



### **ROYAL ADELAIDE HOSPITAL**

Mr GRIFFITHS (Goyder) (15:14): Today I wish to talk briefly about an issue that has been the subject of some questions asked during question time; that is, the financing situation for the now Royal Adelaide Hospital to be built on the railway site. In questions asked by the Leader of the Opposition, the Treasurer has been found to have made statements both in estimate committees in 2007 and recently in the house which are somewhat confusing for us on this side of the house. The Treasurer does offer the continued opportunity for us to take part in Economics 101 classes, but we think that these are important issues about which the public of South Australia wants to be made aware.

We have heard from the government that the PPPs would be included as government debt. We have heard from the government that they are not government debt. We heard from the government that they are on-balance sheet. We have also heard from the Treasurer that they are off-balance sheet. Yesterday, the Treasurer said:

I have said right from the outset that whilst we are in government our PPPs will be an on balance sheet.

As I have said before, in estimates in 2007 the Treasurer gave a very different story. He said:

It becomes an off balance sheet item, so the government itself does not incur the debt. All this debate we are having about debt becomes somewhat irrelevant. The debt is held by the private sector.

However, yesterday in answer to a question about how much of the debt for the proposed central hospital would appear on the government's balance sheet, the Treasurer said: 'The debt will not appear as a debt as such.' In 2007, before an estimates committee of which I was a member—and I think it was the one during which the Treasurer got quite upset at the Leader of the Opposition and left the chamber for a few minutes before normality returned to the process—the Treasurer said: 'The debt may not appear in your official debt figures.'

I find it most concerning, and I am sure South Australians do, that the Treasurer does not appear to know the answers to these important questions. We asked them in 2007 and we ask them now. We are getting different answers each time. Clearly, the public of South Australia wants one definitive answer.

Credit rating agency Standard and Poor's has said that they see the hospital—whether or not financed through a PPP or through a government borrow—as a liability to the state and they will take this into account when determining the state's credit rating. That is important; we appreciate that. We on this side of the house understand that a PPP works in the way that a consortia comes together. A consortia involves a financier, a builder and probably a facilities management team who will finance, build and operate the hospital.

Briefings provided to the opposition by a variety of experts within the PPP area suggest that the total annual payment for such a consortia not only to build but to operate this Royal Adelaide Hospital could be in the order of \$450 to \$500 million per year for the 30-year period of the lease agreement. Multiplying that, that comes to a total of nearly \$15 billion over that 30 years. It is an important for the state to understand what the potential long-term liabilities of this action will be. Payments will begin from the time the hospital is completed in 2016 under the PPP model. We understand that, but again this comes at a premium in delaying those payments.

According to the people to whom we have spoken, the component for the hospital construction in isolation could be in the vicinity of \$200 million per year for 30 years, which in itself equates to \$6 billion. These costs are before the wages of doctors and nurses and other hospital costs are included. I am not against

PPPs. I understand that, on occasions, they will be a very valid form of procurement for government infrastructure. Certainly I understand that an exercise needs to be undertaken to determine what is the best option, be it a PPP, or be it a government procurement either through the capital injection of funds or through the borrowing of funds.

In budgets of our size, though, it is important that we understand that these future commitments will take an enormous amount of the capacity out of health lines to fund the variety of services that they need. The Auditor-General has raised some concerns about this. I refer to the Auditor-General's Report for 2007-08, Part C, which states:

The credit market crunch experienced in 2007-08 and continuing at the time of this Report, raise the credit and financing risk of PPPs. In such extraordinary circumstances, progress of these transactions should be done with a high degree of caution and may indeed need review of assumptions and information used to date. This may be a significant risk to the fundamental premise of whether a PPP provides a net benefit to the public compared to conventional public sector procurement opportunity.

This is where the work needs to be undertaken. The Treasurer has committed to the fact that it will go out and he will then do the government comparison to see what it comes in at. However, I want to enforce the fact that the advice provided by the investment bankers to the state opposition reiterates that the present market for new PPPs is very limited, with financing companies experiencing extreme difficulty.