

# INFRASTRUCTURE STATEMENT

## AUSTRALIAN CAPITAL TERRITORY

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Treasurer

### Commitment to Infrastructure Investment

Quality infrastructure is not only integral to meeting service delivery needs, it is also necessary to support growth in the economy, and thus support the economic and social well being of the community.

The Government has a medium to longer term perspective in its infrastructure investment program to shape the health system, education facilities, transport network, and municipal infrastructure to ensure sustainability of services and continued prosperity of the community into and beyond the next decade.

The Government, however, is also mindful of the immediate benefits of infrastructure projects in supporting economic activity and jobs.

Over the past several years, the Government has significantly increased its capital investment in the Territory's infrastructure. Government investment as a share of the total economy has more than doubled from 0.5 per cent in 2002-03 to 1.3 per cent in 2007-08.

In the 2008-09 Budget, the Government committed to a \$1 billion *Building the Future* program of investment in the Territory's infrastructure.

In committing to the program, the Government recognised that while the capacity of our inherited infrastructure has served well to support growth, it needs to be upgraded and expanded, in an orderly manner and over time, to ensure not only that the needs of the current population are met, but that there is capacity for growth.

Key areas of focus for the investment program are to:

- establish a health system to serve the needs of the next decade;
- improve the transport system;
- meet the challenges of climate change;
- improve urban amenities;
- invest in public service infrastructure; and
- provide for the growth of the city and its economy.

The goals of the Government's Infrastructure Plan remain unchanged. The 2009-10 Budget supports the continuation of the *Building the Future* Program.

The global financial crisis, and the consequent world recession have impacted significantly on the financial capacities of both the public and the private sectors.

For the public sector, operating budget capacities have generally reduced and financial assets contracted. Both of these factors impact on the capacity to finance investment in infrastructure.

For the private sector, in an environment of economic uncertainty, subdued demand, loss of asset values, and relatively risk averse lending, investment will inevitably be at risk.

At such times, public infrastructure investment gains an added significance as a useful policy tool to provide stability to the economy and support jobs in the short term, provided capacity exists to finance it.

Notwithstanding the significant impacts on the Territory's operating budget and its financial assets, its financial position is strong and able to support the Government's Plan of infrastructure investments.

In the 2009-10 Budget, the Government will not only progress its *Building the Future* program of investments, but the program will be enhanced.

A further \$274 million in capital is being allocated for new projects.

The ACT Government investments are also supplemented by the funding from the Commonwealth Government under its *Nation Building and Jobs Plan* as part of its *Economic Security Strategy*. Investments in the Territory's schools and public housing under this plan total \$334.5 million.

In total, the Budget is committing \$762 million of cash expenditure in 2009-10. The total budget capacity being allocated to capital investments for the next four years is \$2.029 billion.

These are unprecedented commitments to the Territory's infrastructure. They will increase the Territory's physical asset base by more than 20 per cent, and boost the productive capacity of the economy in the longer term.

In addition to these investments, the Territory's Public Trading Enterprises are making investments totalling \$428 million in 2009-10 to support their normal business operations. These include \$300 million by ACTEW Corporation for water security projects, \$71 million by Housing ACT, \$52 million by the Land Development Agency, and \$5 million by ACTTAB Limited.

Unutilised economic capacity is an unfortunate mark of economic slowdowns. With virtually full employment, the Territory's economy has been working close to capacity. The global financial crisis has created temporary risks for private investment. A commitment of this magnitude ensures that any emergent capacity in the industry is fully utilised for the long term benefit of the community, as well as to maintain activity in the economy. The capital expenditure allocated in 2009-10 will support more than 2,000 jobs.

## **Financing the Program**

The Territory has a strong balance sheet to finance the program. The Budget anticipates new general government sector borrowing for capital purposes of up to \$400 million in June 2011.

A set of national best practice policy and guidelines for PPPs was developed and endorsed by COAG in December 2008. The Territory has adopted the national policy, and in doing so, all public infrastructure projects with a capital investment over \$50 million are required to consider a PPP as a potential procurement method with regard to value for money drivers. This policy has been applied to the 2009-10 Budget.

## **Delivering the Program**

Capital works delivery has been steadily improving over recent years. This is evidenced by the increase in the value of the projects completed each year. Since 2005-06, the value of capital works completed has increased at an annual average rate of 27 per cent. The estimated capital works expenditure in 2008-09 is \$333.5 million – an increase of 18 per cent over the previous year.

The Government is taking further steps to ensure that projects become available to the market on time. The Budget Committee of Cabinet will receive a report from each department every second month on the progress of the Capital Works Program and I will also meet monthly with each department to discuss the progress of their capital program.

To ensure rapid delivery of the Commonwealth's stimulus initiatives, the ACT along with the other jurisdictions has committed to national coordination and implementation arrangements.

A Taskforce has been set up reporting to the Chief Minister. The Taskforce has been identifying changes to systems, procedures, practices or policies that are required in order to meet the *Nation Building and Jobs Plan's* timeframes.

To expedite the schools construction program, exemptions from development applications have been made to projects where appropriate. Other measures are under consideration to streamline planning approval processes to ensure the ACT receives the full benefit of the timely delivery of the stimulus package.

### *Engagement with Industry*

The Government recognises that industry's engagement is paramount in delivering the program. The Government engages with business and construction industry representatives on a regular basis through industry forums and meetings with representatives of peak bodies such as the Master Builders Association, the Chamber of Commerce and the Canberra Business Council.

During 2008-09, the Government has held a series of roundtable meetings including a procurement forum with the industry. These engagements were not only beneficial in targeting the Local Initiatives Package introduced through the 2008-09 Budget 3<sup>rd</sup> Appropriation, they also highlighted potential further improvements to capital works delivery. The Government will continue its engagement with the industry over the coming year.

## *Improving Procurement Processes*

Initiatives underway in response to issues raised at the roundtables include simplification of documentation, more appropriate insurance and indemnity requirements, and a reduction in time taken to advise tenderers on procurement outcomes.

In 2009-10, as well as revising the Capital Works Call Tender Schedule, Procurement Solutions will develop a methodology to provide forward information to the business community in relation to forthcoming goods and services procurements.

An independent review of procurement processes was completed in 2008. Key recommendations of the review related to reviewing procurement thresholds; developing and monitoring a suite of performance indicators; and simplifying arrangements for low value, low risk procurements.

Implementation of these recommendations is well underway. The new quotation and tender thresholds commenced on 1 May 2009. The raised thresholds will ease the administrative burden of doing business with the Government for all procurements under \$0.2 million allowing businesses more time to focus on their core commercial activities.

A new business system is also being configured and is expected to be in use by the second quarter of 2009-10. The new system will streamline the procurement process and enable improved reporting. The arrangements for low value, low risk procurements will be simplified by the use of an e-tendering tool.

Procurement Solutions is also engaging with other jurisdictions through the Government's membership of the Australian Procurement and Construction Council to develop a set of performance indicators. This project will continue into the 2009-10 financial year.