



Department of Treasury and Finance  
Government of **Western Australia**

# A Western Australian Government Perspective on Infrastructure and PPPs

Australian Institute of Project Management

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# Overview

- Economic outlook
- Public sector capital investment
- The New MetroRail Project
- Public Private Partnerships (PPP) Policy
- History of PPPs in WA
- CBD Courts Project
- Future direction of PPPs in WA



# Economic Outlook

	2002-03	2003-04	2004-05
	Actual	Estimated Actual	Budget Estimate
Economic Growth (%)	3.9	6.75	4.5
Employment Growth (%)	2.5	1.75	2.25
Unemployment Rate (%)	6.0	6.0	5.75
Wages Growth (%)	3.7	3.75	3.25
CPI Growth	2.7	2.25	2.0



# Total Public Sector Capital Investment

- Total public sector capital works program for 2004-05 is forecast to be \$3.9 billion, an increase of \$277 million compared to the estimated 2003-04 outturn of \$3.6 billion.
- Value of investment in public infrastructure in 2004-05 will represent around 4.1% as a proportion of Western Australia's total economy.



# Public Sector Capital Works Program

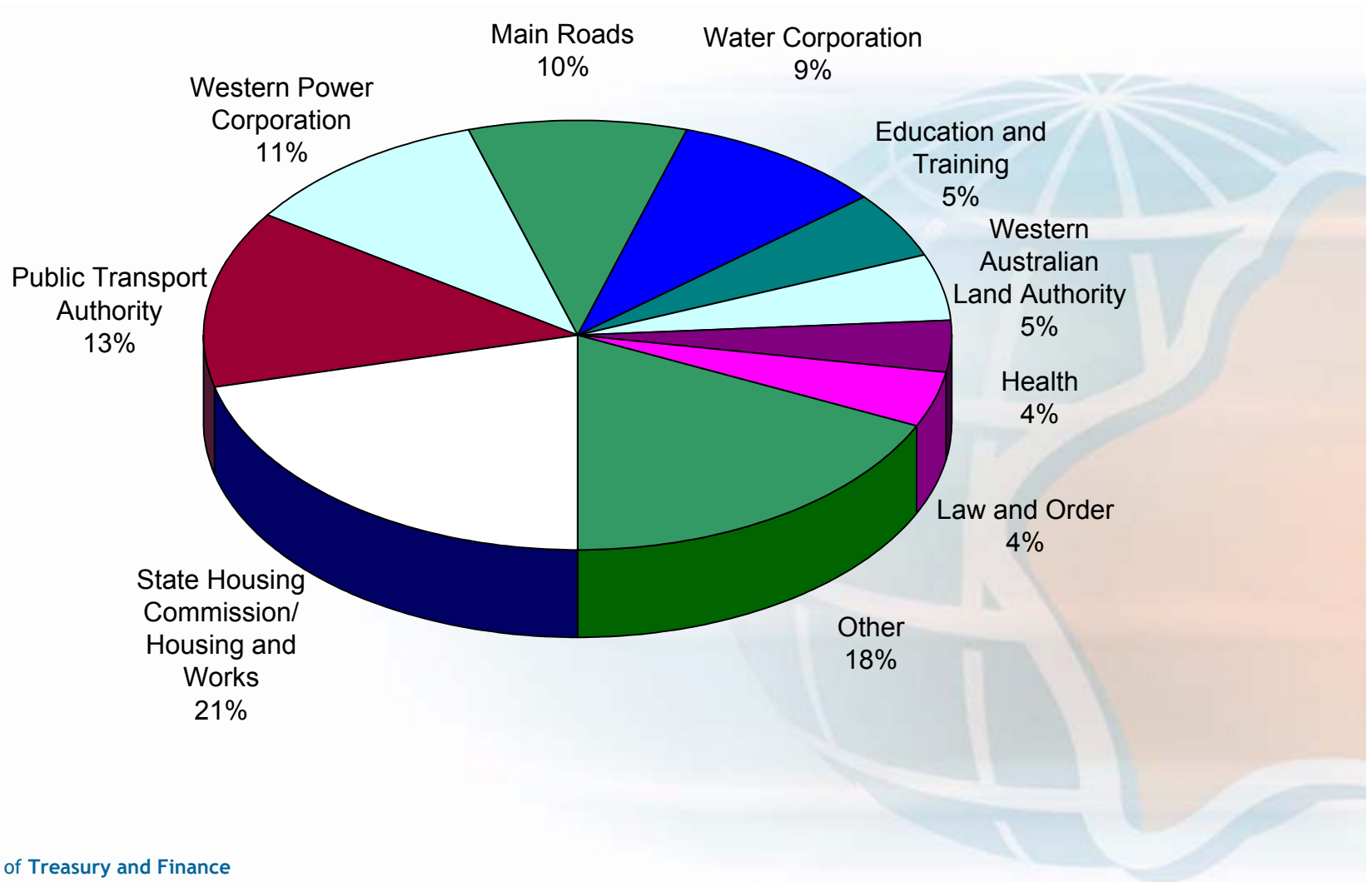
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Sector	2002-03 Actual \$m	2003-04 Estimated Actual \$m	2004-05 Budget Estimate \$m	
General Government	1,048.3	1,295.4	1,362.3	(35%)
Public Corporations	1,841.2	2,344.4	2,555.2	(65%)
<b>GRAND TOTAL</b>	<b>2,889.5</b>	<b>3,639.0</b>	<b>3,917.5</b>	

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# 2004-05 Capital Works Program



# Capital Works Program

## Summary of Major Estimated Expenditure

	2004-05
	\$m
Western Power	418.6
<b>The New MetroRail Project</b>	411.5
Main Roads	376.2
Water Corporation	356.3
State Housing	195.1
Land Authority	193.8
Education and Training	189.9
Health	162.1
Ports	101.0
Police	88.1
Justice	70.5



# Capital Works - Future Growth

- The Health Reform Committee (HRC) recommendations for the health system include:
  - creation of a northern and southern tertiary hospital
  - specialists centres of excellence at these tertiary hospitals
  - expansion of emergency departments
  - development of Regional Resource Centres
- Health reforms recommended by the HRC require a \$1.7 billion capital investment over the next 13 years
- Including the HRC reforms, Health's capital works program totals \$2.7 billion over this period



# The New MetroRail Project

The New MetroRail Project will effectively double the size of the urban rail system:

- Extension of the Northern Suburbs Railway to Clarkson (2004)
- Spur line to Thornlie (2005)
- Southern Suburbs Railway to Mandurah (2006)
- 93 new electric railcars
- 84 route kilometres of new track
- 15 new stations
- Patronage estimated to increase from 101,000 to 170,500 per day in 2006-07



# New MetroRail Budget Breakdown

- The New MetroRail budget is \$1,518 million. The breakdown is as follows:
  - Railcars and depots \$291 million
  - Northern Suburbs Railway extension \$60 million
  - Perth to Thornlie \$106 million
  - Southern Suburbs Railway \$1,061 million
  - **Total \$1,518 million**
- Budget increased by \$99 million in December 2003



# New MetroRail - Property Issues

- **Clarkson**

- Station construction due for completion August 2004
- Subdivision road and land works around the station are progressing

- **Thomsons Lake**

- Station tender out in May 2004 (Package B Works)
- Town centre development planning continuing with roads and services planned to be available in early 2006

- **Wellard (Leda)**

- Station design complete with tender out in May 2004 (Package B Works)
- Wellard development has commenced



# New MetroRail - City Project

- **City stations**

- Detailed design well advanced for the City and Esplanade Stations (construction commenced in June 2004)
- Development approval received for both stations (further consultation required with the City of Perth on the Esplanade Station roof)
- William Street bridge demolition commenced and building demolition on William Street Station site to be completed in August 2004
- Approximately 5 property owners and 40 businesses were located in the William Street rail precinct



# New MetroRail - City Project

- **Northbridge**

- Sinking of the Fremantle and Clarkson lines to Milligan Street no longer an option
- Undergrounding to Lake Street remains an option
- Northbridge Link Committee (NLC) continuing work



# Partnerships for Growth

## Public Private Partnerships (PPP)

- Policy launch in December 2002
- What are PPPs
  - A method of procurement
  - Process rather than defined object
  - Models to unite the public and private sectors in the delivery of improved services to the community



# Key Policy Features

- Value for money
- Optimum risk allocation
- Preservation of State's fiscal strategy
- Asset preservation is a key feature of PPP arrangements
- Core service delivery retained by government
- Duty to the private sector
- Protection of employee rights
- Improving public sector skills (i.e. procurement, negotiation, project finance, costing and risk analysis)
- PPP is not privatisation



# Criteria for Success

- It is possible to create a business opportunity
- There is a strong private sector capability
- The private sector can bring particular skills and innovation to the delivery of infrastructure and associated services
- Risk allocation can be optimised
- The risk adjusted whole of life cost compares favourably with public sector delivery
- Project size justifies transaction
- Project specification can be described in output terms



# Guidelines

- Eight Major steps
  - Service need
  - Business case (Cabinet approval)
  - Project development
  - Bidding process (Cabinet approval)
  - Project finalisation review (Cabinet approval)
  - Final negotiation (Cabinet approval)
  - Contract management
  - Post implementation review



# State Government PPPs

- Generally for new infrastructure
- Traditional infrastructure assets
- Where private sector has a track record
- Infrastructure areas;
  - Transport – road, rail & maritime
  - Office accommodation
  - Health facilities
  - Schools & training facilities
  - Support & seed infrastructure for industry



# History of PPPs in WA

- Joondalup and Peel Health Campuses (1997)
- Fremantle Justice Centre (2001)
- Acacia Prison (2001)



# History of PPPs in WA

- Perth Convention and Exhibition Centre (PCEC)
  - Under construction – due to open August 2004
  - Parties to the PPP:
    - Built by Multiplex
    - Financial support from the State
    - Managed by Spotless
    - Owned by the Wyllie Group
  - The private sector will design, construct, finance, maintain and operate
  - The State facilitated the project with a cash contribution and the provision of land



# CBD Courts Project

- The CBD Courts Project is the first project progressed under the *Partnerships for Growth Policy*
- Total capital cost of \$142.3 million including the Central Law Courts refurbishment
- Risks:
  - The project has been subject to a comprehensive process to identify and analyse risks
  - Risk allocation to be optimised
  - State will retain Residual Value Risk



# CBD Courts Project

- January 2004 two short listed groups:
  - The Western Liberty Group (led by ABN Amro with Multiplex)
  - Amicur (led by Macquarie Bank with Leighton Contractors)
- April/May 2004 – Project brief issued
- October/November 2004 – Announce successful consortium



# Future Direction of PPPs in WA

- Multipurpose Indoor Entertainment and Sport Stadium (MIESS)
  - May 2004 Premier announces EOI to be advertised
  - State will assist development with contribution of up to \$50 million (cash or land or both)
- Health infrastructure
- Office accommodation
  - Analysis of State Office accommodation needs
  - Old Treasury Buildings



# Conclusion

- The State Government is a key stakeholder in the development of infrastructure in Western Australia
- PPP methodology requires agencies to accurately identify costs and risk issues and involves a higher level of analysis and evaluation compared to State funded capital works
- As the demand on State funds increases for large infrastructure projects, the Government will continue to explore PPPs as a procurement delivery option



# Questions

