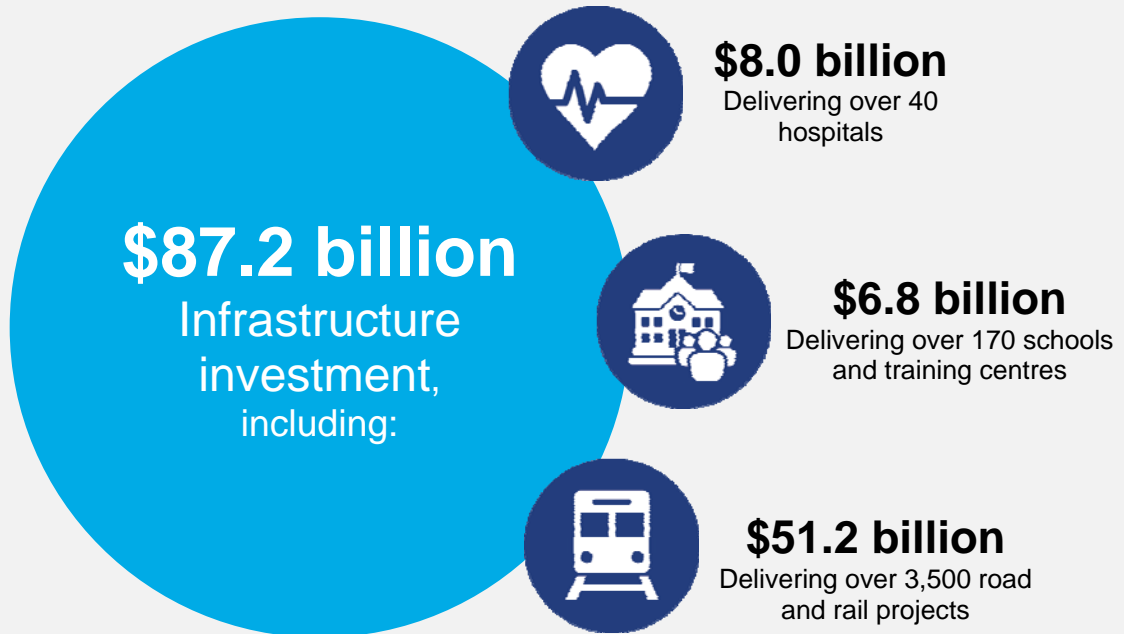


# 1. OVERVIEW

- The 2018-19 Budget continues to invest in the infrastructure to make our communities great places to live, now and into the future. From local projects like sporting fields, world-class hospitals and schools, and the major road and transport projects that will transform New South Wales, the Budget's \$87.2 billion infrastructure program is designed to make communities more liveable today, while laying the foundations for the New South Wales of tomorrow.



- The \$87.2 billion capital program over four years to 2021-22, represents the largest ever commitment by a state government to deliver the infrastructure communities need. This investment provides a strong foundation for the continued economic and social prosperity of the State and helps to manage the challenges of a growing and ageing population.
- In addition to the State's capital program, the Government will provide a further \$5.7 billion over the four years to 2021-22 to support projects being delivered by non-government bodies. This includes financial contributions to private-public partnerships and capital grants to local councils.
- The Government is making substantial investments in infrastructure to support regional New South Wales and is establishing the Snowy Hydro Legacy Fund to enable \$4.2 billion to be spent on regional infrastructure. This is in addition to the Government's continuing commitment to spend 30 per cent of all Restart NSW funding over time in the regions and other commitments already funded in this Budget for regional New South Wales.

## 1.1 Introduction

The 2018-19 Budget represents the largest ever infrastructure commitment by a state government to meet the needs of the people of New South Wales now and into the future. This investment includes substantial funding for world-class hospitals and health care facilities, new and upgraded schools to support high-quality education, critical road and rail projects, and sporting and cultural infrastructure.

The Budget commits \$87.2 billion over the four years to 2021-22. This program will drive economic growth, create jobs, and provide high-quality services to the residents of New South Wales. The Government's successful asset recycling strategy has enabled these record levels of capital spending, while maintaining the State's triple-A credit rating.

The Government's infrastructure program includes funding for a wide range of infrastructure projects:<sup>1</sup>

- record investment in health infrastructure of \$8.0 billion<sup>2</sup> over the four years, including for the planning and development of over 40 new and upgraded hospital builds, with funding towards the:
  - redevelopment of the Liverpool Health and Academic Precinct (estimated total cost (ETC) \$740.0 million; see Box 2.1)
  - Statewide Mental Health Infrastructure Program (ETC \$700.0 million; see Box 2.2)
  - Griffith Hospital Redevelopment Stage 1 (ETC \$35.0 million)
  - next stage of a new health service at Rouse Hill (ETC \$75.0 million)
- record investment in education and skills infrastructure of \$6.8 billion over the four years, including funding:
  - to support the planning or delivery of over 170 new and upgraded schools
  - to install air conditioning in various schools across the State (ETC \$500.0 million; see Box 2.4)
  - for a new fleet of Mobile Training Units to complement TAFE's Connected Learning Centres, as part of the overall investment in TAFE NSW infrastructure of \$399.4 million over the four years to 2021-22
- substantial investment in public transport and roads of \$51.2 billion over the four years, including funding towards:
  - Sydney Metro West (an initial \$3.0 billion reserved in Restart NSW; see Box 2.8)
  - F6 Extension Stage 1 (\$1.2 billion additional funding over four years; see Box 2.7)
  - North-South Rail for Western Sydney Airport Stage 1 (\$100.0 million to be jointly contributed by the NSW and Commonwealth Governments for planning and the final business case; see Box 2.21)
  - Sydney Gateway<sup>3</sup>
  - planning and early works for Western Harbour Tunnel and Beaches Link (\$556.2 million over four years)

<sup>1</sup> The ETC of projects identified in this chapter may include prior year expenditure and expenditure beyond the budget and forward estimates.

<sup>2</sup> Health capital expenditure includes capital expensing amounts. Further information is provided at footnote c) of Table 1.2.

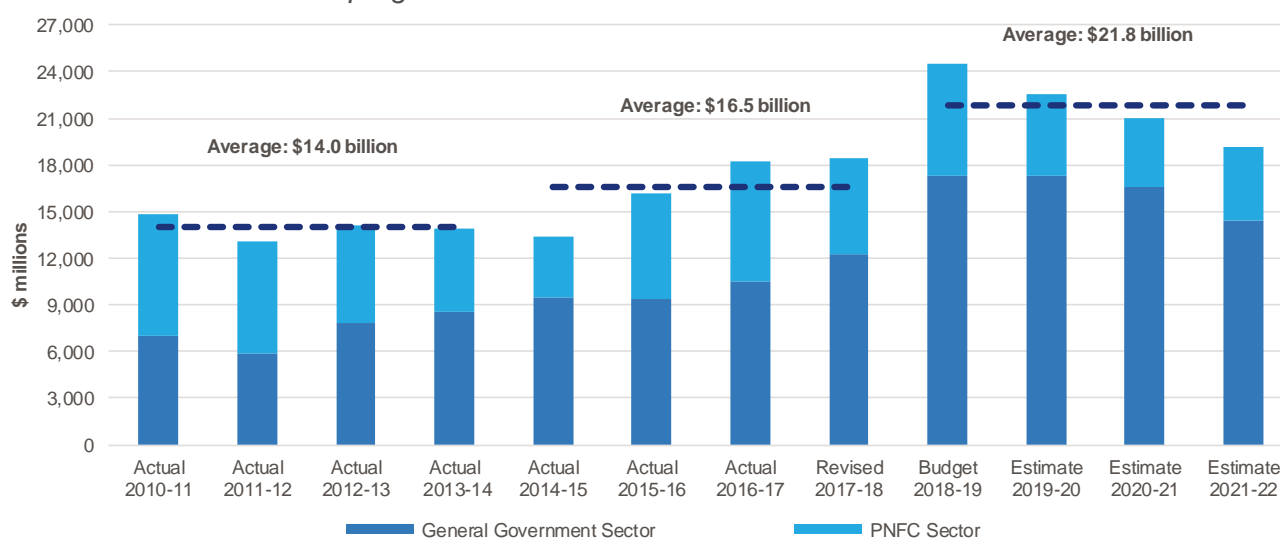
<sup>3</sup> A total of \$800.0 million will be provided from the WestConnex project.

- \$3.7 billion over four years for criminal justice and emergency services infrastructure to protect New South Wales communities, including funding for the:
  - Prison Bed Capacity Program, providing additional prison beds across the system to respond to growing demand and to ensure fit-for-purpose capacity (ETC \$2.4 billion)<sup>4</sup>
  - Critical Communications Enhancement Program (Greater Metropolitan Area, Critical Sites, and Priority Works), to enhance the communications services required by frontline agency staff to deliver law enforcement, essential emergency, and community services (ETC \$355.9 million)<sup>5</sup>
  - NSW SES Fleet Stage 1, providing a modern, fit-for-purpose vehicle and marine fleet for emergency services across New South Wales (\$56.4 million over four years)
- significant investment for cultural and sporting infrastructure, including funding for the:
  - redevelopment of Sydney Football Stadium (ETC \$729.0 million over four years; see Box 2.17)
  - relocation of the Powerhouse Museum to Parramatta, expansion of storage at the Museum Discovery Centre and planning for a creative industries precinct in Ultimo (\$645.0 million total Government contribution; see Box 2.19)
  - Greater Sydney Sports Facility Fund (\$100.0 million reserved in Restart NSW; see Box 2.18)
  - Stage 1 of the Australian Museum redevelopment (ETC \$50.5 million)
- \$5.6 billion to provide vital water and waste water infrastructure to New South Wales communities, including funding for the Keepit Dam Upgrade (ETC \$115.6 million).

Chapter 2 of this *Infrastructure Statement* provides further details on infrastructure projects the Government is delivering.

Chart 1.1 shows the growth in the State's capital program from 2010-11 to 2021-22. The capital program increases to an average of \$21.8 billion per annum over the four years to 2021-22, 31.7 per cent higher than the four years to 2017-18 and 55.8 per cent higher than the four years to 2013-14.

Chart 1.1: *Infrastructure program from 2010-11 to 2021-22*



<sup>4</sup> ETC is for the capital expenditure for the project. The program consists of \$2.4 billion capital expenditure and \$1.4 billion recurrent expenditure.

<sup>5</sup> This program is being delivered across multiple sectors. The ETC for the program is the cost across all sectors and includes recurrent expenditure for equipment supporting the delivery of the program.

## 1.2 Benefits of infrastructure

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The Government's unprecedented infrastructure program continues to deliver economic and social benefits that are both immediate and enduring, fuelling the State's economic growth and creating opportunities for investment and employment.

In the longer term, infrastructure investment can lift productivity by reducing travel times and costs for citizens and businesses, increasing production capacity, and connecting people with job opportunities, and products with markets.

Infrastructure investment also provides social benefits by improving the quality and reach of government services and enhancing social connections. For example:

- world-class hospitals protect and improve the wellbeing of the community by enabling doctors and nurses to provide high-quality health care
- modern schools ensure that all children can receive a quality education and have a strong start in life
- social housing and mental health infrastructure supports those in need, including protecting the vulnerable and creating opportunities to improve their lives
- cultural and sporting infrastructure strengthens communities by creating strong social connections through shared interests, and attracting tourism to boost the visitor economy.

The right investment also allows the State to better manage increased demand for infrastructure and services due to a growing and ageing population. For example, Infrastructure NSW and Transport for NSW have estimated that:

- the demand for health care will grow by over 50 per cent in the next 20 years, compared with population growth of 28 per cent<sup>6</sup>
- enrolments in government and non-government schools are expected to increase by about 25 per cent over the next 20 years, with more than 80 per cent of that growth occurring in Sydney<sup>7</sup>
- freight volumes are estimated to double in the Greater Sydney area, and to increase by 25 per cent in regional New South Wales over the 40 years to 2056.<sup>8</sup>

The Government is responding to these challenges with a record capital program that will improve the existing essential services and meet the needs of the community now and into the future. Box 1.1 provides further details on the economic benefits of public infrastructure investment.

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<sup>6</sup> Infrastructure NSW, *State Infrastructure Strategy 2018-2038*, Sydney, 2018.

<sup>7</sup> Infrastructure NSW, *State Infrastructure Strategy 2018-2038*, Sydney, 2018.

<sup>8</sup> Transport for NSW, *Future Transport Strategy 2056*, Sydney, 2018.

### Box 1.1: Infrastructure investment boosts economic growth

Infrastructure investment is critical to the New South Wales economy as it boosts economic growth.

The \$87.2 billion infrastructure program continues to drive record levels of construction activity in New South Wales and growth in construction employment. Public investment is expected to directly boost economic growth by an average of ½ a percentage point a year over the next two years. This is consistent with the previous two years and around four times the historical average. Public investment is forecast to boost economic growth by a ¼ of a percentage point in 2019-20, driven by investment in new major transport projects.

Major New South Wales infrastructure projects are providing strong contributions to economic growth. For example, WestConnex is expected to generate over \$20 billion in economic benefits and support over 10,000 jobs during the overall construction period.<sup>9</sup> Sydney Metro City and Southwest will also require over 6,000 workers during the construction period and is expected to support over 44,000 additional jobs in the project corridor by 2036.<sup>10</sup>

Further, Deloitte Access Economics has estimated that by 2035-36, the Government's \$20 billion Rebuilding NSW plan will support over 120,000 additional full-time jobs, and increase economic output by \$30.9 billion in 2013 dollar terms.<sup>11</sup>

## 1.3 Strong fiscal management

The record infrastructure program is possible because of the State's strong fiscal management, which has allowed for increased infrastructure investment while maintaining the State's triple-A credit rating. This includes:

- continuing management of recurrent expenditure, consistent with the *Fiscal Responsibility Act 2012*
- active management of the State's balance sheet, including reinvesting the proceeds of asset recycling into productive infrastructure
- a whole-of-government prioritisation of capital projects, based on thorough project assessment, to enable a more strategic approach to capital allocation (see Box 1.2).

The capital investment framework is designed to ensure funding is invested effectively in priority infrastructure projects that are delivered on time, for the most efficient cost, and greatest economic impact. The framework integrates planning, project selection, funding and delivery. Chapter 4 of this *Infrastructure Statement* provides further information on the investment framework.

Infrastructure NSW plays a key role in assisting the government to identify and prioritise infrastructure projects. It provides independent advice to the Government on infrastructure needs and delivery, with a focus on capital investment that brings economic growth and social well-being.

<sup>9</sup> Sydney Motorway Corporation, *M4 East Project Overview*, WestConnex, Sydney, 2015.

<sup>10</sup> Transport for NSW, *Sydney Metro City and Southwest, Business Case Summary*, Sydney, 2016.

<sup>11</sup> Deloitte Access Economics, *Economic Impact of State Infrastructure Strategy – Rebuilding NSW*, Deloitte Australia, 2014.

**Box 1.2: Prioritising capital spending to where it is most needed**

Public infrastructure investment delivers long-term economic benefits when it is targeted at productive infrastructure. This investment should also be consistent with the Government's fiscal strategy, which ensures the State's finances are managed prudently.

The Government has therefore implemented a whole-of-government prioritisation of capital projects to enable a more strategic approach to capital allocation. The prioritisation assessment process is managed jointly by Infrastructure NSW, NSW Treasury and the Department of Premier and Cabinet. It helps to ensure recognition is given to projects that produce the highest economic and social benefit and which are aligned with Government priorities.

The Government is also committed to forging strong working relationships with other levels of government to provide major infrastructure. In March 2018, the Government partnered with the Commonwealth Government and eight local councils to sign the Western Sydney City Deal, as outlined in Box 1.3.

**Box 1.3: Western Sydney City Deal is transformative**

**The City Deal:** On 4 March 2018, the NSW and Commonwealth Governments, together with eight local councils of Western Sydney, signed the Western Sydney City Deal (City Deal). The City Deal is a 20-year agreement between all three levels of government to deliver a once-in-a-generation transformation of Western Sydney. The agreement is pivotal to delivering the full potential benefits of the new Western Sydney airport and the linked Aerotropolis.

The Aerotropolis will be developed to the south of the airport. It will be a business hub that leverages off both its transport connections and the technological infrastructure needed to support modern aviation. Together with the airport, it will be the catalyst for the development of the new Western Parkland City where over 1.5 million people will be able to live and work.

**Service delivery objective:** The City Deal includes commitments from all levels of government to drive investment, development and job opportunities. It also includes measures to maintain and enhance Western Sydney's unique character by improving community infrastructure and liveability.

**Funding allocation:** The NSW and Commonwealth Governments, and local councils, are contributing funding to the City Deal. This includes funding set aside for the North-South Rail for Western Sydney Airport Stage 1 final business case, a Western Parkland Liveability Program, and the new Western Sydney Centre of Innovation in Plant Sciences at the Australian Botanic Garden Mount Annan.

Chapter 2 of this *Infrastructure Statement* provides further details on the Western Sydney City Deal.

## 1.4 Asset recycling strategy

The Government's successful asset recycling strategy is enabling the delivery of a record capital program, while simultaneously maintaining the State's triple-A credit rating. Asset recycling proceeds have also increased the State's holdings of cash and financial assets, strengthening its net debt position and boosting budget reserves.

Inflows into Restart NSW from asset recycling proceeds are expected to be \$24.9 billion as at 30 June 2018. These proceeds are augmented by the Commonwealth Government Asset Recycling Initiative payments.

A further \$4.2 billion will be received by 30 June 2018 from the transfer of the State's share of Snowy Hydro. These proceeds will be reinvested into infrastructure in regional New South Wales through the Snowy Hydro Legacy Fund as projects are identified.

The Government expects to receive further asset recycling proceeds in 2018-19 from the sale of 51 per cent of Sydney Motorway Corporation, which will help fund WestConnex Stage 3. A further \$335.0 million in remaining Commonwealth Government Asset Recycling Initiative payments is also expected to be received in 2018-19.

See Box 1.4 for further details of projects that are being delivered because of the asset recycling strategy.

### Box 1.4: Securing our future through asset recycling

The Government's asset recycling strategy enables vital infrastructure projects to be delivered while allowing the Government to sustainably manage debt levels and maintain the State's triple-A credit rating.

Asset recycling has unlocked funding for infrastructure projects that would otherwise not have been funded and has enabled the fast-tracking of critical infrastructure projects, with start dates brought forward and timeframes accelerated.

As at 30 June 2018, Restart NSW is forecast to receive \$24.9 billion from asset recycling proceeds. Without the receipt of these proceeds, the \$20 billion Rebuilding NSW plan could not have been fully funded while maintaining the State's current net debt position. Rebuilding NSW provides funding contributions for Sydney Metro City and Southwest (\$7.0 billion), More Trains, More Services (\$1.0 billion), Regional Road Freight Corridors and Regional Growth Roads (\$3.0 billion), education infrastructure (\$1.0 billion), health infrastructure (\$1.0 billion), water infrastructure (\$1.0 billion), and other projects that will provide benefits to the residents of New South Wales.

Additional projects funded through Restart NSW, outside the Rebuilding NSW plan, that may not have been funded without asset recycling proceeds, include the Pacific Highway upgrade (\$403.0 million) and the New Intercity Fleet (\$402.0 million).

Projects and programs that have been accelerated due to asset recycling proceeds include Sydney Metro City and Southwest, More Trains, More Services, and the B-Line Program.

## 1.5 Four-year capital program

The Government's capital spending program is forecast to be \$87.2 billion over four years to 2021-22.

Table 1.1 provides a reconciliation of capital expenditure between the 2017-18 and 2018-19 budgets. Movements in the profile of capital expenditure across years for individual projects are captured at an aggregate level in parameter and other variations.

Table 1.1: Capital expenditure reconciliation

	2017-18	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m	\$m
<b>Capital - 2017-18 Budget</b>	22,274	22,812	15,589	12,004	n.a.
<b>Policy measures</b>					
New capital works <sup>(a)</sup>	610	1,810	2,103	2,300	n.a.
<b>Parameter and other variations</b>	(1,230)	628	570	629	n.a.
<b>Capital - 2017-18 Half-Yearly Review</b>	21,654	25,249	18,262	14,933	n.a.
<b>Policy measures</b>					
New capital works <sup>(a)</sup>	(204)	1,397	3,019	4,268	5,668
<b>Parameter and other variations</b>	(3,036)	(2,175)	1,266	1,840	n.a.
<b>Capital - 2018-19 Budget</b>	18,414	24,471	22,547	21,042	19,147

(a) Includes the estimated impact of spending funds committed and reserved in Restart NSW.

Table 1.1 shows that capital expenditure has increased since the 2017-18 Budget to \$87.2 billion. Key drivers of this increase include new spending initiatives in transport and education and the decision to reflect funds reserved in Restart NSW in the budget estimates (see Box 3.3). The variation in capital expenditure in 2017-18 and 2018-19 is largely due to changed expenditure profiles to align with updated project delivery schedules.

The breakdown of capital expenditure by functional sector is shown in Table 1.2. More than half the four-year capital program is dedicated to spending on transport and roads, sustaining record levels of investment. There is also record investment in health and education infrastructure over the four years to 2021-22.

Significant investment is also occurring in the water utilities, justice, housing, and venues, arts and culture sectors.

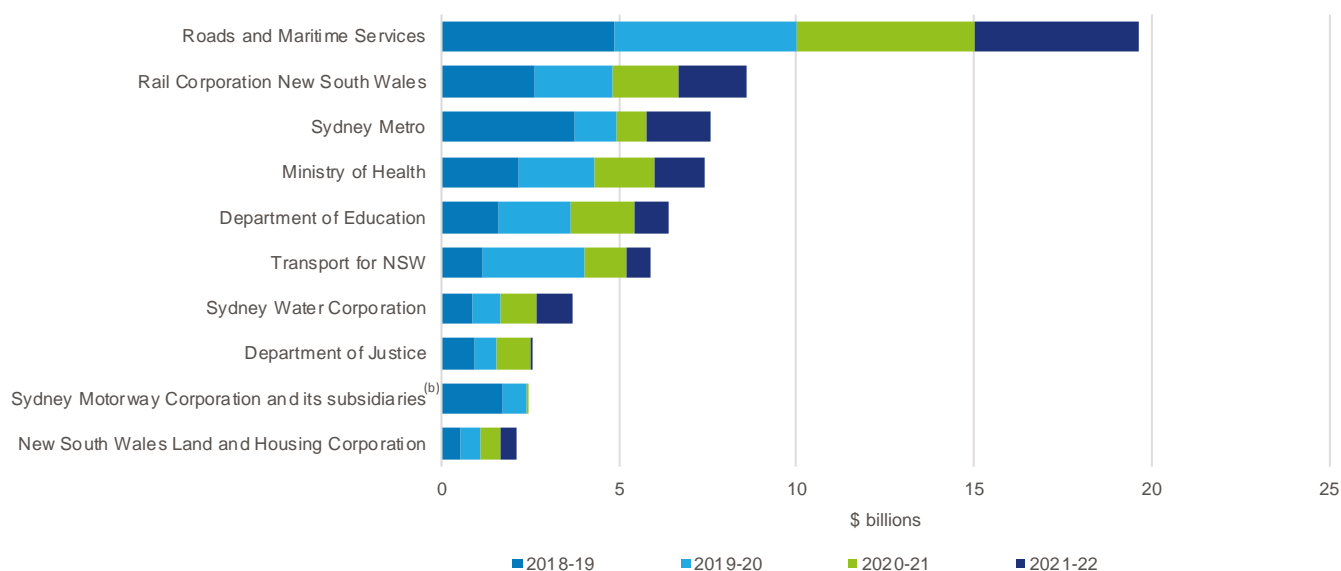


Table 1.2: State capital spending by sector<sup>(a)(b)</sup>

	2018-19	2019-20	2020-21	2021-22	Four year total	
	Budget	Forward Estimates			\$m	%
	\$m	\$m	\$m	\$m	\$m	%
Transport	14,724	13,441	11,371	11,696	51,231	58.7
Health <sup>(c)</sup>	2,163	2,169	1,646	1,456	7,435	8.5
Education and Skills	1,793	2,092	1,868	1,071	6,824	7.8
Justice	1,381	834	1,203	298	3,717	4.3
Housing	598	592	617	493	2,300	2.6
Electricity	521	554	476	482	2,034	2.3
Water	1,352	1,160	1,391	1,685	5,588	6.4
Venues, Arts and Culture	568	710	1,112	439	2,830	3.2
Other	1,370	994	1,358	1,528	5,250	6.0
<b>Total<sup>(d)</sup></b>	<b>24,471</b>	<b>22,547</b>	<b>21,042</b>	<b>19,147</b>	<b>87,208</b>	<b>100</b>

- (a) The capital program includes the forecast expenditure of commitments and reservations for Restart NSW projects over the four years to 2021-22, including projects from the Rebuilding NSW plan. Further expenditure on Rebuilding NSW projects and other Restart NSW projects is expected outside the budget and forward estimates.
- (b) Functional sectors are based on grouping of similar agencies and do not align with the Classification of the Functions of Government - Australia (COFOG-A) classifications published in Budget Paper No.1 *Budget Statement*. "Other" includes investment in family and community services, and general public services.
- (c) Health spending on capital is expected to total \$8.0 billion over the four years to 2021-22. Table 1.2 does not include \$149.4 million in 2018-19, \$148.3 million in 2019-20, \$145.7 million in 2020-21, and \$138.2 million in 2021-22 for capital expensing relating to certain expenditure associated with the construction of health capital projects, which falls below the capitalisation threshold and is not classified as capital expenditure under accounting standards.
- (d) Spending excludes capital expenditure by public financial corporations.

The 10 largest entities by capital investment account for \$66.3 billion, or 76.1 per cent, of the investment program over the four years to 2021-22, as shown in Chart 1.2.

Chart 1.2: Distribution of capital investment by entity<sup>(a)</sup>

- (a) Further expenditure on Rebuilding NSW and other Restart NSW projects is expected outside the four years to 2021-22.
- (b) Sydney Motorway Corporation and Roads and Maritime Services are delivering the WestConnex project. The capital investment shown in the chart above for Sydney Motorway Corporation is funded by a combination of NSW Government, Commonwealth Government, and private sector investment.

## 1.6 Regional New South Wales

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The Government is committed to supporting the growth and prosperity of regional New South Wales through substantial infrastructure investment.

The Government remains committed to 30 per cent of infrastructure spending from Restart NSW being dedicated to the regions over time. This includes the plan to invest \$6.0 billion of the \$20 billion Rebuilding NSW plan in regional infrastructure projects. In addition, the Government intends to spend the \$4.2 billion in proceeds from the sale of the State's share of Snowy Hydro on regional infrastructure projects, as detailed in Box 1.5.

This Budget includes funding for new or upgraded hospitals, schools, roads and rail in regional New South Wales, including for:

- the Statewide Mental Health Infrastructure Program, which provides benefits to both metropolitan and regional areas of New South Wales (ETC \$700.0 million)
- expanding the scope of hospital redevelopments and expansions underway at Grafton, Inverell, Manning, Coffs Harbour, Cooma and Bowral (additional funding of \$122.1 million over four years)
- Western Cancer Care Centre Dubbo, delivering an integrated cancer diagnostic and treatment service (ETC \$35.0 million)<sup>12</sup>
- Griffith Hospital Redevelopment Stage 1 (ETC \$35.0 million)
- a new Rural Health Infrastructure Program, which will provide hospital upgrades at Tenterfield, Dungog, Scone and Gloucester (ETC \$10.0 million)
- new and upgraded regional schools, including those at Wagga Wagga, Jindabyne, Queanbeyan, Dubbo, Byron Bay, Coffs Harbour, Lennox Head, and Cooma<sup>13</sup>
- regional road projects as part of the Regional Growth Roads, Regional Road Freight Corridor and Fixing Country Roads programs (\$1.0 billion committed in Restart NSW since the 2017-18 Budget; see Boxes 2.26 and 2.29)
- the Fixing Country Rail program (\$138.4 million committed in Restart NSW since the 2017-18 Budget; see Box 2.27)
- the Sealing Country Roads program, to complete the sealing of the Silver City and Cobb Highway (additional funding of \$40.0 million over four years).

Significant progress has also been made on the \$1.3 billion Regional Growth Fund, which was established in 2017-18 to drive investment in regional New South Wales. New programs have also been established in this Budget through the Regional Growth Fund, including the Regional Social Benefit Infrastructure Fund (\$80.0 million) and the Cross-Border Commissioner's Infrastructure Fund (\$20.0 million).

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<sup>12</sup> Includes a Commonwealth Government contribution of \$25.0 million to the project.

<sup>13</sup> ETC is commercial in confidence.

### Box 1.5: Supporting the regions through the Snowy Hydro Legacy Fund

**Program:** The Snowy Hydro Legacy Fund (the Fund) will account for the spending of proceeds from the sale of the State's share of Snowy Hydro on regional infrastructure.

**Service delivery objective:** The purpose of the Fund will be to invest in productive infrastructure to support economic development in the regions. The projects and programs will be major state-building infrastructure and be for the primary benefit of regional New South Wales.

**Implementation:** Projects will be subject to a strong selection framework to maximise the economic growth and productivity of the regions.

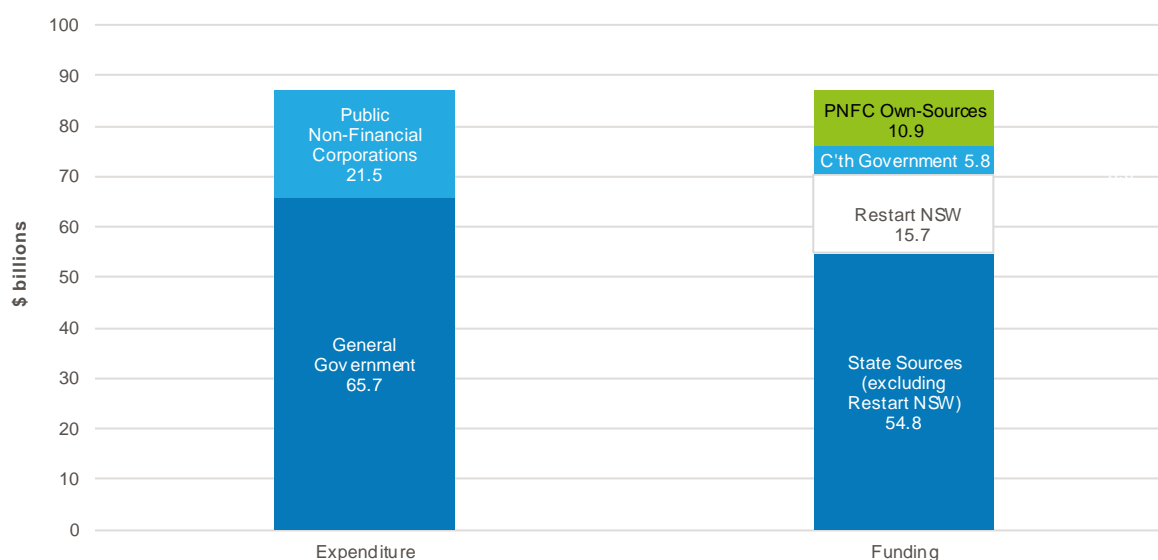
**Funding allocation:** The Government will receive the \$4.2 billion in proceeds from the sale of the State's share of Snowy Hydro by 30 June 2018. This Budget appropriates \$40.0 million in 2018-19 to investigate and plan for state building infrastructure projects.

## 1.7 Funding of the capital program

The State's capital program is \$87.2 billion over four years to 2021-22 and is funded from:

- state sources, comprising:
  - taxation, other own-source State revenues and borrowings (\$54.8 billion)
  - Restart NSW (including the Rebuilding NSW plan), via sources such as asset recycling proceeds, windfall tax revenues and the issuing of Waratah Bonds (\$15.7 billion)<sup>14</sup>
- Public non-financial corporations (PNFC) own-source funding (including from equity, retained earnings and borrowings) (\$10.9 billion)
- Commonwealth Government grants (\$5.8 billion).

Chart 1.3: Summary of capital expenditure and funding sources - 2018-19 to 2021-22



<sup>14</sup> Total committed and reserved funding from Restart NSW is \$32.9 billion. This includes \$15.7 billion committed and reserved over the four years to 2021-22, with further expenditure forecast outside the budget and forward estimates.

As shown in Chart 1.3, the capital program is comprised of \$65.7 billion from the general government sector and \$21.5 billion from the PNFC sector.

State funding, including from Restart NSW, is expected to be the largest funding source for capital expenditure and will total \$70.5 billion over the four years to 2021-22. State funding is expected to comprise a larger share of the capital program over the four years to 2021-22 compared with the four years to 2020-21 in the 2017-18 Budget. This is due to the decision to recognise funds reserved in Restart NSW in the budget estimates and new State funded spending initiatives for major transport projects.

Commonwealth Government funding comprises infrastructure grants for specific projects and accounts for \$5.8 billion, or 6.7 per cent, of the capital program. PNFC own-source funding is \$10.9 billion, or 12.5 per cent of the capital program.

## **State funding**

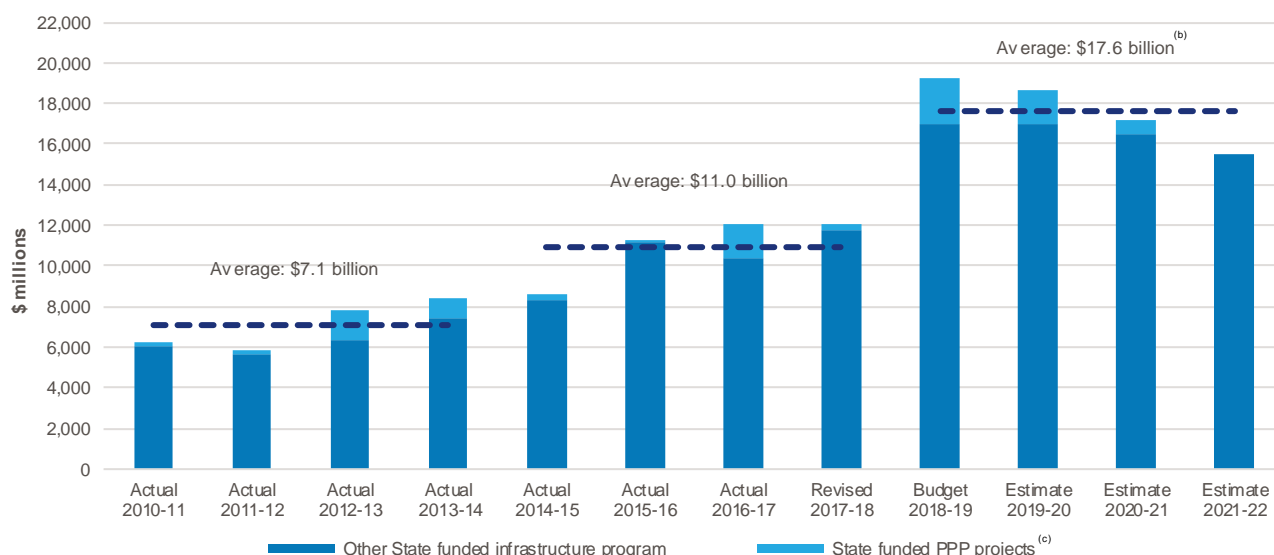
The State funded program is \$70.5 billion over the four years to 2021-22 and includes funding from Restart NSW. Chart 1.4 shows the changes in the State funded capital investment program since 2010-11. The program increases to an average of \$17.6 billion per annum over the four years to 2021-22, 60.6 per cent higher than the four years to 2016-17 and 148.3 per cent higher than the four years to 2012-13.

State funded capital expenditure is expected to peak in 2018-19, driven by spending on public transport and roads projects, including Sydney Metro City and Southwest, CBD and South East Light Rail, Parramatta Light Rail Stage 1, New Intercity Fleet, Sydney Metro North West and WestConnex.

The recognition of \$5.4 billion reserved in Restart NSW and forecast to be spent over four years to 2021-22 has also contributed to the increase in the State funded capital program. Restart reservations include \$3.0 billion in initial funding for Sydney Metro West and \$1.5 billion for other metropolitan and regional transport projects.

The reduction in expenditure over the later years to 2021-22 reflects the completion of major projects, including the CBD and South East Light Rail and Sydney Metro Northwest.

Capital expenditure over the four years to 2021-22 does not include a portion of Transport for NSW's contribution to CBD and South East Light Rail, which is the subject of a public-private partnership (PPP) arrangement. The finished project will, however, be recorded as an infrastructure asset.

Chart 1.4: State funded capital expenditure program<sup>(a)</sup>

- (a) The State funded capital program includes expenditure in the general government sector and State funded contributions to PNFCs, including for WestConnex.
- (b) The four years to 2021-22 includes the impact of Restart NSW reservations, following on from the decision at the 2017-18 Half-Yearly Review to reflect the expenditure of these reservations in the budget estimates.
- (c) PPP projects with State funded expenditure over the four years to 2021-22 include Sydney Metro Northwest, Northern Beaches Hospital, CBD and South East Light Rail, and the New Grafton Correctional Centre.

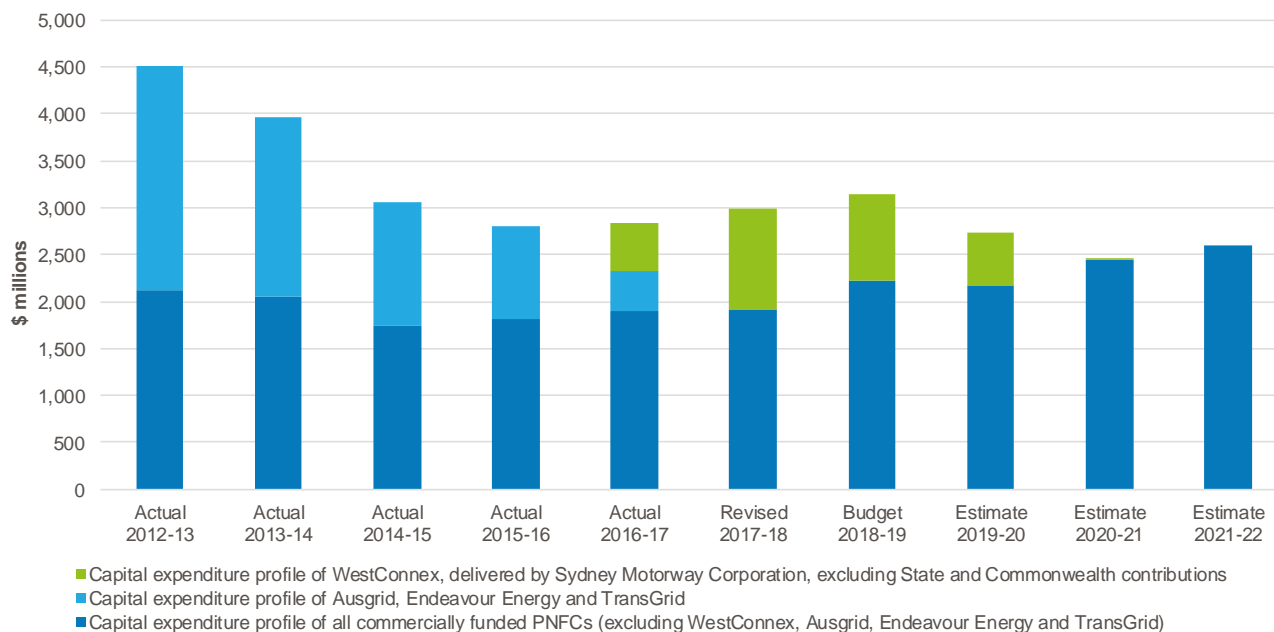
## PNFC capital investment funding

PNFC capital expenditure will total \$10.9 billion over the four years to 2021-22.<sup>15</sup> TransGrid, Ausgrid and Endeavour Energy are no longer included in the Government's capital program following the successful electricity network transactions, completed in 2016-17. Chart 1.5 shows the PNFC funded capital program between 2012-13 and 2021-22.

The PNFC funded capital program fell between 2012-13 and 2015-16 in part due to the divestment of Government businesses, particularly ports and electricity generation. PNFC capital investment funding increased in 2016-17, and is expected to increase in 2017-18 and 2018-19, reflecting spending on the delivery of WestConnex.

<sup>15</sup> Excludes State funding for PNFCs, including for public transport PNFCs, the Broken Hill Water Pipeline and WestConnex.

Chart 1.5: PNFC own funded capital investment program<sup>(a)(b)</sup>



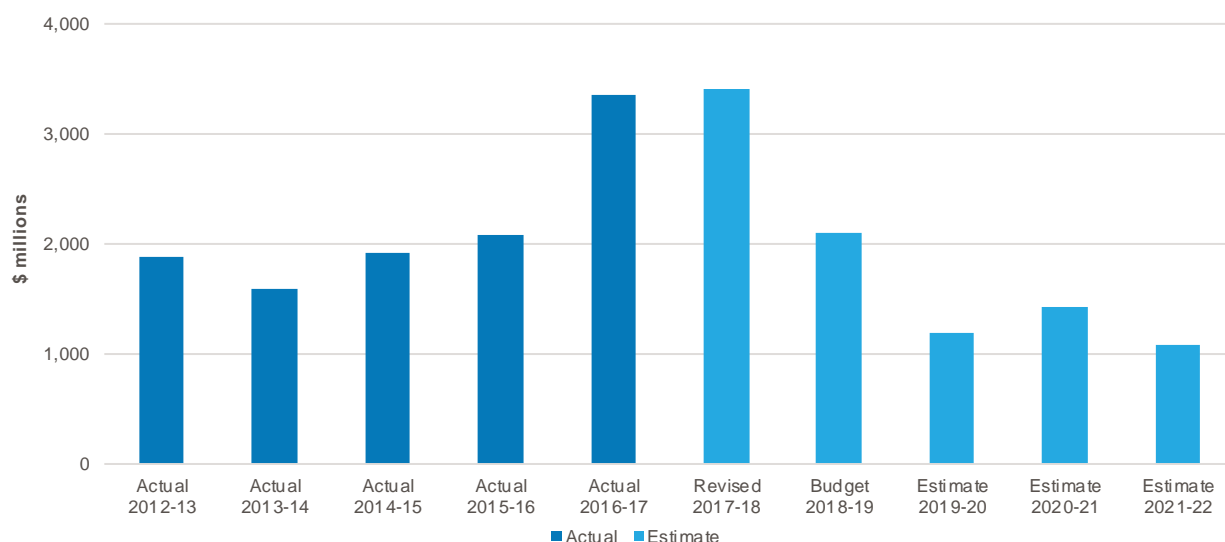
- (a) The PNFC funded capital program excludes State funded capital expenditure for PNFCs, including for public transport, the Broken Hill Water Pipeline and WestConnex.
- (b) The chart splits out the capital investment program of Ausgrid and Endeavour Energy, which from 2017-18 no longer forms part of the Government’s capital expenditure program, as well as TransGrid, which was part of the program until 2016-17.

## Commonwealth Government funding

The Commonwealth Government will contribute \$5.8 billion to the New South Wales capital program over the four years to 2021-22. Chart 1.6 shows the Commonwealth Government contribution to the program over the years 2012-13 to 2021-22. Commonwealth Government funding is expected to account for around 6.7 per cent of the State’s infrastructure program in the four years to 2021-22. Commonwealth Government funding peaked in 2016-17 and 2017-18 due to the receipt of Commonwealth Government Asset Recycling Initiative payments, with \$1.0 billion received in 2016-17 and \$847.8 million in 2017-18. Further incentive payments will contribute towards Commonwealth Government funded capital expenditure in future budgets, when they are received.

Contributions from the Commonwealth Government will decline over the four years to 2021-22 due to the delivery of major road projects partly funded by the Commonwealth Government, including WestConnex and the upgrade of the Pacific Highway. Commonwealth Government contributions may increase over the four years to 2021-22 in the future as new funding agreements are implemented.

Chart 1.6: Commonwealth Government contribution to State capital expenditure program



## 1.8 Existing assets and maintenance program

### Existing assets

The State's physical assets comprise land and buildings, plant and equipment and infrastructure systems. Key assets include transport networks, public schools, hospitals, police and court facilities, public housing, water storage and supply networks, electricity and distribution networks and roads. Physical assets exclude intangibles, inventories and assets held for sale.

Table 1.3 shows that the State's physical assets across both the general government and PNFC sectors were valued at \$307.7 billion as at 30 June 2017. The State's physical assets are estimated to have a value of \$339.7 billion as at 30 June 2018, an increase of \$32.0 billion from 30 June 2017.

Table 1.3: State owned physical assets: value by sector <sup>(a)(b)</sup>

As at 30 June	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Actual	Actual	Revised	Budget
	\$m	\$m	\$m	\$m	\$m
General Government Sector	158,340	164,414	176,199	200,127	216,983
Public Non-Financial Corporations	134,629	140,303	130,960	138,501	144,130
<b>Total <sup>(c)</sup></b>	<b>292,969</b>	<b>304,717</b>	<b>307,144</b>	<b>339,700</b>	<b>362,205</b>

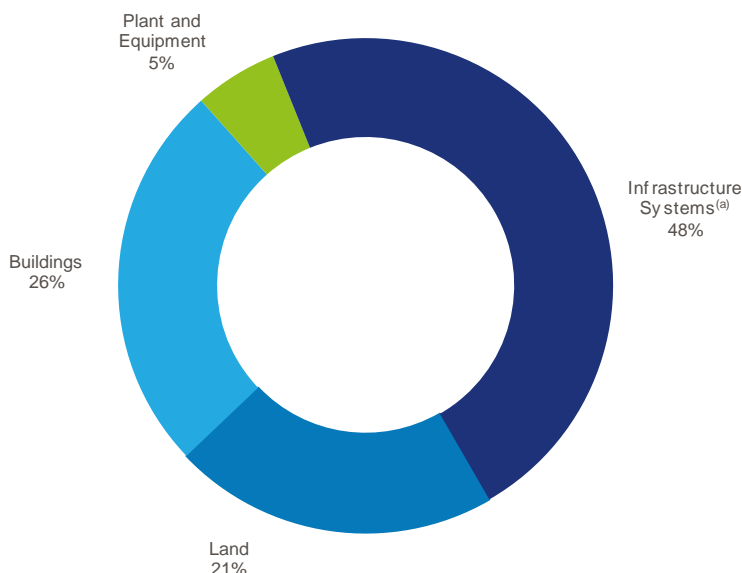
(a) Net of depreciation.

(b) Includes investment properties.

(c) Consolidated total may not equal the sum of the individual sectors due to differences in classification between the individual sectors and the consolidated sector.

Chart 1.7 details the components of the State's physical assets. The largest component at 30 June 2017 was infrastructure systems (\$147.0 billion), which included roads, railways, ports, dams and pipelines. The remaining components comprise buildings (\$78.6 billion), land (\$65.3 billion) and plant and equipment (\$16.8 billion).

Chart 1.7: State owned physical assets: value by type, as at 30 June 2017



(a) Infrastructure Systems are assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy, including roads, bridges, and water infrastructure and distribution works.

## Infrastructure maintenance

Agencies maintain their infrastructure to support the delivery of high-quality services.

Treasury guidelines require that direct employee, contractor and external costs on infrastructure maintenance activities are reported as part of an agency's maintenance expenditure. Table 1.4 shows that the maintenance expenditure estimates for the general government and PNFC sectors are expected to remain relatively constant over the four years to 2021-22.

Table 1.4: Maintenance expenses<sup>(a)</sup>

	2017-18		2018-19	2019-20	2020-21	2021-22
	Budget	Revised	Budget	Forward estimates		
	\$m	\$m	\$m	\$m	\$m	\$m
General Government Sector	2,198	2,270	1,936	1,949	2,061	2,051
Public Non-Financial Corporation Sector	2,210	2,113	2,067	2,133	2,114	2,246
<b>Total</b>	<b>4,393</b>	<b>4,378</b>	<b>3,999</b>	<b>4,078</b>	<b>4,171</b>	<b>4,293</b>

(a) Total spending may not equal the total of general government and PNFC expenditure due to intra-sector purchases.