

TREASURY MINISTERIAL SUBMISSION

PDR No. MS15-000250

4 February 2015

Treasurer

ASSET RECYCLING INITIATIVE – AUSTRALIAN CAPITAL TERRITORY PROPOSAL

Timing: The Australian Capital Territory is seeking early resolution of this matter.

Recommendation That you:

- agree to the proposed Schedule (at Attachment A) formalising the proposal put forward by the Australian Capital Territory, on the basis that you are satisfied that Capital Metro meets the eligibility criteria.

Agreed/Not Agreed

- agree the final sale proceeds from ACTTAB (\$105.5 million) and to use this figure and recent market valuations for commercial property and public housing (where available) as the estimated sale proceeds in the Schedule.

Agreed/Not Agreed

Signature:/...../2015

- We have assessed the asset recycling proposal from the Australian Capital Territory (Attachment B) regarding its likely eligibility under the National Partnership Agreement.
 - *Asset sales:* The asset sales proposed by the Australian Capital Territory are ACTTAB, land holdings currently occupied by public housing and commercial property. Under the Initiative, jurisdictions need to be able to demonstrate that the asset sale decision was materially influenced by the Commonwealth’s offer of an incentive payment. You have already advised the Australian Capital Territory that ACTTAB is eligible. Our assessment is that the remaining assets are eligible, but we have incorporated conditions into the Schedule to ensure that the public housing-related sales do not increase Commonwealth Government rent assistance (see Additional Information).
 - *Additional Infrastructure:* The Australian Capital Territory has proposed a light rail project (Capital Metro) as the additional infrastructure. As the relevant Minister, the Deputy Prime Minister has written to you providing his Department’s views on this project with regard to the eligibility criteria (a copy of this letter is at Attachment C).

s.47B



- : Capital Metro is a much debated project in the Australian Capital Territory. The ACT Government has argued that it should not be assessed purely as a public transport project, but as part of a broader transformative urban densification initiative.

: The eligibility criteria under the Initiative does not require you to assess the proposed project relative to possible alternative projects, but only to conclude that the project involves additional infrastructure investment, offers a clear net positive benefit, will increase productive capacity and, wherever possible, involves an enhanced private sector and funding role. Given this, we consider it is open for you to conclude that the project satisfies the eligibility criteria.

- The estimated proceeds from the asset sales are \$392.71 million, which will generate an estimated \$58.92 million in incentive payments. As a number of the sales estimates are based on net book value, actual sale proceeds and incentive payments are likely to exceed these estimates. The actual amount of incentive payments to the Australian Capital Territory is likely to be around \$70 million.
- The National Partnership Agreement requires you to agree to the final sale amount for an asset sale. The Australian Capital Territory advises that the final sale amount of ACTTAB was \$105.5 million. We have verified this both by reference to public statements from the Australian Capital Territory Government and the signed contract relating to the sale. This figure is reflected in the Schedule.
- The National Partnership Agreement also requires your agreement when the estimated proceeds from an asset sale recorded in the Schedule differs from the net book value of the assets sold. We propose that market valuations be used for public housing and commercial property assets where such valuations are available in order to more accurately reflect the likely sale proceeds:
- A draft of the Schedule to be signed with the Australian Capital Territory is at Attachment A. Once you have agreed the Schedule, you can either formally offer it to the Australian Capital Territory via a letter or a joint signing ceremony.
 - As the sale of ACTTAB is complete, and the Capital Metro works are well advanced, the Australian Capital Territory Government is likely to be entitled to approximately \$8 million in incentive payments. This can only occur after the Australian Capital Territory Government counter-signs the Schedule, and provides the Commonwealth with a relevant Statement of Assurance.

s.22(1)(a)(ii)

Chris Legg
Chief Adviser
Industries and Infrastructure Division

Contact Officer: s.22(1)(a)(ii)

Consultation: Commonwealth State Relations Division; Social Policy Division; Department of Infrastructure and Regional Development; Department of the Prime Minister and Cabinet.

ADDITIONAL INFORMATION**Australian Capital Territory Asset Sales***ACTTAB*

- The Australian Capital Territory sold ACTAB to Tabcorp for \$105.5 million. This sale was announced on 30 July 2014 and was completed on 14 October 2014. This transaction resulted in complete transfer of ownership and control to Tabcorp (subject to minor conditions).
- You advised the Treasurer of the Australian Capital Territory that the sale of ACTTAB qualified for incentive payments under the Initiative by letter on 2 October 2014.
- You are required to agree to the final sale proceeds for each asset sale. We have reviewed the sale contract between the Australian Capital Territory and Tabcorp, and can confirm that consideration for the transactions was \$105.5 million. This is also consistent with public statements from the Australian Capital Territory.
- Instead of net book value, we consider it appropriate to use actual sale proceeds as the estimate for sale proceeds in the Schedule. You are required to agree to this under the National Partnership Agreement.
- The Australian Capital Territory intends to invest 100 per cent of the proceeds from this sale into Capital Metro.

Public housing land

- The Australian Capital Territory intends to demolish 11 public housing properties and sell the land. This is estimated to raise ^{s.47B} [REDACTED]. These transactions will involve the complete transfer of ownership and control to the private sector.
- The National Partnership Agreement allows the Commonwealth to reduce incentive payments to a jurisdiction if the sale of an asset results in a direct cost for the Commonwealth. This may be the case, for example, if a jurisdiction decreases the availability of public housing, resulting in more people accessing Commonwealth rent assistance.
 - In order to address this, the Schedule requires the Australian Capital Territory to ensure that the total stock of public housing does not fall below the level recorded in 30 June 2014, and that tenants in a public housing asset subject to a sale are able to be relocated into suitable replacement public housing. The Australian Capital Territory must report on these conditions through the Statement of Assurance process.
- The Australian Capital Territory has recently obtained market valuations for a number of public housing land lots, and would like to use these valuations in the Schedule rather than net book value. We are supportive of this, as market valuations provide a more accurate estimation of likely sale proceeds. The Australian Capital Territory has requested these numbers be redacted before the Schedule is released to the public.
- The Australian Capital Territory intends to invest 100 per cent of the proceeds from these sales into Capital Metro.

Commercial property

- The Australian Capital Territory intends to sell six lots of commercial property. This is estimated to raise s.47B [REDACTED]. These transactions will involve the complete transfer of ownership and control to the private sector.
- The Australian Capital Territory has recently obtained market valuations for a number of the commercial property lots, and would like to use these valuations in the Schedule rather than net book value. We are supportive of this, as market valuations provide a more accurate estimation of likely sale proceeds. The Australian Capital Territory has requested these numbers be redacted before the Schedule is released to the public.
- The Australian Capital Territory intends to invest 100 per cent of the proceeds from these sales into Capital Metro.

Australian Capital Territory Infrastructure Project

- For an infrastructure project to be eligible under the Initiative, you need to be satisfied that it meets the following criteria:
 - *Additional activity:* The infrastructure project must generate additional activity that would not have otherwise been possible without the support of the Initiative.
 - *Clear net positive benefit:* There should be a clear basis to expect that the benefits of the project will outweigh its costs. The Commonwealth can take into account both quantifiable and non-quantifiable benefits and costs.
 - The project should be expected to contribute to the *long-term productive capacity of the economy*.
 - The project should, where possible, provide for *enhanced private-sector involvement in its funding and financing*.
- An overview of Capital Metro and an assessment against each of these criteria is at Attachment D. This assessment incorporates the views of the Deputy Prime Minister on the project and the response from the Australian Capital Territory Government on a number of points raised by the Deputy Prime Minister.

Australian Capital Territory Asset Sales and Projects

NATIONAL PARTNERSHIP AGREEMENT ON
ASSET RECYCLING

PRELIMINARIES

- A1 This Schedule to the National Partnership Agreement on Asset Recycling (National Partnership) should be read in conjunction with that Agreement. The objective of the National Partnership is to unlock funds from existing State-owned assets to invest in additional infrastructure that will support economic growth and enhance productivity.
- A2 This Schedule outlines the asset sales and additional infrastructure to be progressed by the Australian Capital Territory in accordance with the National Partnership.

TERMS OF THIS SCHEDULE

- A3 This Schedule will commence as soon as it is agreed between the Commonwealth of Australia, represented by the Commonwealth Treasurer, and the Australian Capital Territory, represented by the Australian Capital Territory Treasurer.
- A4 As a Schedule to the National Partnership, its purpose is to provide the public with an indication of how asset recycling is intended to be delivered and demonstrate the Australian Capital Territory's capacity to achieve the outcomes of the National Partnership.
- A5 The Australian Capital Territory must ensure:
 - (a) the total stock of public housing in the Australian Capital Territory does not fall below the level as at 30 June 2014 of 10,848 dwellings; and
 - (b) tenants in a public housing asset included in Table A1 are able to be relocated into suitable replacement public housing prior to the sale of the asset.
- A6 The Australian Capital Territory will report on the conditions in A5 through the Statement of Assurance.
- A7 This Schedule will cease on completion or termination of the National Partnership, including the acceptance of final performance reporting and processing of final payments against milestones.
- A8 This Schedule may be varied by written agreement between the Commonwealth and the Australian Capital Territory.

- (c) This Schedule will be updated following finalisation of the asset sales to reflect the final sale proceeds, as agreed with the Commonwealth in accordance with clause 21 of the National Partnership.
- (d) This Schedule may be updated to include additional projects as agreed by the Parties.

DETAILS OF AUSTRALIAN CAPITAL TERRITORY PROJECTS

TABLE A1: FINANCIAL DETAILS¹

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Estimated proceeds from sale of net asset(s) (\$) (A)	Proportion of sale proceeds of net asset(s) to be reinvested in agreed infrastructure investment (%) (B)	Estimated value of proceeds to be reinvested into agreed infrastructure investment Amount (\$) (C = A x B)	Actual proceeds from sale of net asset(s) (\$)² (D)	Initial Commonwealth payment – Milestone 1 (\$) (E = C x 50% x 15%)	Final Commonwealth payment – Milestone 2 (\$)² (F = G - E)	Total Commonwealth contribution (\$)² (G = D x 15%)	Total State contribution (\$) (H)	Total private sector contribution (\$) (I)
ACTTAB³	Capital Metro \$783 million	\$105.50 million	100%	\$105.50 million	\$105.50 million	\$7.91 million (\$105.50 million x 50% x 15%)	\$7.91 million (\$15.82 million - \$7.91 million)	\$15.82 million (\$105.50 million x 15%)	TBD	TBD
<i>Commercial property:</i>										
Ambulance Station⁴	Capital Metro	s.47	100%	s.47	TBD	s.47			TBD	TBD
Community Health Building⁵	Capital Metro		100%		TBD				TBD	
Dame Pattie Menzies House⁵	Capital Metro		100%		TBD				TBD	
Dickson Motor Registry⁶	Capital Metro		100%		TBD				TBD	
Macarthur House⁵	Capital Metro		100%		TBD				TBD	

National Partnership Agreement on Asset Recycling Schedule A – Australian Capital Territory Asset Sales and Projects

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Estimated proceeds from sale of net asset(s) (\$) (A)	Proportion of sale proceeds of net asset(s) to be reinvested in agreed infrastructure investment (%) (B)	Estimated value of proceeds to be reinvested into agreed infrastructure investment Amount (\$) (C = A x B)	Actual proceeds from sale of net asset(s) (\$) ² (D)	Initial Commonwealth payment – Milestone 1 (\$) (E = C x 50% x 15%)	Final Commonwealth payment – Milestone 2 (\$) ² (F = G - E)	Total Commonwealth contribution (\$) ² (G = D x 15%)	Total State contribution (\$) (H)	Total private sector contribution (\$) (I)
Visitor Centre ⁶	Capital Metro	s.47	100%	s.47	TBD	s.47			TBD	TBD
<i>Public housing⁷:</i>										
Bega Court – Braddon ⁶	Capital Metro		100%		TBD				TBD	TBD
Currong and Allawah Apartments – Section 52 Braddon ⁶	Capital Metro		100%		TBD				TBD	TBD
Dickson Flats and Vacant Land ⁶	Capital Metro		100%		TBD				TBD	TBD
Garden Flats – Dickson (Karuah) ⁶	Capital Metro		100%		TBD				TBD	TBD
Lyneham & DeBurgh (North & South) ⁶	Capital Metro		100%		TBD				TBD	TBD

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Estimated proceeds from sale of net asset(s) (\$) (A)	Proportion of sale proceeds of net asset(s) to be reinvested in agreed infrastructure investment (%) (B)	Estimated value of proceeds to be reinvested into agreed infrastructure investment Amount (\$) (C = A x B)	Actual proceeds from sale of net asset(s) (\$)² (D)	Initial Commonwealth payment – Milestone 1 (\$) (E = C x 50% x 15%)	Final Commonwealth payment – Milestone 2 (\$)² (F = G - E)	Total Commonwealth contribution (\$)² (G = D x 15%)	Total State contribution (\$) (H)	Total private sector contribution (\$) (I)
Northbourne Flats – Braddon ⁶	Capital Metro	\$47	100%	\$47	TBD	\$47			TBD	TBD
Northbourne Flats – Turner ⁶	Capital Metro		100%		TBD				TBD	TBD
Owen Flats ⁸	Capital Metro		100%		TBD				TBD	TBD
Red Hill Flats – Red Hill ⁶	Capital Metro		100%		TBD				TBD	TBD
Strathgordon Court – Lyons ⁶	Capital Metro		100%		TBD				TBD	TBD
Stuart Flats – Griffith ⁶	Capital Metro		100%		TBD				TBD	TBD
Total	\$783 million		\$392.71 million ⁹						\$392.71 million ⁹	TBD

(1) All amounts are estimates unless otherwise stated, and are subject to rounding.

- (2) Amounts will be updated, as necessary, following finalisation of the asset sale(s), as agreed with the Commonwealth in accordance with clause 21 of the National Partnership.
- (3) Estimated financial details relating to the sale of ACTTAB are based on the actual net proceeds from the sale instead of the book value of net assets, as agreed with the Commonwealth, in accordance with clause 21 of the National Partnership.
- (4) This is shown at market value supported by a valuation by Knight Frank undertaken in November 2011. Demolition costs have been deducted where appropriate. Figures will be revised once the actual proceeds from the sale are known.
- (5) This is shown as the book value of land and buildings as at September 2014. These properties will be sold with the commercial buildings on them. Figures will be revised once the actual proceeds from the sale are known.
- (6) This is shown as the book value of the land, as requested. It does not reflect the market value of the property cleared, with approvals and subdivided. Figures will be revised once the actual proceeds from the sale are known.
- (7) In accordance with clause 19(b) of the National Partnership, Commonwealth payments may be reduced if the sale of public housing results in an increase in Commonwealth Rent Assistance payments.
- (8) This is shown at the market value, supported by a valuation provided by Colliers International in June 2014. Demolition costs have been deducted where appropriate. Figures will be revised once the actual proceeds from the sale are known.
- (9) These figures represent the total of the respective column. The figures are impacted by rounding so are not necessarily reconcilable across the row.

TABLE A2: SPECIFIC DETAILS OF ASSET SALES, INFRASTRUCTURE PROJECTS AND PERFORMANCE MILESTONES¹

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Specific Details of Milestone 1 to be included in Statement of Assurance	Specific Details of Milestone 2 to be included in Statement of Assurance
ACTTAB	Capital Metro	<p>NP 20 (a) (i) Divestment of ACTTAB to TABCorp was completed on 15 October 2014.</p> <p>NP 20 (a) (ii) All relevant government processes were completed prior to completion of the sale of ACTTAB.</p> <p>NP 20 (a) (iii) Commencement of planning and other approvals for the Capital Metro:</p> <ul style="list-style-type: none"> • Business case is finalised and approved by Government on 15 September 2014; • Business case released on 31 October 2014; • Commencement of expression of interest process began 31 October 2014; • Planning and Development (Capital Metro) Legislation Amendment Bill 2014 presented to the Legislative Assembly on 27 November 2014; and • Planning and development approvals process commenced July 2014. 	<p>NP 20 (b) (i) Divestment of ACTTAB to TABCorp was completed on 15 October 2014.</p> <p>NP 20 (b) (ii) Commencement of construction of Capital Metro:</p> <ul style="list-style-type: none"> • Entry into a PPP contract is expected by March 2016; • Financial close of PPP contract is expected in April 2016; and • Commencement of physical construction works for Capital Metro (being site establishment and / or such other physical works as determined during the Capital Metro RFP process) by October 2016.
<i>Commercial property:</i>			
Ambulance Station Morphett St, Dickson	Capital Metro (see below for relevant milestones)	<p>NP 20 (a) (i) Commencement of expression of interest process to sell the Ambulance Station in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of the Ambulance Station:</p> <ul style="list-style-type: none"> • Due diligence expected to be complete in 1st half of 2016-17. 	NP 20 (b) (i) Completion of the sale of the Ambulance Station is expected in S.47
Community Health Building 1 Moore Street, Canberra, ACT, 2601	Capital Metro (see below for relevant milestones)	<p>NP 20 (a) (i) Commencement of expression of interest process to sell the Community Health Building in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of 1 Moore Street: Due diligence expected to be completed in S.47</p>	NP 20 (b) (i) Completion of the sale of the Community Health Building is expected in S.47

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Specific Details of Milestone 1 to be included in Statement of Assurance	Specific Details of Milestone 2 to be included in Statement of Assurance
<p>Dame Pattie Menzies House</p> <p>16 Challis St, Dickson</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Dame Pattie Menzies in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Dame Pattie Menzies:</p> <ul style="list-style-type: none"> Due diligence expected to be complete in S.47 	<p>NP 20 (b) (i) Completion of the sale of Dame Pattie Menzies is expected in S.47</p>
<p>Dickson Motor Registry</p> <p>19 Challis St, Dickson</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell the Dickson Motor Registry in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of the Dickson Motor Registry:</p> <ul style="list-style-type: none"> Due diligence expected to be complete in S.47 	<p>NP 20 (b) (i) Completion of the sale of the Dickson Motor Registry is expected in S.47</p>
<p>Macarthur House</p> <p>12 Wattle St, Lyneham</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Macarthur House expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Macarthur House:</p> <ul style="list-style-type: none"> Due diligence expected to be complete in S.47 	<p>NP 20 (b) (i) Completion of the sale of Macarthur House is expected in S.47</p>
<p>Visitor Centre</p> <p>330 Northbourne Ave, Dickson</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell the Visitor Centre expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of the Visitor Centre:</p> <ul style="list-style-type: none"> Due diligence expected to be complete in S.47 	<p>NP 20 (b) (i) Completion of the sale of the Visitor Centre is expected in S.47</p>
	<p>Capital Metro – these milestone details apply to each commercial property asset to be sold (as outlined above)</p>	<p>NP 20 (a) (iii) Commencement of planning and other approvals for the Capital Metro:</p> <p>NP 20 (a) (iii) Commencement of planning and other approvals for the Capital Metro:</p> <ul style="list-style-type: none"> Business case is finalised and approved by Government on 15 September 2014; Business case released on 31 October 2014; Commencement of EOI process began 31 October 2014; Planning and Development (Capital Metro) Legislation Amendment Bill 2014 presented to the Legislative Assembly on 27 November 2014; and Planning and development approvals process commenced July 2014. 	<p>NP 20 (b) (ii) Commencement of construction of Capital Metro:</p> <ul style="list-style-type: none"> Entry into a PPP contract is expected by March 2016; Financial close of PPP contract is expected in April 2016; and Commencement of physical construction works for Capital Metro (being site establishment and / or such other physical works as determined during the Capital Metro RFP process) by October 2016.

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Specific Details of Milestone 1 to be included in Statement of Assurance	Specific Details of Milestone 2 to be included in Statement of Assurance
<i>Public housing²:</i>			
<p>Bega Court – Braddon 12 Kogarah Lane, Braddon, Reid</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Bega Court expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Bega Court:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Bega Court is expected in S.47</p>
<p>Currong and Allawah Apartments – Section 52 Braddon Block 1, Section 52 Braddon, 59 Currong St Block 1, Section 52 15 Ballumbir St, Braddon</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Currong and Allawah Apartments expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Currong and Allawah Apartments:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Currong and Allawah Apartments is expected in S.47</p>
<p>Dickson Flats and Vacant Land Block 40 and 41, Section 6, 352 Northbourne Ave</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Dickson Flats which is expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Dickson Flats:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Dickson Flats is which is expected in S.47</p>

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Specific Details of Milestone 1 to be included in Statement of Assurance	Specific Details of Milestone 2 to be included in Statement of Assurance
<p>Garden Flats – Dickson (Karuah)</p> <p>Block 1, Section 12 5 Karuah St, Dickson</p> <p>Block 4, Section 12 4 Karuah St, Dickson</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Garden Flats expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Garden Flats:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Garden Flats is expected in S.47</p>
<p>Lyneham & DeBurgh (North & South)</p> <p>Block 8, Section 51 39-55 Owen Cres, Lyneham</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Lyneham & DeBurgh expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Lyneham & DeBurgh:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Lyneham & DeBurgh is expected in S.47</p>
<p>Northbourne Flats – Braddon</p> <p>Block 2, Section 8 65-59 Henty St, Braddon</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Northbourne Flats – Braddon expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Northbourne Flats – Braddon:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in 1st half of 2016- S.47 	<p>NP 20 (b) (i) Completion of the sale of Northbourne Flats – Braddon is expected in S.47</p>
<p>Northbourne Flats – Turner</p> <p>Block 1, Section 57 2-12 Forbes St, Turner</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Northbourne Flats – Turner expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Northbourne Flats – Turner:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Northbourne Flats Turner is expected in S.47</p>

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Specific Details of Milestone 1 to be included in Statement of Assurance	Specific Details of Milestone 2 to be included in Statement of Assurance
<p>Owen Flats</p> <p>Block 8, Section 51 39-55 Owen Cres, Lyneham</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Owen Flats which is expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Owen Flats:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Owen Flats is expected in S.47</p>
<p>Red Hill Flats – Red Hill</p> <p>Block 49, Section 31 25 Cygnet Cres, Red Hill</p> <p>Block 1, Section 26 35 Discovery St, Red Hill</p> <p>Block 1, Section 25 103 Discovery St, Red Hill</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Red Hill Flats expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of Red Hill Flats:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Red Hill Flats is expected in S.47</p>
<p>Strathgordon Court – Lyons</p> <p>Block 1, Section 53 177 Melrose Drive, Lyons</p>	<p>Capital Metro (see below for relevant milestones)</p>	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Strathgordon Court expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Strathgordon Court:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	<p>NP 20 (b) (i) Completion of the sale of Strathgordon Court is expected in S.47</p>

Assets to be sold	Infrastructure investment to be funded with sale proceeds	Specific Details of Milestone 1 to be included in Statement of Assurance	Specific Details of Milestone 2 to be included in Statement of Assurance
Stuart Flats – Griffith Blocks 2, 8 and 11, Section 39 11 Light St, Griffith	Capital Metro (see below for relevant milestones)	<p>NP 20 (a) (i) Commencement of expression of interest process to sell Stuart Flats expected in S.47</p> <p>NP 20 (a) (ii) Commencement of other government processes ahead of sale of Stuart Flats:</p> <ul style="list-style-type: none"> • Business case for individual asset sale and replacement stock expected to be approved in S.47 and • Replacement housing site expected to be identified in S.47 	NP 20 (b) (i) Completion of the sale of Stuart Flats is expected in S.47
	Capital Metro – these milestone details apply to each social housing asset to be sold (as outlined above)	<p>NP 20 (a) (iii) Commencement of planning and other approvals for the Capital Metro:</p> <ul style="list-style-type: none"> • Business case is finalised and approved by Government on 15 September 2014; • Business case released on 31 October 2014; • Commencement of EOI process began 31 October 2014; • Planning and Development (Capital Metro) Legislation Amendment Bill 2014 presented to the Legislative Assembly on 27 November 2014; and <p>Planning and Development Approvals process commenced July 2014.</p>	<p>NP 20 (b) (ii) Commencement of construction of Capital Metro:</p> <ul style="list-style-type: none"> • Entry into a PPP contract is expected by March 2016; • Financial close of PPP contract is expected in April 2016; and • Commencement of physical construction works for Capital Metro (being site establishment and / or such other physical works as determined during the Capital Metro RFP process) by October 2016.

- (1) All components of a milestone must be achieved for the Commonwealth to make the relevant milestone payment. Expected timing for meeting individual components of milestones is included for indicative purposes only, subject to clause 15 of the National Partnership, which requires the sale of the asset to be completed and the construction of the additional infrastructure to commence on or before 30 June 2019. In the event that a milestone is achieved in a different financial year from that indicated in Table A2, the relevant milestone payment will be made subject to the Commonwealth agreeing to a movement of funds.
- (2) In accordance with clause 19(b) of the National Partnership, Commonwealth payments may be reduced if the sale of public housing results in an increase in Commonwealth Rent Assistance payments.

The Parties have confirmed their commitment to this Schedule as follows:

Signed for and on behalf of the Commonwealth of Australia by

The Honourable J.B. Hockey MP
Treasurer of the Commonwealth of Australia
February 2015

Signed for and on behalf of the Australian Capital Territory by

The Honourable Andrew Barr MLA
Treasurer of the Australian Capital Territory
February 2015



Andrew Barr MLA

CHIEF MINISTER

TREASURER

MINISTER FOR ECONOMIC DEVELOPMENT

MINISTER FOR HOUSING

MINISTER FOR TOURISM AND EVENTS

MEMBER FOR MOLONGLO

The Hon Joe Hockey MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer ^{Joe}

Thank you for your letter of 2 October 2014 confirming that the sale of ACTTAB will qualify under the Asset Recycling Initiative.

The ACT Government is pleased to provide the Commonwealth with a proposed package of asset sales and an infrastructure investment for consideration under the National Partnership Agreement. The proposal outlines that Capital Metro will be the infrastructure project to be funded under the agreement. The list of assets to be sold under the Agreement includes ACTTAB, public housing, government offices, the Dickson Motor Registry, the Dickson Ambulance Station, and a block of vacant land.

I understand that officers from the Chief Minister, Treasury and Economic Development Directorate will finalise the Schedule to the Agreement with Commonwealth Treasury officials in the near future. The ACT has appreciated the good faith and support provided by the Commonwealth Treasury, and looks forward to the opportunity to discuss the ACT's proposal and move towards a finalised Schedule.

Yours sincerely

Andrew Barr MLA
Treasurer

11 DEC 2014

ACT LEGISLATIVE ASSEMBLY

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National Partnership on Asset Recycling

ACT Proposal

This proposal should be read in conjunction with Schedule A to the NPA, Australian Capital Territory Asset Sales and Projects which outlines the details of the indicative timing of sales processes, and values of the assets.

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ACT Proposal under the National Partnership Agreement on Asset Recycling

1. Introduction

On 2 May 2014, the Commonwealth, States and Territories signed the National Partnership Agreement on Asset Recycling (NPA). The Asset Recycling Initiative (the Initiative) aims to release the liquidity from existing assets to redirect funds to new additional high-quality infrastructure. The ACT recognises the importance of this Initiative in boosting the productive capacity of the economy, and meeting long-term economic infrastructure priorities across Australia, and therefore, welcomes this opportunity. The ACT Government considers that all assets for sale align with the Guidelines on the NPA; however, in case of any contrary views to this proposal, the ACT Government would appreciate the opportunity to discuss or provide additional information in support of our proposal to the Commonwealth.

A significant strategic focus for the ACT relates to the infrastructure required to promote urban densification and urban renewal, unlocking capital to provide opportunities for growth. The ACT Government intends to increase significantly underdeveloped sites along the transport corridor. This includes public housing redevelopments, sales of government office accommodation and other government properties. The Act's proposal is consistent with the broader strategic focus of the urban densification and urban renewal.

The Commonwealth has indicated the infrastructure investment under the ARI should fall within the period of 2014-15 to 2018-19, and that successful projects would: involve investment in new economic infrastructure with a clear net positive benefit; enhance long term productive capacity; and where possible, provide for enhanced private sector involvement in both the funding and financing of infrastructure. Capital Metro is the proposed infrastructure investment project under the NPA and the proposed asset sales include ACTTAB, public housing and government office accommodation. The ACT Government considers that all assets proposed align with the Guidelines on the NPA; however, in case of any contrary views to this proposal, the ACT Government would appreciate the opportunity to discuss or provide additional information in support of our proposal to the Commonwealth.

2. Infrastructure investment

Capital Metro

The ACT Government is committed to proceeding with the development of Capital Metro – a vital infrastructure project to the ACT economy. The Business Case for Capital Metro was finalised and approved by Government on 9 September 2014. On 15 September 2014, Minister Simon Corbell announced that the ACT Government had approved the business case for the first stage of

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Canberra's light rail network¹. The ACT Government is seeking to use funding provided under the Asset Recycling Initiative to help fund the Capital Metro project.

The Capital Metro project addresses the need to build future transport capacity in the ACT and the need for enhanced sustainable urban re-development and densification along the light rail corridor. Potential constraints exist to the future supply of developable Greenfield land in the ACT. Capital Metro will be a direct and indirect stimulus to a Canberra economy that needs to diversify its base to reduce its reliance on government administration and defence. A world-class transport service will support economic activity in many ways. It will improve vital connections between people, stimulate business innovation, and assist in attracting and retaining skilled workers, enterprising businesses and students to Canberra.

Urban renewal and transformation along the transport corridor is expected to drive new opportunities for Canberra as a whole, such as employment opportunities and new investment. Capital Metro will provide business and investment certainty along the corridor, stimulating significant economic activity as land surrounding the light rail increases in value and is used more efficiently stimulating a much needed transformation to the entrance of the Nation's Capital.

Additionality

On 21 September 2012, Katy Gallagher made an election commitment to fund the feasibility works and forward design, economic and financing work of a light rail network and to finalise the Gungahlin to City Master Plan. The Parliamentary Agreement for the 8th Legislative Assembly, signed 2 November 2012 also included a commitment to 'progress' light rail and associated development in the corridor; establish a statutory independent authority to implement the light rail project and associated development in the corridor; and to undertake the necessary design studies, preparatory works, financing, procurement and tendering arrangements, with a target date for the laying of the first tracks for the first route commencing in 2016. This preliminary planning was essential to plan and prepare for a project of this complexity prior to the Government making a firm commitment to proceed.

On 12 September 2014, the Chief Minister publicly stated that the ACT Government would reprioritise large parts of the Government's infrastructure package, announced during the release of the ACT Budget in June 2014². Infrastructure projects such as the proposed new city stadium, will now be significantly delayed with money reallocated to the net cost of the demolition of over a thousand ACT properties affected by loose fill asbestos. The proceeds of asset sales and the potential for Commonwealth funding through the ARI helped the Government to prioritise Capital

¹ Act Government, Open Government, http://www.cmd.act.gov.au/open_government/inform/act_government_media_releases/corbell/2014/capital-metro-light-rail-to-transform-the-national-capital

² The Canberra Times, Mr Fluffy clean-up puts brakes on infrastructure projects, <http://www.canberratimes.com.au/act-news/mr-fluffy-cleanup-puts-brakes-on-infrastructure-projects-20140912-10g9n1.html>, 12 September 2014.

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Metro over other large scale infrastructure projects, allowing the project to proceed and continue at a pace that might not otherwise have been possible.

Despite this large pressure on the ACT's Budget, the Chief Minister was able to include Capital Metro and an integrated public transport system as one of the Government's four renewed priorities.

The ACT Treasurer recently stated that the ARI was an integral part of the planning to finance the availability payments for the Capital Metro project. The Treasurer outlined during a Standing Committee on Public Accounts in November 2014³ that funding for Capital Metro is being raised through the sale of ACT Government Assets including ACTTAB. The Treasurer stated that the proceeds of the sales, including incentive payments from the Commonwealth under the ARI, would be the principle mechanism of making availability payments to the Capital Metro project.

Capital Metro Timeline

Election Commitment – to investigate the scope for light rail	21 September 2012
ACT Parliamentary Agreement signed	2 November 2012
National Partnership Agreement on Asset Recycling signed	2 May 2014
Geotechnical and survey works to determine early work and construction requirements	July 2014
Industry briefing	15 September 2014
Acceptance of business case by the ACT Government /decision to proceed	15 September 2014
Business case released	31 October 2014
EOI process	Q4 2014 – Q1 2015
RFP process	Q2 2015 – Q4 2015
Contract negotiations	Q1- Q2 2016
Contract commencement (Financial close)	First half of 2016
Operations commence	2019

Demonstrating a clear net positive benefit

Capital Metro is anticipated to deliver benefits to the community of around \$3.587b over 30 years from commencement of operations in nominal terms, or approximately \$1bn in present value terms (inclusive of wider economic impacts). This results in the project delivering an anticipated benefit cost ratio (BCR) of 1.2, comprising a transportation and land use value BCR of 1.0 and the remainder representing wider economic impacts. As the total BCR is greater than one, the economic analysis anticipates the project will deliver a net benefit to the ACT community. This does not take into account further potential social benefits which have not been quantified. Had UK transport appraisal methodology been adopted, the project's anticipated BCR would be 1.7.

Benefits from time savings and other transport system impacts are anticipated to reach a present value of around \$406m. The project is also anticipated to deliver significant land use benefits by unlocking higher density developments along the light rail corridor, with the present value of these

³ ACT Legislative Assembly, Standing Committee on Public Accounts, Hansard, <http://www.hansard.act.gov.au/hansard/2013/comms/public26.pdf>, Pgs 25-26.

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land use benefits anticipated to exceed \$381m. Finally, including wider economic impacts delivered through improving connectivity between firms and to workers adds another anticipated \$198m in present value terms.

Unquantified benefits

In addition to those benefits that were quantified in the Capital Metro Business Case, the Capital Metro project will deliver a number of unquantified benefits that have not been captured by the BCR analysis. The following are potential social benefits which have not been quantified:

- Light rail can provide a significant improvement to the mobility and access to opportunities for disadvantaged groups, including easy access to stops and vehicles for the mobility impaired and families;
- Light rail tends to have lower physical barriers and require fewer level changes compared to other public transport;
- Light rail can offer quicker and more accessible links to jobs for people in the outer suburbs – in particular when connecting with urban centres; and
- Light rail can also offer better quality access to community facilities and shopping opportunities and personal safety and comfort is high compared to other transportation options.

Transport users, including those people who choose to travel by light rail, bus and roads, will benefit from the introduction of this project by improvements in travel times and improvements to comfort and amenity of their journeys. Reductions in vehicle operating costs and improvements in health benefits from increases in walking and cycling (both as a means of transport as well as in accessing public transport) are also considered to be key benefits to the Capital Metro project that have not been quantified.

In addition, the wider community will benefit as a result of changes to the transport network, through:

- Environmental benefits from lower vehicle emissions;
- Reductions in the number and severity of accidents;
- Other externality impacts such as reduced noise; and
- Savings in the provision of other public transportation services.

Increasing long-term productive capacity

Benefits of realising higher density

Light rail has the potential to drive significant land use changes. These will lead to additional benefits over and above those captured within transport benefits, both by realising higher and better use of existing land, reducing the cost of providing public services and delivering densification benefits such

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as agglomeration. A change in housing stock formation from Greenfield low density housing to brownfield medium density apartments will also affect the amount of electricity and water infrastructure required to support a growing population. This foregone use of electricity and water has a corresponding decrease in environmental impacts when compared to what will otherwise be realised.

Agglomeration benefits

Changes in land use will deliver agglomeration and productivity gains similar to those captured as wider economic impacts by encouraging firms and workers to locate in closer physical proximity. The project will expand the productive capacity of Canberra's economy by helping to increase employment concentration and intensity of land use. Capital Metro will facilitate the movement of workers along Northbourne Avenue and into the City during morning peak hour. There will be an increase in the number of workers within a 30 minute travel time, ensuring job matching and a more productive labour force. Some workers may return to the labour market as a result which would increase labour supply.

This greater access to workers encourages demand for property in these locations, greater feasibility for large scale developments, and more intensive use of existing floor space. This in turn provides agglomeration benefits to those firms locating in areas which have a higher density of economic activity, as it enables those firms to achieve economies of scale via a potentially larger customer base and opportunities for economies of scope.

Investment in connecting a set of public and private land holdings as zones, principally founded on stations that comprise the Capital Metro Corridor, will create an integrated platform of community, residential, commercial and retail spaces. A total of nine zones have been identified for consideration as part of a recommended 'Active Development' approach. Capital Metro will provide a focus on development of commercial and retail land uses in key activity areas of the corridor. This approach aims to broaden the mix of land uses along the corridor through deliberate actions to attract developers and other participants in a way that is mutually beneficial. Separate analysis is being undertaken with regards to developing an appropriate corridor development strategy.

Canberra currently has a limited area where agglomeration benefits for firms are experienced in comparison with other Australian cities. Agglomeration benefits are the most significant of the wider economic impacts identified in the Capital Metro project, adding an anticipated \$165 million to benefits in present value terms⁴

Enhancing private sector involvement

The Implementation Guidelines to the ARI outline that the infrastructure investment under the ARI should provide for enhanced private sector involvement. The delivery model for Capital Metro is an availability payment PPP. Under this model the private sector proponent receives payments directly from the Government for the provision of the light rail services. User charges, through ticket

⁴ Capital Metro Business Case, http://www.capitalmetro.act.gov.au/data/assets/pdf_file/0009/655650/Capital-Metro-Business-Case-In-Full.pdf, Pg 102

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revenue would be received by the ACT Government. The availability payment by the Government funds the design, construction, rolling stock acquisition, financing, maintenance and operations of the light rail over the full contract life (20 years). The quantum of this payment will depend on a range of factors, including any capital contribution the Government decides to make.

The PPP includes:

- The design and construction of a 12km light rail route from Canberra's city centre to the Gungahlin town centre, including associated stops, depot, road, signalling, preparatory and other works
- The supply of light rail vehicles
- The financing and ongoing operation and maintenance of the light rail system.

The project has been approved by the ACT Government to proceed on the basis of an Availability Public Private Partnership (PPP). As noted by the *National PPP Guidelines*:

"The aim of a PPP is to deliver improved services and better value for money primarily through appropriate risk transfer, encouraging innovation, greater asset utilisation and an integrated whole-of-life management, underpinned by private financing."

The ACT Government's approach to appropriate risk transfer through PPPs is consistent with the National PPP Guidelines, with the Territory maintaining a policy position that, in general, the ACT will rely on the processes and methodologies within the Infrastructure Australia guidelines. Additionally, the ACT Government has adopted the following Territory-specific documents:

- Guidelines for Public Private Partnerships (the Partnerships Framework) which outline a range of specific policy positions the ACT Government has adopted in its approach to facilitating PPPs; and
- The Capital Framework which outlines new capital works review processes.

The Capital Metro project was approved by the ACT Government in the context of both the Partnerships Framework and the Capital Framework. The Capital Metro project is currently in its Invitation for Expressions of Interest (EOI) phase. In parallel, the Capital Metro Agency is presently drafting Request for Proposal (RFP) documentation with a view to releasing those documents to shortlisted respondents in mid-April 2015. Accordingly, the ACT Government's precise approach to risk transfer within the project will not be definitively known until all RFP documentation is drafted and approved. Nevertheless, the ACT Government has set forth its proposed high level position with regards to the retention, transfer or sharing of certain key risks in the project's EOI documentation. As stated in the EOI documentation for the project:

"The Territory intends that the risk allocation position set out in the Project Agreement will be broadly consistent with recent market practice for availability PPPs."

The Capital Metro will be the Territory's second PPP (after the new Supreme Court Building). This is a new method of service delivery in the ACT incorporating a far higher level of private sector involvement in construction, financing and operations than any previous ACT Government services

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of this type. This procurement approach is wholly consistent with the aims of the ARI in encouraging private sector delivery of public services.

Funding Capital Metro with Asset Sales

The Government will quarantine proceeds of the asset sales, including incentive payments from the Commonwealth, to an 'Infrastructure Fund' to be used for Capital Metro.

3. Asset Sales

ACTTAB

ACTTAB was one of last remaining state or territory owned Totalisator Agency Boards (TABs). With its small scale and intense competition in the market place, it made economic sense for the ACT Government to consider options for its sale.

Innovative approaches to infrastructure investment were a key election commitment of the incoming Commonwealth Government in September 2013, which served to focus attention on the merits of a possible sale of ACTTAB among other assets. The November 2013 discussions at SCFFR reinforced the Commonwealth agenda in this respect and encouraged states and territories to consider relevant asset sale options, notwithstanding the lack of a formal ARI agreement.

The necessary support for a sale of ACTTAB was subsequently sought in the Legislative Assembly and an EOI issued to the market.

The significant influence of the ARI on the sale has since been confirmed between Treasurers. The ARI significantly affected the ACT Government's sale process for ACTTAB towards achieving the objectives of the Initiative – increasing investment in infrastructure by unlocking funds and recycling the capital. In order to do this, it was necessary to maximise market interest with a combination of competitive annual fees with long term licence conditions.

Privatisation of TABs commenced in Victoria in 1994, reportedly in response to debt pressures on the budget in that state. In the wake of the 1995 Competition Policy Agreement there has been greater scrutiny of government business enterprises. As such, ACTTAB was subject to competitive neutrality reporting under the Competition and Infrastructure Regulation Agreement as part of the National Competition Policy framework.

The sale decision is consistent with the ACT's competitive neutrality policy, which supports its national competition policy undertakings. This obliges the ACT Government to consider whether the public benefits of government business activities exceed their costs. The policy origins of government involvement in TABs lie in addressing illegal activity in the betting industry many decades past. Public policy interests in gaming are generally served by regulation rather than ownership and direct provision of gaming products to the community.

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Public housing

On 28 May 2013 Cabinet was provided with a presentation on the future role of housing in the ACT⁵. On 2 July 2014, the Minister for Housing and the Minister for Economic Development announced a whole of government commitment to the Housing sector as part of the Public Housing Asset Management Strategy⁶. Cabinet supported a range of measures including growing community housing stock, and accelerating the renewal of ageing government housing.⁷ Specifically, Cabinet supported the following:

- Accelerating the renewal and redevelopment of ageing public housing stock;
- Responding to the needs and preferences of tenants along the proposed Northbourne Ave redevelopment sites, by providing accommodation within the 800 metre corridor (including Flemington Road), in the inner north and the city, where possible;
- Growing social housing through new partnerships, innovation, intelligent design, public/private partnerships and specific project budget bids that align with government priorities;
- Dispersing public housing residents in new and developing areas.

The ACT Government identified buildings which were old (pre 1980), and located in high value land areas. For these type of buildings, asset sale and redevelopment represents an opportunity to improve economic efficiency through allocating resources to a higher value usage.

Ageing stock

Most public housing in the ACT was constructed by the Commonwealth Government to accommodate large numbers of public servants who were transferred when Commonwealth Departments were being established in the ACT. Much of the public housing stock was constructed from the 1950s through to the 1980s. The average age of the ACT's public housing stock is just over 29 years. This is the oldest public housing portfolio in Australia. Despite Housing ACT's program of disposal, construction and acquisitions, the portfolio continues to age.

New dwellings are constructed in such a way as to maximise their liveability and adaptability for existing and future tenants. This improves the flexibility of the housing portfolio to respond to changing demographics. The progressive redevelopment of the existing public housing portfolio is essential to effectively manage an ageing portfolio of increasingly inappropriate dwellings. The ACT

⁵ ACT Government, Open Government, http://www.cmd.act.gov.au/open_government/inform/cabinet/summaries/2013/may-2013/28-may-2013, 28 May 2013

⁶ ACT Government, Public Housing Asset Management Strategy, http://www.communityservices.act.gov.au/_data/assets/pdf_file/0005/273551/Public_Housing_Asset_Management_Strategy.pdf

⁷ ACT Government, Open Government, http://www.cmd.act.gov.au/open_government/inform/act_government_media_releases/rattenbury/2014/strengthening-housing-in-the-act2, 2 July 2014

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Government is committed to reshaping the portfolio to meet changes in demand, and by investing in the portfolio to ensure it is sustainable and that dwellings are maintained to established standards.

The Government has developed a set of principles for the management of public housing. The principles are based on the assumption that maintaining a viable housing portfolio is integral to meeting the needs for affordable appropriate housing. The public housing asset management strategy⁸ will continue to be implemented to refurbish and replace public housing to better meet the needs of tenants and those applying for housing. Public housing redevelopment along the Northbourne corridor will commence and a public housing replacement strategy will be developed for properties in the Northbourne corridor and Bega Court, Allawah Court, and Currong Apartments precinct.⁹

Demand for public housing in the ACT

The most direct measure of current demand for public housing by eligible households is the waiting list. It is estimated (Community Services Directorate projections) that the demand for public housing will continue to grow, with the strongest growth in single person households and couple families without children. Table 1 shows the forecast change in demand for housing in the ACT.

Table 1: Forecast demand for public housing

	2010	2015	2020	% change 2010-2020
Couple families with children	462	463	474	2.6
Couple families without children	836	944	1 035	23.8
One-parent families	2 255	2 410	2 557	13.4
Group households	1 738	1 796	1 830	5.3
Single persons	5 709	6 417	7 054	23.6
Total	11 000	12 030	12 950	17.7

Source: ACT Government, Public Housing Asset Management Strategy 2012

⁸ ACT Government, Public Housing Asset Management Strategy, http://www.communityservices.act.gov.au/_data/assets/pdf_file/0005/273551/Public_Housing_Asset_Management_Strategy.pdf

⁹ ACT Government, Community Services Directorate Annual Report 2013-14, http://www.communityservices.act.gov.au/home/publications/annual_reports/2013-2014

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A review of the waiting list in 2012¹⁰ found that although standard housing waiting list applications have declined, both high needs and priority housing applications have increased significantly. This contributed to a 31 per cent overall increase in waiting list applicants between the 2006-07 and 2010-11 financial years.

- The ACT Government is embarking on a range of measures to not only modestly increase the stock level of public housing in the Territory, but also to progressively redevelop the existing public housing portfolio to effectively manage the ageing stock of increasingly inappropriate dwellings.
- The ACT Government considers it essential to develop a structured and consistent approach to the long-term management of housing stock to improve the performance of publicly owned assets, and the effectiveness, efficiency and quality of services delivered by the Government. That's why, the larger concentrations of public housing, namely ageing Multi Unit Properties, will be progressively renewed with housing stock across the city that is consistent with the Territory's salt and pepper approach and in areas with good access to public transport, employment, education and services.
- To do this, the ACT Government will undertake a rolling program with the aim of reducing concentrations of disadvantage, aligning the public housing portfolio with tenant needs, optimising the value of the asset, providing better housing for existing and future tenants, and improving the 'look and feel' of the metropolitan area.

Supply of public housing

The ACT public housing portfolio comprises around 10,956¹¹ properties housing 10,738¹² households during 2012-13.

- The ACT has the highest proportion of public housing stock of all dwellings (8.0 per cent compared to 2.8 per cent in Victoria and 3.9 per cent in New South Wales).

The ACT also has the highest proportion of households living in public housing (8.3 per cent compared to 3.1 per cent in Victoria and 4.2 per cent in New South Wales).

Roof-for-roof replacement commitment

There will be no reduction in quantum of public housing under the renewal program. The redevelopment process will see a roof-for-roof replacement within the Northbourne corridor where appropriate, while outside of this there will be an increase in the housing stock. There will be no

¹⁰ ACT Government, Public Housing Asset Management Strategy, http://www.communityservices.act.gov.au/_data/assets/pdf_file/0005/273551/Public_Housing_Asset_Management_Strategy.pdf

¹¹ Productivity Commission, Report on Government Services 2014, Table 17A.3, Descriptive data – Number of social housing dwellings, at 30 June (Public Housing).

¹² Productivity Commission, Report on Government Services 2014, Table 17A.58, Households residing in public housing (per cent).

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reduction in the overall public housing asset base. The ACT Government is also mindful of the requirement in clause 6.6.3 and 7.2 of the Guidelines, which outlines that any sales proposed that results in a direct cost to the Commonwealth will be deducted from the incentive payments.

Government Office Accommodation and other Government Properties

The ACT Government believes that there are significant benefits from unlocking the funds from the proposed ACT Government Offices to be sold, as they are aging, require significant maintenance or upgrading and in some cases are due for replacing. Therefore, this Initiative provides a perfect opportunity to make use of the idle capital inherent within these properties to make significant investment in the Capital Metro project.

Furthermore, the sale of the proposed ACT Government Office sites is in line with the ACT Whole of Government Accommodation Strategy released in January 2014, and will allow the ACT Government to either replace or lease other, modern offices, in order to meet the accommodation needs of the ACT Government. The sale of the Government Offices listed in Schedule A to the Agreement has been brought forward to be considered under the Initiative.

The sale of ageing government office accommodation along the light rail corridor is also consistent with the broader urban densification and renewal strategies of the ACT Government. The sale of Government accommodation will support the urban densification and revitalisation of the city centre and Northbourne corridor. This represents another opportunity to improve economic efficiency through allocating resources to a higher value usage.

<p>ASSET RECYCLING INITIATIVE</p> <p>Date: 4 February 2015</p>		<p>STATE/TERRITORY AUSTRALIAN CAPITAL TERRITORY</p>																		
<p>PROPOSAL</p> <p>ASSETS TO BE SOLD:</p> <p><i>GOVERNMENT BUSINESS ENTERPRISE</i> ACTTAB</p> <p><i>COMMERCIAL PROPERTY</i></p> <table border="0"> <tr> <td>Ambulance Station Dickson;</td> <td>Community Health building;</td> <td>Dame Pattie Menzies House;</td> </tr> <tr> <td>Dickson Motor Registry;</td> <td>Macarthur House;</td> <td>ACT Visitor's Centre</td> </tr> </table> <p><i>PUBLIC HOUSING</i></p> <table border="0"> <tr> <td>Bega Court, Braddon;</td> <td>Dickson Flats and vacant land;</td> <td>Strathgordon Court, Lyons</td> </tr> <tr> <td>Garden Flats, Dickson;</td> <td>Northbourne Flats, Braddon;</td> <td>Northbourne Flats, Turner;</td> </tr> <tr> <td>Owen Flats, Lyneham;</td> <td>Red Hill Flats, Red Hill;</td> <td>Stuart Flats, Griffith;</td> </tr> <tr> <td>Currong and Allawah Apartments, Braddon;</td> <td colspan="2">Lyneham and DeBurgh (North & South).</td> </tr> </table> <p>INFRASTRUCTURE PROJECT: Light Rail connecting the central business district to the northern suburbs (Capital Metro)</p>			Ambulance Station Dickson;	Community Health building;	Dame Pattie Menzies House;	Dickson Motor Registry;	Macarthur House;	ACT Visitor's Centre	Bega Court, Braddon;	Dickson Flats and vacant land;	Strathgordon Court, Lyons	Garden Flats, Dickson;	Northbourne Flats, Braddon;	Northbourne Flats, Turner;	Owen Flats, Lyneham;	Red Hill Flats, Red Hill;	Stuart Flats, Griffith;	Currong and Allawah Apartments, Braddon;	Lyneham and DeBurgh (North & South).	
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<p>COSTINGS</p> <p>ESTIMATED ASSET SALE PRICE: \$392.71 Million</p> <p>ESTIMATED INCENTIVE PAYMENT: \$58.92 Million</p> <p>REMAINING FUNDING IN ARI POOL: \$4.941 Billion</p> <p>EXPECTED PROJECT COMMENCEMENT DATE: October 2016</p>		<p>DATE OF EXPRESSION OF INTEREST FOR ASSET SALES: <i>Dates vary depending on the asset, but all expressions of interest will be issued by the first half of 2017-18. Sale of ACTTAB has already been completed. You have already decided that the sale of ACTTAB was influenced by the ARI.</i></p> <p>TRANSFER OF OWNERSHIP OR CONTROL? <i>All asset sales result in the full transfer of ownership and control.</i></p>																		
<p>TO BE ELIGIBLE FOR FUNDING FROM THE POOL, NEW INFRASTRUCTURE MUST:</p>																				
<p>1. Constitute additional activity</p> <p>The ACT Government has delayed large proportions of the infrastructure spending it had previously announced because of the need to reallocate money to the demolition of houses affected by loose-fill asbestos. The ACT Government has indicated that funding from asset sales and the ARI is expected to enable Capital Metro to progress within the envisaged timeframe that would not otherwise be possible. Therefore, it is reasonable to consider Capital Metro as 'additional' for the purposes of the ARI.</p>																				
<p>2. Demonstrate a clear net positive benefit</p> <p>On the basis of quantifiable costs and benefits, the business case finds Capital Metro has a positive net present value of \$161 million and a benefit cost ratio of 1.20, with wider economic benefits contributing 0.24 of this ratio. The wider economic benefits associated with Capital Metro include agglomeration benefits resulting from firms being located in close proximity to</p>																				

each other and to workers, improved market competition and additional tax revenue from increasing labour supply. In addition, Capital Metro is expected to yield other non-quantifiable social benefits, for example, improved access and mobility for disadvantaged groups.

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The ACT Government has indicated that using P90 cost estimates rather than P50 cost estimates reduces the benefit cost ratio to 1.12, with wider economic benefits contributing 0.22 of this ratio. In addition, the ACT Government notes that the business case does take into account that there will be some increase in urban densification without light rail and only includes the incremental urban densification benefits resulting from light rail. Moreover, the ACT government argues that benefits likely to flow from land rezoning will only be optimised when combined with the investment in light rail. The permanency of light rail relative to other forms of transport infrastructure (such as buses) generates greater urban densification benefits because it provides greater confidence for other long-term investment.

We note that the National Partnership Agreement does not limit the range of benefits to be taken into consideration when evaluating projects. Nor does it require the likely net benefit to be compared to that from possible alternative projects. As to the potential longer term implications of the project for the ACT economy and finances, this is not one of the eligibility criteria under the Initiative. We note however that public transport infrastructure almost invariably requires operating subsidies from governments, and that it is for the ACT Government to manage such costs

3. Enhance the long-term productive capacity of the economy

Capital Metro is likely to increase the productive capacity of the ACT economy by improving transportation linkages between a rapidly growing residential area (Gungahlin) and the central business district. According to the business case, without Capital Metro, by 2031, transit from Gungahlin to the central district by car is predicted to take 57 minutes whereas equivalent transit time using Capital Metro will be 25 minutes. As a result of this, more job opportunities will be available to a greater pool of potential employees, potentially improving 'job matching'. In addition, reducing travel times to work can have a net effect of increasing the willingness of workers to enter the labour force. This will increase the supply of labour in the market.

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As noted above, eligibility under the Initiative does not require a comparative assessment of the likely increase in productive capacity, relative to possible alternative projects, but rather an assessment that the project per se will enhance productive capacity.

4. Where possible, provide for enhanced private sector involvement in both the funding and financing of the infrastructure.

The business case evaluates the merits of private sector delivery of the project using a public private partnership. It recommends delivery of the project using a public private partnership using analysis based on a public private partnership proxy. Consistent with this, the ACT Government issued an expression of interest for private sector partners to be involved in the project in late 2014.

ADDITIONAL INFORMATION

As an alternative to the criteria listed above, the National Partnership Agreement allows you to consider projects that meet the long-term economic infrastructure priorities of regional economies. The ACT Government has identified Capital Metro as a clear priority as it addresses a need to build future transport capacity and enhance sustainable urban redevelopment.

Infrastructure Australia was not involved in the assessment as the incentive payment is under \$100 million. However, Infrastructure Australia previously assessed a submission from the ACT Government in 2012 seeking Commonwealth funding for a feasibility study for the project. At that time, Infrastructure Australia concluded that the project should not be included on the priority list, reflecting doubts regarding the projects 'national significance' and the likelihood that the benefit cost ratio would be significantly lower than that for an alternative bus solution to the ACT's public transport problems. This assessment was done prior to the development of the business case of Capital Metro. Moreover, it addressed issues relevant to the question of whether the Commonwealth should directly fund the project but which are not relevant in the context of the Asset Recycling Initiative.

In relation to asset sales, the proposal includes the sale of land currently used for public housing. The National Partnership Agreement allows for the reduction of incentive payments where an asset sale results in a direct cost for the Commonwealth (for example, through increased Commonwealth Government rent assistance payments). We have worked with the ACT to ensure the sales will not impact on the level of rent assistance payments.