

5.1 2011-12 INFRASTRUCTURE INVESTMENT PROGRAM

Introduction

The 2011-12 Infrastructure Investment Program responds to the needs of a growing city and the necessary infrastructure required to support the increasing level of essential services that must be provided to the community.

The 2011-12 Budget includes a range of projects that allow for innovative and sustainable infrastructure solutions to promote the efficient and effective delivery of services. These include:

- the six green star Government Office Building which will enable better integration of services to the community;
- Information and Communication Technology (ICT) initiatives including the whole-of-government data centre program;
- two five green star schools;
- a health system which will have the capacity to deliver services using the latest technologies; and
- innovative transport solutions aimed at encouraging a modal shift away from cars.

The 2011-12 Capital Works Program includes new projects which support the development of major programs and improves the capacity of essential infrastructure required to serve the community into the future.

The Government has agreed to the construction of a six Green Star office building in the City. While the building provides essential office accommodation, it also provides opportunities to reduce the Government's carbon footprint and for the ACT Public Service to work more efficiently in delivering services which will flow from the integration and co-location of staff.

New health initiatives with a value of \$126 million have been supported in the 2011-12 Program. These projects build on the already substantial investments in enhancing health infrastructure to meet the growing demands placed on the ACT Health system.

Initiatives which will improve commuting around Canberra have been included in the Transport for Canberra program. These include new bus infrastructure, such as transitways, bus stops and depot improvements, intersection and road upgrades and bridge safety infrastructure.

The Budget also includes funding for the Majura Parkway, which will improve freight and commuter traffic flows and safety by providing an efficient link between the Monaro Highway and the Federal Highway. Construction of the project is contingent on the Commonwealth agreeing to part-fund this nationally significant project.

New works under the *Transport for Canberra* program total \$160 million over the Budget and forward estimates.

Infrastructure to support land release in Gungahlin and Molonglo has been included in the 2011-12 Budget. Key projects include the John Gorton Drive Extension in Molonglo and the Horse Park Drive Extension in Gungahlin. The projects will assist in the accelerated release of land and housing affordability.

School infrastructure also features in the Budget with the construction of the new Bonner and Franklin schools in Gungahlin. Existing schools are to be expanded in Macgregor and Watson to meet population growth in new developments contiguous to these suburbs.

Objectives of the Program

The objectives of the infrastructure investment program are to:

- increase the productive capacity of the economy by expanding infrastructure capacity;
- reduce future (social, environmental and economic) costs; and
- provide for growth in the economy and maintain a competitive edge against other urban centres.

2011-12 Infrastructure Investment Program

The 2011-12 Budget provides for new investments in infrastructure of \$884.9 million over four years. This includes New Capital Works including feasibility and forward design (\$838.6 million) and Capital Upgrades (\$46.3 million).

The value of works in progress flowing from previous years is almost \$860 million over four years, with \$605.1 million available for expenditure in 2011-12. The total Infrastructure Investment Program over four years is \$1.785 billion.

The 2011-12 Infrastructure Investment Program includes a significant increase in new works investment over 2010-11. These new investments are made as the substantial works in progress associated with the 2008-09 *Building the Future* Program and the *Nation Building and Jobs Plan* reach their conclusion.

Significant infrastructure investment commitments made in the 2011-12 Budget include:

- Government Office Building (\$432.196 million);
- *Transport for Canberra* – Majura Parkway (\$144 million);
- Bonner Primary School (\$60.270 million);
- Franklin Early Childhood School (\$42.7 million);
- Enhancing Hospital Facilities (\$41 million);
- John Gorton Drive Extension to Molonglo 2 and Group Centre (\$34 million);
- Gungahlin Pool (\$26.3 million);
- Horse Park Drive Extension to Moncrieff Group Centre (\$24 million);
- Integrated Cancer Centre – Phase 2 (\$15.102 million);

- Expansion of Social Housing (\$9.446 million);
- Upgrade of Early Childhood Facilities (\$9 million);
- Holder Early Childhood Centre (\$7.5 million);
- Namadgi P-10 School – Pedestrian Bridge (\$6 million); and
- Northside Hospital Specification and Documentation (\$4 million).

Table 5.1.1 provides a summary of the 2011-12 Budget Capital Program by type.

**Table 5.1.1
Capital Program – by Type**

	2011-12 Allocation \$'000	2012-13 Allocation \$'000	2013-14 Allocation \$'000	2014-15 Allocation \$'000	Four Year Investment \$'000	Total Value \$'000
Capital Works						
Feasibility Studies	5,600	1,450	0	0	7,050	7,050
Forward Design	56,188	29,280	0	0	85,468	85,468
Construction ¹	208,429	242,389	144,896	149,386	745,100	1,052,432
Grants	983	0	0	0	983	983
Capital Upgrades	46,272	0	0	0	46,272	46,272
Sub-Total (Capital Works)	317,472	273,119	144,896	149,386	884,873	1,192,205
Information and Communication Technology (ICT)	31,158	3,664	0	0	34,822	34,822
Plant and Equipment (P&E)	8,493	194	73	0	8,760	8,760
Sub-Total (ICT and P&E)	39,651	3,858	73	0	43,582	43,582
TOTAL NEW CAPITAL PROGRAM	357,123	276,977	144,969	149,386	928,455	1,235,787
Works in Progress						
2010-11 and Prior Year Programs	422,531	136,434	16,418	850	576,233	576,233
2010-11 Rollovers/Re-profiling	84,194	45,300	0	0	129,494	129,494
Sub-Total (Works in Progress)	506,725	181,734	16,418	850	705,727	705,727
Information and Communication Technology (ICT)	69,379	31,255	1,600	1,600	103,834	103,834
Plant and Equipment (P&E)	28,976	13,516	2,961	1,926	47,379	47,379
Sub-Total (ICT and P&E)	98,355	44,771	4,561	3,526	151,213	151,213
TOTAL WORKS IN PROGRESS	605,080	226,505	20,979	4,376	856,940	856,940
GRAND TOTAL – CAPITAL PROGRAM	962,203	503,482	165,948	153,762	1,785,395	2,092,727
Unallocated Capital Provisions						
Future Works Provisions	0	119,751	119,751	119,751	359,253	359,253
Capital Upgrades	0	47,991	49,191	50,420	147,602	147,602
Total Provisions	0	167,742	168,942	170,171	506,855	506,855
TOTAL BUDGET CAPACITY	962,203	671,224	334,890	323,933	2,292,250	2,599,582

Note:

1. Additional \$183.822 million provided in 2015-16 and \$123.510 million in 2016-17 for the Government Office Building.

In addition to the 2011-12 Budget Infrastructure Program, significant works are delivered each year through the Territory's Public Trading Enterprises (PTEs) and other agencies. Off budget works are those financed through own-source revenue or debt. These works are largely related to land servicing, water and wastewater works and public housing. The value of off budget works for 2011-12 is \$383.2 million. These works will be delivered by the agencies shown below:

- Housing ACT – \$50.5 million.
- ACT Public Cemeteries Authority – \$0.5 million.
- ACTEW Corporation – \$283.9 million.
- Land Development Agency – \$48.3 million.

Financing the Program

The ACT has considerably lower levels of debt when compared to most other Australian governments. To date, the Territory has not needed to borrow funds to support its General Government Sector infrastructure development activities. However, it is estimated that borrowing will be required to fund the existing program of works.

It is widely recognised as appropriate for governments with strong balance sheets to incur some debt, provided that debt is used to finance high quality assets which increase the productive capacity of the economy. These assets provide benefits to the community over a long period of time.

The Budget anticipates new general government sector borrowings for capital of up to \$350 million in 2011-12 and \$300 million in 2012-13. This is an increase of \$200 million over the level forecast in the 2010-11 Budget.

In particular, these borrowings relate to financing for:

- continuation of the implementation of the capital asset development plan to build a sustainable and modern health system; and
- the Majura Parkway.

Debt raisings will be managed in such a way as to not risk the Territory's AAA credit rating. Any debt raised will be repaid from future surpluses.

Capital Planning, Delivery and Management

The Government has implemented a wide range of reforms over recent years which have enabled the delivery of progressively larger capital works programs every year. The reforms have aimed to address issues such as project documentation, project management skills and resourcing and enhance industry consultation. The impact of these reforms is reflected in the large number of projects delivered and completed in 2010-11, particularly transport, housing, education and health infrastructure.

The 2011-12 Budget reflects changes in the organisation of planning and development functions. The Sustainable Development Directorate will bring together elements of the ACTPS with responsibilities in planning policy (including transport planning), environmental policies and programs, heritage, the Government Architect and the ACT Planning and Land Authority.

Enhancing Capital Works Delivery Systems

During 2010-11 work continued with respect to engagement with industry on streamlining documentation and procurement processes. The streamlining and simplification of contract and tendering documentation continues, and a revised and updated managing contractor agreement is expected to be put into use in 2011-12. Other contractual models and templates are being progressively revised to ensure that best practice model contracts are implemented in the ACT.

A summary of other key reform activities underway is provided below:

- All Australian state and territory governments are now participating in the National Prequalification System (NPS), consisting of Prequalification of Contractors for Civil (Roads and Bridges) Construction Contracts and Prequalification of Contractors for Non-Residential Building Contracts. The purpose of the national scheme is to reduce red tape and promote a seamless national economy. Firms wishing to have their prequalification status mutually recognised by other States and Territories now need only apply for prequalification in their 'home' state, followed by recognition within other jurisdictions, rather than being required to go through a full prequalification process.
- Under the auspices of the Australian Procurement and Construction Council, the Government is participating in an inter-jurisdictional working group to consider a suite of nationally consistent conditions of contract principles for use in construction projects. The working group is in consultation with peak industry bodies to progress this work.
- The Call Tender Schedule continues to be updated monthly and is providing industry with information about upcoming tenders.

The Government is reviewing the standards which apply to the construction of urban infrastructure, such as streetlights, stormwater and roads. The review will identify areas where ACT standards are not compatible with national standards. Incompatibility of standards has the potential to add cost to ACT projects and create barriers for new entrants from interstate to enter the industry in the ACT. The review, and subsequent implementation of recommendations, could provide opportunities to improve value for money outcomes when procuring infrastructure.

In 2011-12, the Government will also implement an enhanced and more systematic approach to value management and reviewing the progress of the development of individual projects. This will include the introduction of a framework for the application of value management exercises and gateway reviews for capital projects. This will ensure that projects will be delivered in the most efficient and effective way possible.

Government Office Building

The Government Office Building (the building) initiative provides opportunities to reduce the Government's carbon footprint and to work more efficiently in delivering services.

The \$432 million building is to be located on Section 19 – City, adjacent to the ACT Legislative Assembly and is to house over 3,500 public service officers and provide a central and integrated shopfront, which will make accessing government services easier for the community. The cost of the building is partly offset by the sale of existing owned buildings valued at \$99.6 million. The net cost of the building is estimated at \$332.4 million, taking into account building sales. Construction is forecast to commence in 2014.

The building will address the age, geographic dispersion and amenity provided by current offices occupied by the Government, which in many cases are reaching the end of their useful life. The building also provides an opportunity to contribute to a number of key policy objectives of the Government including:

- enhancing cohesion, coordination and alignment of effort in the ACT Public Service;
- providing a sustainable solution to assist in meeting its target of a 40 per cent reduction on 1990 greenhouse gas emission levels by 2020:
 - the building is intended to be built to a six Green Star base building rating;
- making a positive contribution to the urban fabric of the city centre;
- enhancing the productivity of the public service;
- allowing for smarter solutions and innovation; and
- increasing the efficiency and effectiveness of government service delivery.

The construction of the building has been assessed as the most economically effective option for meeting the Government's future office accommodation needs, taking into account the existing portfolio of owned and leased buildings and the Government's sustainability objectives. Remaining in existing buildings would lead to considerable unbudgeted expenditure to improve their quality and sustainability. Consequently, construction of the building will allow the Government to sell existing owned office buildings.

The building also offers opportunities to improve the efficiency and reduce the cost of government service delivery. For example, it will provide direct savings in energy and water consumption, through the use of contemporary building management systems and equipment, and reduce the amount of accommodation that is currently being rented. These savings have been estimated at \$19.3 million per annum.

The creation of a central office also provides for a range of indirect savings which could also be achieved, such as:

- efficiencies in support services and goods such as office consumables, ICT and fleet;
- reduced travel costs;
- integrated service delivery opportunities;
- reduced office churn (i.e. minimising the requirement to source additional accommodation when changes to administrative structures are required);

- increased utilisation rates; and
- improvements in staff attraction and reduction in staff attrition.

The building is to be financed by the Territory and procured using a Design Construct Operate Maintain (DCOM) procurement method. Under this arrangement a contractor, or consortium, is responsible for undertaking detailed design and construction of the building and, following completion, undertakes responsibility for its operation and maintenance.

