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# Talk



## Beware the hospital blow-out risk

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**A** STAGED upgrade of the Royal Adelaide Hospital as opposed to a new "green field" hospital development in Colonel Light's original parkland belt opposite the West End of Adelaide has a number of advantages.

These include:

- VASTLY** less financial risk.
- MAXIMISES** the state's substantial investment (which must exceed \$1 billion) in existing hospital infrastructure including the hospital upgrading already undertaken.
- UTILISES** the existing government and private sector economic investment in support infrastructure (for example, car parking and public transport).
- MAINTAINS** existing heritage buildings.
- AVOIDS** the substantial additional costs of demolishing non-heritage infrastructure and making the hospital grounds suitable for non-hospital use.

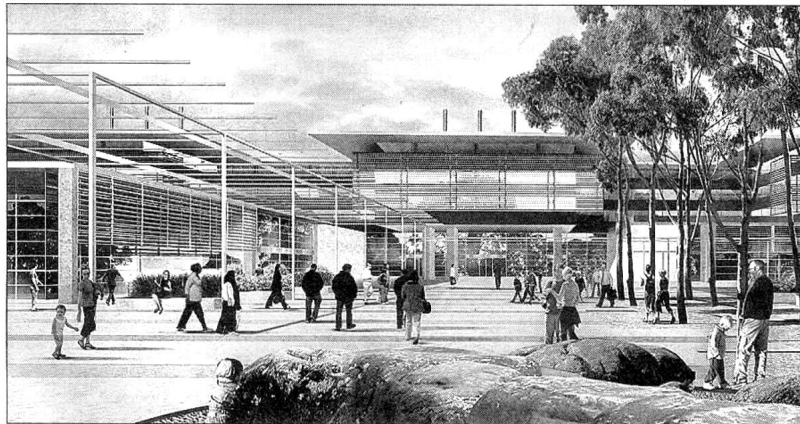
The Government's estimated cost of \$1.7 billion for building the new hospital is an estimated construction cost rather than a full project costing.

Private-sector investment would also be needed to provide supporting infrastructure in the city's West End to cater for the new hospital, at the expense of investment elsewhere. Long-term worldwide experience shows that it is inevitable that the cost of construction of the new hospital would considerably exceed the anticipated amount because of the notorious difficulty of estimating large green field infrastructure developments. Allow double as a contingency and we might have change.

The immediate stakeholders, such as the medical practitioners and staff, reportedly consider the retention and continued upgrade of the existing hospital to be in the state's best interests.

This is an expression of collective opinion from informed people at the coalface.

The retention and continued upgrading of the existing hospital would enable the railway yards to be returned to parkland use in



**PLAN:** An artist's impression of the new Marjorie Jackson-Nelson hospital planned to replace the Royal Adelaide Hospital.

### COSTING THE TAJ MARJ

- The loss of the state's existing investment in the Royal Adelaide Hospital.
- The loss of the existing investment in support infrastructure.
- The cost of construction of the new hospital.
- The cost of demolishing the non-heritage buildings.
- The cost of converting the heritage buildings to an alternative use.
- The cost of providing ancillary infrastructure for the new use.
- The cost of making good the hospital grounds for non-hospital use.

accordance with Colonel William Light's plan. This would enable the creation of a new, large river-bank park area west of the King William St Bridge suitable for a broad range of community uses in a river setting. This would be a wonderful addition to the city and represent a bigger area for festivals and concerts than Elder Park.

By undertaking a staged upgrade of the Royal Adelaide Hospital, the state could provide the necessary financing for a predictable and manageable project. The state would not have to borrow money nor commit to an unpredictable "black hole" of unknown propor-

tions which could conceivably blow out and exceed the losses suffered by the state with the State Bank debacle of the 1980s.

Assuming that the state's investment in the existing hospital infrastructure exceeds \$1 billion and that the cost of dealing with the Royal Adelaide buildings and hospital after the building ceased to operate would be not less than \$500 million, then it can be "guesstimated" that the total project cost for South Australians would be not less than \$3.5-\$4.5 billion in today's terms.

This calculation ignores the economic value of the "free" park-

land which is of course immense. This economic cost can be calculated as the loss of opportunity to use it for community use as parkland. A rough guess of the commercial value of the land would be in excess of \$200 million.

Treasurer Kevin Foley travelled to the United States to fully comprehend that the world's financial markets are in crisis, with credit markets seized up.

The Treasurer informed us in his Damascus moment that substantial revision of State Budget commitments would need to be undertaken, except for the proposed new hospital, super schools and desalination plant.

These projects, we were assured, are "safe". The fact that these projects are "safe" should be far from reassuring for South Australians. To engage in this new hospital project would be fraught with risk, ill-advised and unnecessary at the best of times, let alone in these perilous financial times.

□ Mark Hamilton is a commercial solicitor in Adelaide and a former deputy lord mayor of Adelaide.