

# 12.0 Funding recommendations

## 12.1 Summary

This Chapter draws together the funding recommendations made in the 2014 State Infrastructure Strategy Update.

The recommendations are supported by the analysis undertaken by Infrastructure NSW to develop the initial advice to Government in October 2012. Infrastructure NSW has also drawn on its assurance work for major projects in making recommendations to Government for expenditure from the Restart NSW Fund.

The funding recommendations in this Strategy are in addition to the forecast State infrastructure expenditure of \$61.5 billion over the four years to 2017-18 set out in the 2014 State Budget Papers.<sup>131</sup>

The new projects and programs recommended by Infrastructure NSW are estimated to cost over \$25 billion in additional capital expenditure over 10 years from 2016. The indicative funding mix comprises:

- An estimated \$18.9 billion for recommended funding reservations from the \$20 billion *Rebuilding NSW* initiative.
- An estimated \$6.3 billion recommended for motorway enhancements that will be largely self-funding if delivered as tollways.

Infrastructure NSW also recommends that funding sources should be identified to deliver flood mitigation and evacuation works for the Hawkesbury Nepean Valley in anticipation of the Task Force report to Government in mid-2015.

<sup>131</sup>. See Infrastructure Statement 2014-15 NSW Budget Paper No. 4

In all cases, the funding reservations recommended by Infrastructure NSW demonstrate strategic merit. They should be supported by final business cases before the NSW Government gives approval for projects to proceed. It is assumed that the funds from the Rebuilding NSW initiative would be available from 2016, and that final business cases can be prepared in the meantime.

It should be understood that accelerating the delivery of major infrastructure projects takes significant effort and time. The Productivity Commission Inquiry into Public Infrastructure states,<sup>132</sup> *best practice project selection can greatly reduce, but not eliminate the number of projects that prove to be poor investments. This is because perfect foresight is unachievable and so decisions must be made on imperfect information about how the future will play out.*

The Productivity Commission highlighted that selecting the right project is the most important step in achieving good outcomes for the community, irrespective of the funding and financing mechanisms used. The further development of all projects recommended in this Strategy is essential to ensure the intended outcomes are achieved efficiently, to support productivity and economic growth. For this reason, Chapter 11 in this report outlines the key themes and opportunities for successful funding and delivery of what would be an unprecedented level of investment in major infrastructure in the decade ahead.

<sup>132</sup>. Australian Government Productivity Commission Inquiry Public Infrastructure Report Volume 1 No. 71, 27 May 2014, page 76.

## 12.2 The brief

The recommendations contained in this Report are for those projects and other actions that will best deal with identified infrastructure deficiencies, as required by the Infrastructure NSW Act 2011.

In providing this advice, Infrastructure NSW has taken into account the following State strategic priorities, as directed by the Premier in accordance with section 17(3) of the Act:

- Allocation of \$20 billion to Restart NSW for investment in infrastructure over the term of the SIS.
- **Sydney Rapid Transit**, comprising the extension of rapid transit services between Bankstown and the North West Rail Link, via the CBD and a second harbour crossing.
- **Sydney Roads Renewal** – major projects to address congestion on key arterial routes across Sydney, including in Southern Sydney, the West and Northern Beaches, and the augmentation of WestConnex with greater north/south connectivity.
- **A Regional Roads Fund** with an expected contribution of at least \$1 billion in funding to invest in upgrades to the regional road network.
- **A Regional Water Fund** with an expected contribution of at least \$1 billion in funding to improve water quality and security in regional NSW.
- **A Schools and Hospitals Building Fund** with an expected contribution of at least \$2 billion to provide health and education infrastructure to improve

services and support population growth in Sydney and across NSW.

- **A Sporting and Cultural Infrastructure Fund** with an expected contribution of at least \$500 million to build and improve sporting and cultural infrastructure that will increase the economic capacity of the State and have both strategic and social value.

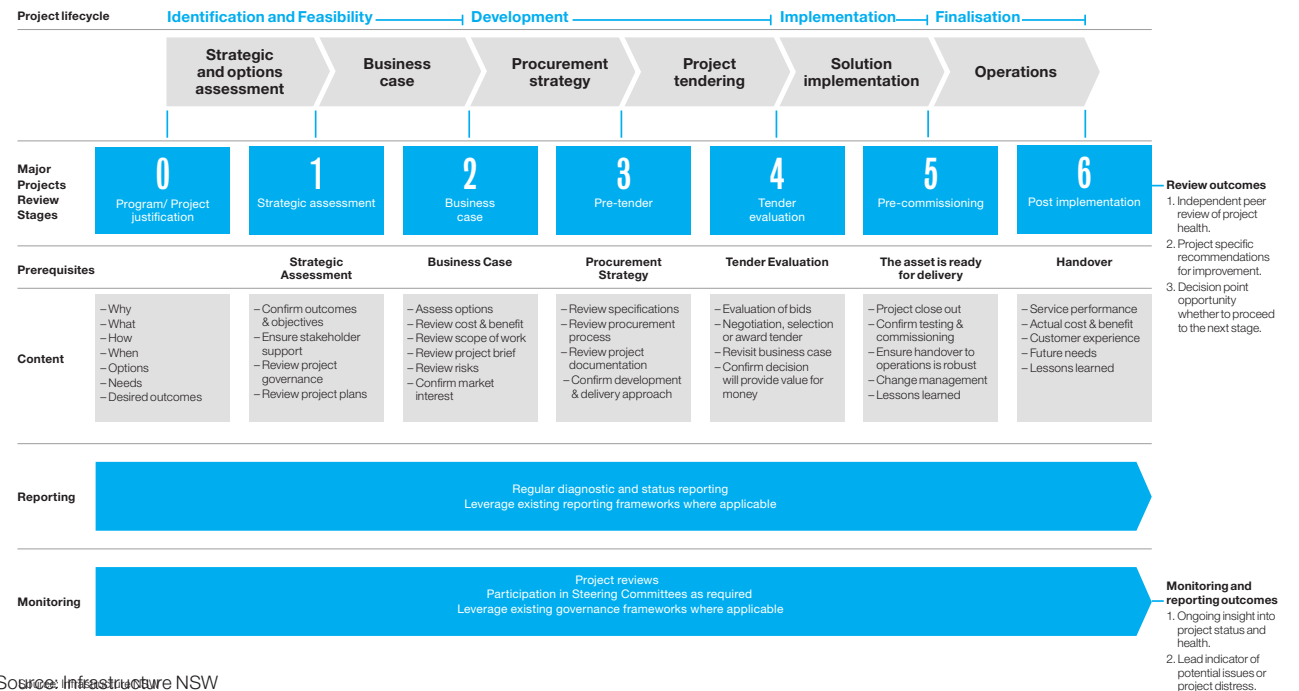
## 12.3 Recommendations

The recommendations for funding made by Infrastructure NSW in Chapters 2 to 11 are listed in Table 12.1. In all cases, these recommendations should be supported by further planning work and assessment of final business cases reviewed by Infrastructure NSW before final investment decisions are taken.

At the project level, Infrastructure NSW applies an independent three part test:

- **Strategic fit** – alignment with the principal State planning instruments such as the 2012 State Infrastructure Strategy (SIS), the State Plan and the Long-Term Transport Master Plan (LTTMP).
- **Economic merit** – as demonstrated through a cost benefit analysis and reflected in the benefit-cost ratio or net present value of net benefits.
- **Completed assurance processes** – including a compliant business case, completed Gateway review process and appropriately implemented risk mitigation and management strategies.

**Figure 12.1 Infrastructure NSW major project assurance framework**



Source: Infrastructure NSW

Figure 12.1 above illustrates the assurance process for major projects. Each of the stages in this framework can be used to test project scoping and delivery plans, assess project delivery and benefit risks, and encourage new approaches maximise value for money.

Infrastructure NSW's recommendations for funding are set out in Table 12.1. The table also indicates project dependencies and next steps. Many of the cost estimates cited in this Report have been reviewed by EIG (Everything Infrastructure Group).

**Table 12.1 Project Assessment Summary of Recommendations for funding from the Rebuilding NSW initiative**

	<b>Project/Program</b>	<b>Strategic Fit</b>	<b>Recommendation</b>	<b>Rebuilding NSW reservation \$million</b>	<b>Dependencies/Next steps</b>
1	<b>Western Sydney Rail Upgrade Program (Sydney's Rail Future 2)</b>	Demonstrated. 2012 SIS	A reservation of up to \$1 billion from the Rebuilding NSW initiative should be made for the Western Sydney Rail Upgrade Program (SRF2).	1,000	Transport for NSW should complete final business cases from 2015 for the Western Sydney Rail Upgrade Program (SRF2).
2	<b>Sydney Rapid Transit</b>	Demonstrated. 2012 SIS	A reservation of \$7 billion from the Rebuilding NSW initiative to fund the delivery of Sydney Rapid Transit.	7,000	Transport for NSW should complete the final business case by early 2016 for Sydney Rapid Transit.
3	<b>Bus Rapid Transit and Bus Priority Program</b>	Demonstrated. 2012 SIS	A reservation of \$300 million from the Rebuilding NSW initiative for investment in Bus Rapid Transit and Bus Priority Infrastructure programs.	300	Transport for NSW should prepare a final business case by the end of 2015 for Northern Beaches BRT and Victoria Road to Parramatta to enable detailed investment decisions to be taken.
4	<b>Parramatta CBD public transport improvements Program</b>	Demonstrated. 2012 SIS	A reservation of \$600 million from the Rebuilding NSW initiative should be directed towards improving public transport provision between Parramatta and other major employment centres and residential areas.	600	Transport for NSW should report to the Government by the end of 2015 on a long-term transport improvement program for Parramatta.
	<b>Urban Public Transport subtotal</b>			<b>8,900</b>	
5	<b>Urban Roads Pinch Points Program</b>	Demonstrated. 2012 SIS	A reservation of \$300 million should be made from the Rebuilding NSW initiative for the Urban Roads Pinch Points Program.	300	Transport for NSW should prepare final business cases by the end of 2015 for the Urban Roads Pinch Points Program.
6	<b>Expanded Clearways Program</b>	Demonstrated. LTTMP	A reservation of \$100 million from the Rebuilding NSW initiative for the Expanded Clearways Program.	100	Transport for NSW should complete a final business case by mid-2015 of for the Expanded Clearways Program.
7	<b>Smart Motorways</b>	Demonstrated. 2012 SIS	A reservation of \$400 million should be made from the Rebuilding NSW initiative for Smart Motorways investments on the M4, the Warringah Freeway and Southern Cross Drive-General Holmes Drive.	400	Noting the significant work already done, Transport for NSW should finalise business cases by mid-2015 for Smart Motorways investments on the M4, the Warringah Freeway and Southern Cross Drive-General Holmes Drive.

	<b>Project/Program</b>	<b>Strategic Fit</b>	<b>Recommendation</b>	<b>Rebuilding NSW reservation \$million</b>	<b>Dependencies/Next steps</b>
8	<b>SCATS and Transport Management Centre</b>	Demonstrated LTTMP	A reservation of \$200 million from the Rebuilding NSW initiative to upgrade the Sydney Coordinated Adaptive Traffic System (SCATS) and the Transport Management Centre (TMC).	200	Transport for NSW should complete final business cases by the end of 2015 to upgrade the Sydney Coordinated Adaptive Traffic System (SCATS) and the Transport Management Centre (TMC).
9	<b>WestConnex Northern and Southern extensions</b>	Demonstrated. 2012 SIS	The WestConnex Delivery Authority develops final business cases for the Northern and Southern Extensions to WestConnex by the end of 2015, with a view to their procurement and delivery as toll roads within the next decade	Toll roads	Development of final business cases by the end of 2015 for the Northern and Southern extensions. Decision to procure as tollways. WestConnex Stages 1 and 2 project delivery.
10	<b>Western Harbour Tunnel</b>	Demonstrated. 2012 SIS	Transport for NSW should develop a final business case for the Western Harbour Tunnel by the end of 2015 to enable the project's procurement and delivery as a tollway with, or immediately after, the delivery of WestConnex Stage 3.	Toll road	Development of final business case by early 2016 for the Western Harbour Tunnel project. Decision to procure as a tollway. WestConnex Stage 3 project delivery.
11	<b>Sydney-Illawarra Pinch Points Program</b>	Demonstrated. LTTMP	A reservation of \$300 million from the Rebuilding NSW initiative for a Sydney-Illawarra Pinch Points program to improve access to Sydney from the Illawarra by unblocking critical constraints on Sydney's southern road corridors.	300	Transport for NSW should complete a final business case by the end of 2015 for the Sydney-Illawarra Pinch Points Program. Transport for NSW should also continue to undertake detailed assessment of larger scale investment options on the F6, A1, A3 and A6 corridors.
	<b>Urban Roads subtotal</b>			<b>7,600</b>	
12	<b>Regional Road Freight Corridor Program</b>	Demonstrated. 2012 SIS	A reservation of \$2 billion from the Rebuilding NSW initiative for a Regional Road Freight Corridor Program.	2,000	Transport for NSW should complete corridor strategies as soon as possible for the Golden Highway, New England Highway and Great Western Highway. Transport for NSW should prepare final business cases for projects to be funded from this reservation, with investment priorities guided by freight productivity needs identified within the four proposed corridor strategies.

	<b>Project/Program</b>	<b>Strategic Fit</b>	<b>Recommendation</b>	<b>Rebuilding NSW reservation \$million</b>	<b>Dependencies/Next steps</b>
13	<b>Bridges for the Bush Program</b>	Demonstrated. 2012 SIS	A reservation of \$200 million from the Rebuilding NSW initiative for the Bridges for the Bush Program.	200	Transport for NSW should prepare final business cases by the end of 2015 for projects to be funded from this reservation.
14	<b>Fixing Country Roads program</b>	Demonstrated. 2012 SIS	A reservation of \$500 million should be made from the Rebuilding NSW initiative for the Fixing Country Roads Program.	500	Transport for NSW should prepare a final business case by the end of 2015 for the Fixing Country Roads Program.
15	<b>Fixing Country Rail Program</b>	Demonstrated. 2012 SIS	A reservation of \$400 million from the Rebuilding NSW initiative for a Fixing Country Rail Program.	400	Transport for NSW should complete a final business case for the Fixing Country Rail Program by mid-2016, including an assessment of the capacity of industry to contribute towards the costs of investment.
16	<b>Regional Growth Roads Program</b>	Demonstrated. LTTMP	A reservation of \$1 billion from the Rebuilding NSW initiative for a Regional Growth Roads Program to accelerate network optimisation and network planning for regional growth roads over the next two years.	1,000	Transport for NSW should prepare final business cases by the end of 2015 for projects to be funded from the Regional Growth Roads Program.
<b>Regional Transport subtotal</b>				<b>4,100</b>	
17	<b>Regional Water Security and Supply Fund</b>	Demonstrated. 2012 SIS State strategic priority	A reservation of \$1 billion should be made from the Rebuilding NSW initiative to establish the Regional Water Security and Supply Fund to support recommended programs and projects.	1,000	Investment decisions for expenditure from the \$1,000 million Regional Water Security and Supply Fund may be subject to any requirements to adjust the Basin Plan Sustainable Diversion Limits (SDLs) for increased water extraction, and/or regulated pricing determinations for cost recovery.
18	<b>Regional Water Priority Catchments Program</b>	Demonstrated. 2012 SIS	The Regional Water Security and Supply Fund can support the Regional Water Priority Catchments Program which includes the inland catchments of Gwydir, Macquarie and Lachlan and the coastal catchment of the Upper Hunter. A mix of works including dams and delivery efficiency schemes has been identified.	As above	The NSW Office of Water should develop final business cases by the end of 2015 for projects to be funded in the Regional Water Priority Catchments Program for the Gwydir, Macquarie, Lachlan and the Upper Hunter.
19	<b>Water security for Broken Hill.</b>	Demonstrated. 2012 SIS	The Regional Water Security and Supply Fund can support the preferred option for a secure/permanent town water supply for Broken Hill, which could include a pipeline from the Murray River.	As above	The NSW Office of Water should prepare a final business case by the end of 2015 for the preferred option for Water Security for Broken Hill.

	<b>Project/Program</b>	<b>Strategic Fit</b>	<b>Recommendation</b>	<b>Rebuilding NSW reservation \$million</b>	<b>Dependencies/Next steps</b>
20	<b>Water security for Cobar.</b>	Demonstrated. 2012 SIS	The Regional Water Security and Supply Fund can support the preferred option for a pipeline to replace reliance on the Albert Priest Channel as a longer term solution to secure the Cobar water supply.	As above	The NSW Office of Water should prepare a final business case by the end of 2015 for the preferred option for Water Security for Cobar.
21	<b>Regional Towns backlog water and wastewater Program</b>	Demonstrated. 2012 SIS	The Regional Water Security and Supply Fund can support the preferred option for the 71 backlog projects identified in regional towns to ensure drinking water supplies meet minimum guidelines and waste water services meet environmental standards.	As above	The NSW Office of Water should finalise the business case by the end of 2015 for the preferred option for 71 Regional Towns backlog projects. These projects will have Co-contributions to capital costs from Local Water Utilities.
<b>Regional Water subtotal</b>				<b>1,000</b>	
22	<b>Schools Growth Program</b>	Demonstrated 2012 SIS	A reservation of \$700 million from the Rebuilding NSW initiative to create a 10-year Schools Growth Program for education infrastructure projects to service growing student populations.	700	The Department of Education and Communities should finalise the business case by the end of 2015 to prioritise projects to be funded in the Schools Growth Program.
23	<b>Regional Schools Renewal Program</b>	Demonstrated 2012 SIS	A reservation of \$300 million should be made from the Rebuilding NSW initiative to create a 10-year Regional Schools Renewal Program.	300	The Department of Education and Communities should prepare a strategic business case by the end of 2015 to prioritise projects to be funded in the Regional Schools Renewal Program.
24	<b>Hospitals Growth Program</b>	Demonstrated 2012 SIS	A reservation of \$600 million from the Rebuilding NSW initiative for a Hospitals Growth Program to contribute towards funding new health facilities.	600	The Ministry of Health should finalise business cases by the end of 2015 for hospital investments such as (Rouse Hill) and south-west (Campbelltown) of Sydney. The Ministry of Health should also complete business cases for possible future investments in metropolitan and regional hospitals to be funded from this reservation.

	<b>Project/Program</b>	<b>Strategic Fit</b>	<b>Recommendation</b>	<b>Rebuilding NSW reservation \$million</b>	<b>Dependencies/Next steps</b>
25	<b>Care Co-location Program.</b>	Demonstrated. 2012 SIS	A reservation of \$100 million from the Rebuilding NSW initiative for the Care Co-location Program.	100	The Ministry for Health should prepare a final business case by mid-2015 for the Care Co-location Program.
26	<b>Regional Multipurpose Health Facilities Program</b>	Demonstrated. 2012 SIS	A reservation of \$300 million from the Rebuilding NSW initiative for the Regional Multipurpose Health Facilities Program.	300	The Ministry for Health should prepare a final business case by mid-2015 for the Regional Multipurpose Health Facilities Program.
	<b>Education and Health subtotal</b>			<b>2,000</b>	
27	<b>Cultural Infrastructure Program</b>	Demonstrated 2012 SIS	A reservation of \$600 million from the Rebuilding NSW initiative for the Cultural Infrastructure Program.	600	Infrastructure NSW and the NSW Department of Trade and Investment will work together to develop a sector-wide cultural infrastructure strategy by mid-2015 to guide investment in the sector and prioritise projects to be funded from the Cultural Infrastructure Program.
28	<b>Regional Environment and Tourism Program</b>	Demonstrated State strategic priority	A reservation of \$300 million from the Rebuilding NSW initiative for the Regional Environment and Tourism Program to invest in improved national park and regional tourism infrastructure.	300	Department of Trade & Investment should develop a strategic business case by mid-2015 to prioritise projects to be funded from the Regional Environment and Tourism Program.
29	<b>Sports Stadia Infrastructure Program</b>	Demonstrated 2012 SIS	A reservation of \$600 million from the Rebuilding NSW initiative for the Sports Stadia Infrastructure Program.	600	Venues NSW should progressively develop business cases (with relevant stakeholders) to support the delivery of the Sports Stadia Program.
	<b>Sports and Culture subtotal</b>			<b>1,500</b>	
30	<b>Corridor Reservation Program</b>	Demonstrated. 2012 SIS	A reservation of \$100 million from the Rebuilding NSW initiative for Transport for NSW to establish a corridor reservation funding program for identified strategic projects.	100	Transport for NSW should develop a strategic business case by mid-2015 for corridor reservations under the Corridor Reservation Program.
	<b>Corridor reservation</b>			<b>100</b>	

The investments and reforms that Infrastructure NSW recommends are anchored to three critical priorities:

- a competitive global Sydney
- supporting population and economic growth in Greater Sydney, particularly in Parramatta, and
- ensuring a competitive and connected regional economy.

The total value of recommendations made for funding from the Rebuilding NSW initiative is \$18.9 billion, \$6 billion of which is recommended for use in regional NSW. Table 12.2 sets out the indicative funding mix for the recommendations against each of the critical priorities.

**Table 12.2 Indicative Funding Mix – 3 Critical Priorities**

**Recommendation by Critical Priority**

Recommendation by Critical Priority	Indicative Funding Mix		
	Total (\$ Million)	Rebuilding NSW	User Funded
<b>Critical Priority 1: A competitive Global City</b>			
Western Sydney Rail Upgrade Program (SRF2)	1,000.00	1,000.00	
Sydney Rapid Transit	7,000.00	7,000.00	
<b>Upgrade Sydney's passenger rail network sub total</b>		<b>8,000.00</b>	
WestConnex Nthn & Sthn extensions	1,800.00		1,800.00
Western Harbour Tunnel	4,500.00		4,500.00
<b>Expanded Motorway program sub total</b>			<b>6,300.00</b>
Pinchpoint program	300.00	300.00	
Expanded clearways program	100.00	100.00	
Smart Motorways: M4 West	400.00	400.00	
SCATS & Transport Management Centre	200.00	200.00	
<b>Congestion mitigations optimise existing roads sub total</b>		<b>1,000.00</b>	
<b>Critical Priority 2: Supporting population and economic growth in Greater Sydney, including Parramatta</b>			
Parramatta CBD public transport improvements	600.00	<b>600.00</b>	
Sydney-Illawarra Pinch Points Program	300.00	<b>300.00</b>	
Corridor Reservation Program	100.00	<b>100.00</b>	
Bus Rapid Transit Program	300.00	<b>300.00</b>	
A major cultural precinct in Parramatta	see note below		
Education and health infrastructure supporting growth:			
Schools Growth Program	700.00	700.00	
Hospitals Growth Program	600.00	600.00	
Care Co-location Program	100.00	100.00	
<b>Greater Sydney Education and health sub total</b>		<b>1,400.00</b>	



**Table 12.2 Indicative Funding Mix – 3 Critical Priorities**

**Recommendation by Critical Priority**

	Indicative Funding Mix	
	Total (\$ Million)	Rebuilding NSW
A major review of sporting infrastructure	see note below	
<i>Note the following cultural and sporting funds benefit both Global and Greater Sydney</i>		
Cultural Infrastructure Program	600.00	<b>600.00</b>
Sports Stadia Infrastructure Program	600.00	<b>600.00</b>
<b>Critical Priority 3: Ensuring a competitive and connected regional economy</b>		
Freight Road Corridor Program	2,000.00	2,000.00
Bridges for the Bush	200.00	200.00
Fixing Country Roads Program	500.00	500.00
Fixing Country Rail Program	400.00	400.00
<b>Efficient freight transport to ports and markets sub total</b>		<b>3,100.00</b>
Regional Growth Roads Program increase connectivity	1,000.00	<b>1,000.00</b>
Regional Water Security and Supply Fund	1,000.00	<b>1,000.00</b>
Regional Schools renewal Program	300.00	300.00
Regional Multi-purpose health facilities Program	300.00	300.00
<b>Equip regions with modern schools and health sub total</b>	<b>600.00</b>	<b>600.00</b>
Regional Environment and Tourism Program	300.00	<b>300.00</b>
<b>Total funding recommendations from the Rebuilding NSW initiative</b>		<b>18,900.00</b>