



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Coalition  
Date Referred: 19/02/2019

Proposal No: Y053  
Date Published: 18/03/2019

Proposal Title: Western Sydney Construction Hub

Cluster: Industry

## General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
<b>Net Operating Balance:</b>	-	-	-	-	-

Capital Expenditure	-	8,000	15,000	36,000	59,000
Capital Offsets	-	-	-	-	-
<b>Net Capital Expenditure:</b>	-	<b>8,000</b>	<b>15,000</b>	<b>36,000</b>	<b>59,000</b>

<b>Net Lending/(Borrowing):</b>	-	<b>(8,000)</b>	<b>(15,000)</b>	<b>(36,000)</b>	<b>(59,000)</b>
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## Total State Sector Impacts

<b>Net Lending/(Borrowing):</b>	-	<b>(8,000)</b>	<b>(15,000)</b>	<b>(36,000)</b>	<b>(59,000)</b>
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## Notes and costing assumptions

The policy proposes to build a new TAFE campus to deliver specialised training in fields like construction carpentry, electrical and plumbing. The policy specifies that the new campus will be located close to the new Western Sydney Airport. Delivery for the campus is to start in 2019, for completion within the next term of Government.

The policy also specifies that the capacity for the campus is 3,500 enrolments, assuming 700 apprentices per year plus facilities for:

- Construction industry traineeships
- Pre-apprenticeship training (including vocational education training)
- Entry-level workers seeking basic construction skills, and training and certification in areas such as worksite safety, working at heights etc.
- Existing trades workers conducting upskilling training, and
- Certificate IV and diploma level qualifications in areas like plumbing and building and construction fields.

The PBO estimates the cost of this policy is \$59 million over the forward estimates and \$79.6 million by March 2023 when construction of the campus is completed. Most of the cost is based on TAFE NSW's construction costs for its new Meadowbank education facilities (\$71.6 million). The PBO has applied this cost as both TAFE NSW and Treasury considers this to be a reasonable proxy for the likely costs of building the campus.

**Notes and costing assumptions continued:**

A summary of the cost breakdown is shown below:

	2018-19	2019-20	2020-21	2021-22	2022-23	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land costs		8,000				8,000
Construction costs			15,000	36,000	20,600	71,600
<b>Total</b>		<b>8,000</b>	<b>15,000</b>	<b>36,000</b>	<b>20,600</b>	<b>79,600</b>

**Timeframes for delivering the campus**

The costing assumes that land for the campus will be identified and acquired by the end of December 2019, with construction occurring over the period February 2021 to February 2023 (25 months).

This timeframe is based on:

- TAFE NSW's advice that planning and site acquisition would take nine months (i.e. by December 2019)
- TAFE NSW's advice that the earliest start date for construction is February 2021, as the project will need to be reviewed and approved under the State Significant Development process, and
- The policy's assumption that the campus is to be completed before the next March 2023 NSW election.

The PBO has apportioned costs roughly evenly on a monthly basis over the 25 month construction period from February 2021. This is a high level estimate in the absence of detailed delivery plans for this project. The PBO also assumes that TAFE NSW is able to recruit the teachers and staff for the campus, so it can commence operations by the end of February 2023.

**Cost of land**

The cost of land is assumed to be \$8.0 million for a two hectare site near the Western Sydney Airport. The amount of land required is based on advice from TAFE NSW that facilities for around 3,500 enrolments will require a gross site area of two hectares.

For the cost rate, the PBO estimates the land cost for 2019-20 to be \$400 per m<sup>2</sup>. This is based on TAFE NSW's advice and is slightly higher than current market rates because:

- The current market rates (ranging from \$145 to \$375 per m<sup>2</sup>) reflect land that is not fully serviced by infrastructure suitable for the future Badgerys Creek development.
- Market commentary by CBRE (a large real estate business) stated that land prices are likely to increase as rezoning, utilities and servicing, and airport development around Badgerys Creek commences.
- As land acquisition is assumed to occur around March 2020, TAFE NSW advised that it may be required to purchase land that is fully serviced by utilities and infrastructure which will have a higher cost rate.

**Cost of building the campus**

Based on TAFE NSW's advice and Treasury's review, the cost of constructing the campus and infrastructure to service the site is estimated to be \$71.6 million. This includes escalation of 2% per annum and contingencies allowance of 15%. The PBO considers this to be a reasonable estimate, as it is based on TAFE NSW's costs for the new Meadowbank Education and Training Precinct's Multi-trades Hub.

Both TAFE NSW and Treasury consider the costs for the new Meadowbank facility to be a reasonable proxy for the likely costs for the new campus, having regards to the types of training offered and the enrolment capacity.

In addition to construction costs, TAFE NSW states that it would be required to pay \$2 million in State Infrastructure Contributions to the Department of Planning and Environment. As this is an internal government payment into a pooled infrastructure fund, the PBO has excluded this amount from the costing.

**Notes and costing assumptions continued:**

**Operational costs**

TAFE NSW's advised that the costs can be met from its existing budget for the Smart and Skilled funding program and other existing apprenticeship/skills-related program. In the event that funding is no longer available, the PBO considers that the shortfall will need to be met from other resources in the Cluster or from the Consolidated Fund.