safety and most will feature an ultra low floor to provide easy access for all people in the community. 26 of these buses are the first part of a new contract for 150 buses that will all run on Compressed Natural Gas, reducing their impact on the environment;
- continuation of the major periodic maintenance and refurbishment programs for buses and ferries at pre-planned intervals during their operating life. A total of \$2.7 million will be spent on work such as interior fitouts, painting and any necessary structural repairs to ensure that these buses and ferries continue to operate safely and reliably; and
- a total of \$2.2 million for improvements to bus servicing facilities and equipment purchases to ensure a high standard of reliability and service of the bus fleet.

Housing Assistance Program

The funding for the asset acquisition component of the housing assistance program is overseen and allocated by the Housing Planning Division of the Department of Urban Affairs and Planning. The implementation of the asset acquisition program is then administered by the Department of Housing, Office of Community Housing, and the Aboriginal Housing Office. The programs of the Office of Community Housing and the Aboriginal Housing Office are reported under the General Government Sector.

Major highlights of the Department of Housing's \$329 million asset acquisition program include -

- commencement of 1,341 units of accommodation, including 58 units providing special support for tenants;
- 83 percent of the program to be achieved through redevelopment; and
- \$125.7 million for upgrading existing stock and improving large housing estates.

State Forests of NSW

State Forests' capital expenditure totals \$57 million in 1998-99. This is predominantly made up of softwoods. Highlights include - -

- capital expenditure on softwood plantations is forecast to be \$32.4 million. This includes plantation establishment, land purchase and infrastructure constructions.
- Government provision of \$15 million for the Hardwood Plantation Program in 1998-99. The capitalised portion of this funding is expected to be \$10.3 million with the balance being expended on operational and maintenance costs associated with the program.
- the purchase of mechanical and radio services totalling \$11.7 million.

Waste Service

Waste Service's capital expenditure for 1998-99 totals \$33 million. The key features are -

- site remediation and development of a resource recovery park at Tempe at a total project cost of \$19.9 million (\$1.1 million in 1998-99).
- completion of the Lidcombe liquid waste plant in September 1998 and the installation of measures to reduce the movement of odours from the site, at a cost of \$2.8 million, in line with stringent environmental standards.
- \$15 million in 1998-99 to upgrade transfer stations and landfills with leachate and stormwater management infrastructure, and improve their capacity to process green-waste and receive small vehicles.

Darling Harbour Authority

The key feature of the Darling Harbour Authority's asset acquisition program is the expansion of the Sydney Convention Centre. The total cost is expected to be \$57.9 million, of which \$29 million will be spent in 1998-99.

The expansion is scheduled for completion in 1999 and will provide banqueting facilities, meeting rooms for up to 1,000 people and some additional boutique exhibition space. The centre will provide a valuable facility for the growing convention market.