

Final Business Case Evaluation Summary

Wagga Wagga Special Activation Precinct



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Infrastructure
New South Wales

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About this report

Special Activation Precincts (SAPs) are delivered in locations in regional NSW that have been identified by the NSW Government to support job creation, attract businesses and investors, and drive economic development. SAPs aim to address constraints to economic development and support the growth of engine industries in regional NSW.

The Wagga Wagga Special Activation Precinct (SAP) covers 4424 hectares of land located approximately 4km north-east of the Wagga Wagga township. The SAP incorporates the existing Bomen Business Park, Riverina Intermodal Freight and Logistics (RiFL) Hub, land to be developed for solar farms, and greenfield expansion areas.

The business case for the Wagga Wagga SAP was developed by the Regional NSW Division within the NSW Department of Planning, Industry and Environment and submitted to Government in March 2020. This business case evaluation summary has been prepared by Infrastructure NSW, the NSW Government's independent infrastructure advisory agency.

Strategic context

Economic development in regional NSW

Regional NSW contributes significantly to the state's economy through several key sectors or engine industries. Engine industries support regional economic development by attracting people to the region and drawing in businesses that provide inputs and services to key industries. The growth of engine industries has the potential to further catalyse economic development and job creation by increasing productivity, driving innovation, facilitating synergies between businesses, stimulating the formation of new businesses and supporting the survival and growth of existing businesses.

Locations for the establishment of a SAP are selected based on the presence of 3 criteria:

1. **Economic enabler** – an identified engine industry that demonstrates a high degree of specialisation and is a major employer in the region.
2. **Catalyst** – an event, location or trigger that can enable regional economic development.
3. **Unlocking potential** – State government intervention to address a barrier to investment or leverage an opportunity to accelerate economic development.

The NSW Government has announced that SAPs will be established in Parkes, Wagga Wagga, Moree, the Snowy Mountains, Williamtown, and Narrabri.

Wagga Wagga SAP

Wagga Wagga is strategically located between Sydney and Melbourne and on major road and rail freight networks, including the proposed Inland Rail corridor from Brisbane to Melbourne. It is the largest inland regional city in NSW, with the population forecast to grow from 68,562 in 2020 to 80,984 by 2036. Wagga Wagga also has a broad industry base that includes agriculture and agribusiness, education, health services, Defence, manufacturing and freight and logistics.

Wagga Wagga is an attractive location for businesses to expand and establish due to its strategic location, connectivity to import and export markets, affordable land, liveability and lifestyle appeal, and growing population. The endowments of the region and global megatrends such as the increase in demand for food and changing diets, innovation in products and manufacturing techniques, and the need for alternative energy sources provide opportunities for industry and employment growth. In particular, for advanced manufacturing, agribusiness, recycling and renewable energy, and freight and logistics.

Project need

Action required to alleviate barriers to investment

There are several anchor and supporting businesses that are looking to expand or establish within the Wagga Wagga SAP. However, without State Government intervention through the SAP Program, business expansion and establishment plans in the SAP investigation area and opportunities to activate regional economic growth and job creation will not be realised. This is due to several barriers to investment which are currently constraining private sector development and investment in Wagga Wagga:

- The need for coordinated approach to land use planning and enabling infrastructure for land activation.
- Complex and costly planning processes.
- The length of time and lack of certainty associated with development approvals.
- A lack of competitiveness of investment attraction incentives.
- A lack of coordinated approach to investment attraction.
- Skills shortages.

The Wagga Wagga SAP will address constraints to business establishment and expansion through master planning and government-led studies, government-led development, infrastructure investment, business concierge and fast-track planning. It will also leverage the region's endowments and existing and planned private sector and government investments to support the growth of advanced manufacturing, agribusiness, recycling and renewable energy, and freight and logistics industries.

Timely opportunity for local development

The consequences of deferring the Wagga Wagga SAP are largely related to the lost opportunities for regional economic development and job creation; as well as the expected benefits derived from key industries in the area. In the absence of the Wagga Wagga SAP:

- population growth will remain consistent with current and historical level
- employment growth in the Bomen Business Park area will remain constrained making it a significantly under-utilised asset
- the expansion of existing businesses in the area will be constrained by lengthy and costly development approvals processes and a lack of suitably zoned land with enabling infrastructure
- existing businesses may relocate to other Australian states and territories with streamlined planning processes and more attractive investment attraction incentives.

Project objectives and design

Objectives of the SAP Program

The SAP Program has 2 primary goals that are aligned to NSW Government policy and commitments.

1. Regional economic development.
2. Regional job creation.

Objectives of the Wagga Wagga SAP

The objectives of the Wagga Wagga SAP are aligned to the achievement of the SAP Program's goals and are to:

- grow the high value production and manufacturing industry in Wagga Wagga
- facilitate environmentally sustainable development and business investment
- attract investment from emerging industries
- maximise the freight and logistics efficiency of the RiFL Hub.

Project details

A structure plan for the Wagga Wagga SAP has been prepared as part of the master planning process. The structure plan articulates the long-term vision and aspirations for the Wagga Wagga SAP. The vision for the Wagga Wagga SAP is:

“As NSW’s Southern Gateway supporting Australia’s richest food and agricultural region, the Wagga Wagga SAP will be a sustainable hub of high value production and manufacturing supporting innovative industries and businesses which are connected to the world.”

The structure plan defines 2 sub-precincts and overlays to guide land use planning and development within the precinct. The 2 sub-precincts have different focus areas aligned to the vision and aspirations of the SAP:

- Regional Enterprise Sub Precinct (1314ha) – the principal industry area for the SAP, accommodating advanced manufacturing, agribusiness, rail and road transport terminals, warehouses, industrial recycling, and a diverse array of local industries. Includes existing industries at Bomen and is staged to allow for orderly development of infrastructure.
- Rural Activity Sub Precinct (2987ha) – The Rural Activity Sub Precinct surrounds the principal industrial areas within the SAP and provides separation to surrounding residential and rural areas. No additional residential uses, or large-scale solar farms are permitted in the zone.

Options identification and assessment

Options identification

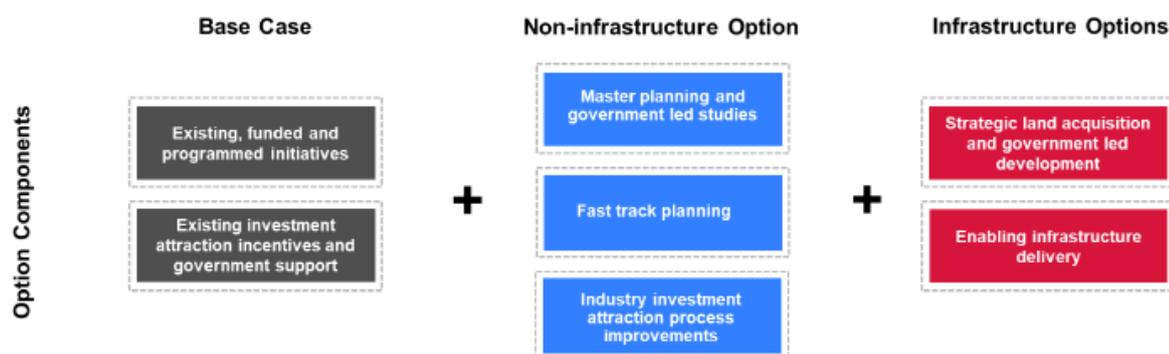
An iterative process was used to develop project options for the Wagga Wagga SAP final business case that address the identified barriers to investment. This included the development and scoping of the following options:

- Definition of the base case.
- Development of the non-infrastructure solution (Option 1).
- Development of the enabling infrastructure solutions, including value engineering to identify alternative solutions and shortlisting of infrastructure solutions (options 2-5).

The options for the Wagga Wagga SAP are comprised of 7 core components:

- Base Case Components:
 - existing, funded and programmed initiatives
 - existing industry investment attraction incentives and government support.
- Non-infrastructure Solution Components:
 - master planning and government led studies
 - fast-track planning
 - industry investment attraction process improvements.
- Infrastructure Solution Components:
 - enabling Infrastructure delivery
 - strategic land acquisition and government led development.

Project Options Overview



Infrastructure options

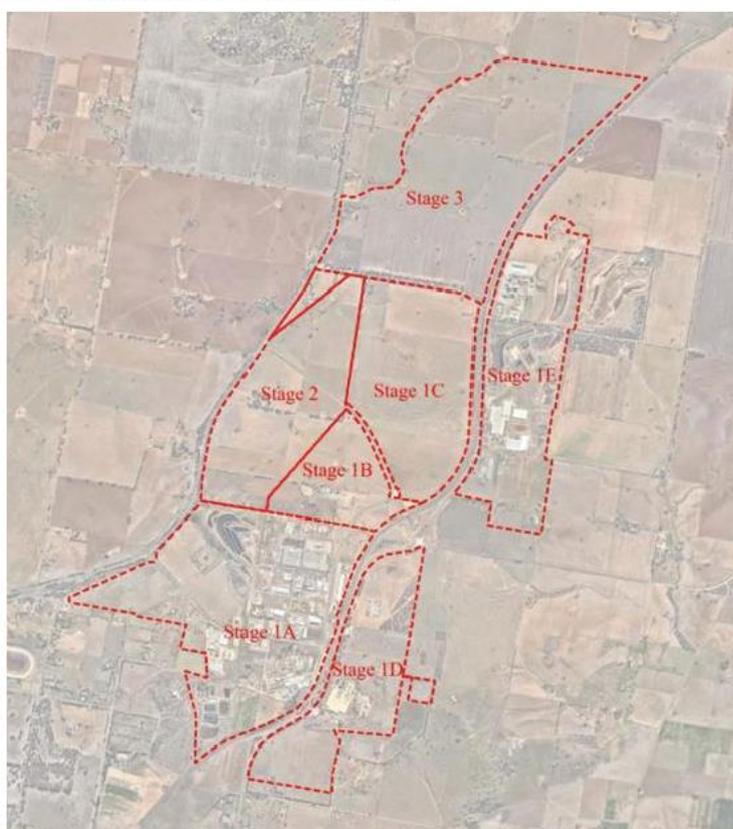
Four infrastructure options were identified for appraisal:

- **Option 2 – Activate Stages 1 and 2.** Option 2 is the overarching upper development scenario that activates or futureproofs all of the regional enterprise areas outlined in the master planning process.

- **Option 3 – Activate Central Areas.** Option 3 is a subset of Option 2 and focuses on targeted activation of land within the precinct. Option 3 takes into consideration growth areas identified as part of the market sounding process and also leverage committed investment in the RiFL Hub.
- **Option 4 – Targeted Activation.** Option 4 is also a subset of Option 2 and focuses on targeted activation of land within the precinct. Option 4 takes into consideration growth areas identified as part of the market sounding process and also leverage committed investment in the RiFL Hub.
- **Option 5 – Activate Central Areas (sequenced delivery).** Option 5 is the same as Option 3 but with the delivery of enabling infrastructure more closely sequenced with the projected land take-up demand.

The different land parcels proposed to be activated in the infrastructure options are based on different combinations of the preliminary staging identified in the structure plan.

Preliminary staging in the Draft Structure Plan



Preferred option

Option 5 is identified as the preferred infrastructure option based on:

- alignment with projected land take-up demand
- targeted investment budget envelope
- economic benefit detailed in the Cost Benefit Analysis.

Option 5 has been sequenced into 2 parts, Part A and Part B. Option 5 will activate 205ha of land (as per Option 3).

Economic evaluation

An economic evaluation of the project was undertaken to support the final business case submission. This economic evaluation included an analysis of the economic, social and environmental impacts or benefits of the road project.

The primary costs related to the Wagga SAP are related to the installation of critical and supporting infrastructure funded by the NSW Government. The summary of all costs included in establishment of the SAP are:

- establishment costs relating to capital expenditure to be incurred by the NSW Government for each option
- industry establishment costs relating to the capital costs to be incurred by industry to establish a presence in the Wagga Wagga region
- capitalised program costs for the Regional Growth NSW Development Corporation (RGDC)
- operational costs which covers the costs to be incurred in operations and maintenance of capital, digital infrastructure, and program costs related to facilitating the Wagga Wagga SAP.

The outcomes of the analysis

The proposed options for the Wagga Wagga SAP present a range of potential net economic impacts which scale with investment funding. Option 5 has been selected as the preferred option as it delivers the highest value for money (BCR). As such, an investment of \$244m in Present Value terms (PV) in capital costs (total investment of \$253m) is expected by 2063 to generate:

- 205ha of land take up as at 2063
- 2077 total FTEs at full operations (2063)
- \$309m PV of producer surplus to NSW net of tax
- \$99m PV of labour surplus

The total benefits of the Wagga Wagga SAP are estimated to be:

- \$155m Net Present Value with a benefit cost ratio of 1.61.

Cost Benefit Analysis as an economic appraisal tool only captures the direct economic impacts which are quantifiable and monetisable. The activation of the Wagga Wagga SAP is expected to have a number of impacts beyond those quantified such as:

- improved development application approval times
- indirect employment benefits
- uplift in tax base from potential interstate and international resources
- second order economic impacts.

Deliverability

Procurement

The preferred procurement model for the Wagga Wagga SAP is a preliminary design, then design & construct model. The preferred model includes the procurement of 1 design consultant to undertake a preliminary design of all the enabling infrastructure. Depending on the final design and sequencing of the preferred infrastructure solution, individual design and construct tenders are then procured based on the following work packages:

- Roads, Utilities, Basins.
- Water Reservoir.
- Substation Upgrades.
- Wastewater Treatment Plant Upgrades.

This procurement model is aligned to the Ten Point Commitment to the Construction Sector.

The preferred delivery model was developed collaboratively with RGDC, City of Wagga Wagga and Riverina Water County Council to incorporate recommendations and suggestions from all agencies. The preferred procurement model will be further refined to align with key milestone and transition hold points.

Timeframe

The draft master plan, discussion paper and associated technical documents were on exhibition from 21 July–15 September 2020. A final master plan and amendment to the Activation Precincts State Environmental Planning Policy (SEPP) to include Wagga Wagga was announced on 24 May 2021. RGDC is developing the delivery plan to provide details on the staging and infrastructure works.

It is expected that construction will commence early-2022, once the precinct's design has been finalised.

Key risks and mitigation

The key procurement strategic risk and issues associated with the Wagga Wagga SAP and the preferred procurement model relate to:

- inappropriate tender packaging and preferred procurement model implemented
- delays associated with commencing the required early works prior to design and construct tender award
- obtaining required approvals from City of Wagga Wagga, Riverina Water County Council, utility service providers and private landowners
- impacts to the Riverina community due to an increase in the temporary workforce and the parallel delivery with the RiFL Hub and Snowy Hydro 2.0.

The Infrastructure NSW view

The SAPs represent an intervention into the usual commercial market to create economic outcomes and jobs that would not be possible without the intervention. Understanding the size of the intervention and the outcomes from the intervention are fundamental to the Final Business Case (FBC).

Infrastructure NSW considers this FBC has identified a need for intervention in the Wagga Wagga region through designation of the industrial area as a SAP. Most stakeholders indicated that streamlined planning is the key aspect of the Wagga Wagga SAP.

Option 5 is considered by Infrastructure NSW to be superior than the other investment options analysed in the FBC, and the staging of the enabling infrastructure is an appropriate strategy for the Wagga Wagga SAP. Social, economic and environmental sustainability is a key driver of the SAP Program and has been clearly articulated in the Wagga Wagga SAP FBC. It is noted that all planning approval processes for the SAP should be expedited per the purpose of the precinct. Infrastructure NSW also notes that the SAP Program by its nature has to manage a broad range of stakeholders across and within each of the identified SAPs, and that is the case for the Wagga Wagga SAP.

The FBC process for the Wagga Wagga SAP has usefully assessed staging and scoping options and this has led to a lower and deferred cost for achieving the project's service need. This could be further reduced by seeking funding for Option 5A initially. The FBC has developed good processes for cost planning and provided a level of confidence that the proposed scope can be delivered within the funding envelope sought. Potential risks around the magnitude of economic development resulting from the Wagga Wagga SAP supports the staging of activation.