

Billion-dollar deal to redevelop old Royal Adelaide Hospital collapses

Daniel Wills, State Political Editor, The Advertiser

THE State Government will manage the redevelopment of the old Royal Adelaide Hospital after a \$1 billion deal with a consortium for the project fell through.

As revealed exclusively by Advertiser.com.au on Tuesday morning, the government today announced it would be going back to the drawing board after failing to reach agreement with the consortium, which included developers Commercial and General and John Holland.

Housing and Urban Development Minister Stephen Mullighan said the government would take “the same approach” to the project as other government-managed projects, such as Bowden, Tonsley and the Festival Plaza.



An artist's impression of the now-collapsed plan for the old Royal Adelaide Hospital site.

It comes almost a year after Premier Jay Weatherill revealed flashy artist's impressions of the rebuild that was to include 1200 new private apartments and an expanded Botanic Garden.

It also featured a new hotel and potentially a new contemporary art gallery.

Serious dangers to the deal were first revealed by The Advertiser's Off the Record section in June, as it became clear there was a Cabinet split over the best way to handle the site.

Premier Jay Weatherill on Tuesday said the government was “taking control of the redevelopment”, and denied a year had been wasted while examining the failed private overhaul offer.



Premier Jay Weatherill, Minister Steven Mulligan and Deputy Premier John Rau at a press conference on Tuesday morning. Picture: Dylan Coker

He said the return to taxpayers would be less than the costs of demolishing the site to make way for new structures and in the end it simply did not stack up as a private project.

The government now plans a development including returning more than two hectares to the Botanic Garden, educational and research facilities and attracting commercial tenancies.

Steps will immediately be taken to procure a landscape architect to design the integration of the extra Botanic Garden and make market calls to develop a minimum 5-star hotel, as well as find new uses for a range of heritage buildings which must remain on the site.

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An international search for a world-class team to design the proposed Adelaide Contemporary Gallery project will also begin, with the size and scale of the project still undecided.

Private apartments have been axed and there will instead be a focus on student accommodation, aged care living and short-term stays. The government says a “residential component” will maintain activity on the site, replacing people lost by the relocation of the hospital.

Mr Weatherill said the old RAH was a “once-in-a-lifetime opportunity in the heart of one of the world’s most liveable cities” and must deliver “a first-class result for all South Australians”.

“We don’t want to see this vital piece of our city fenced off for years to come and left to the market to dictate what happens and when,” Mr Weatherill said.

“By maintaining control over the old Royal Adelaide Hospital site we will ensure that the interests of South Australians are paramount rather than the interests of private developers.”



The existing site, top, and how it would have looked, below, under the defunct plan.

The government is expected to buy intellectual property from Commercial and General that was gained in advancing its plans, but the terms and price have not been confirmed.

It also expects to have new contracts to develop the site in place before the state election in March, making it difficult for the Liberals to reverse any decisions if they win.

Property Council of Australia SA executive director Daniel Gannon said such a dramatic change in approach to the old RAH development could scare other investors off deals in SA.

“Investors and developers need certainty, and when governments change course in this fashion, those same investors lose confidence in our market,” Mr Gannon said.

“South Australia’s biggest challenge moving forward is around demand and growing our state’s population, but that doesn’t mean we should apply a handbrake on residential supply. It means we need to work harder to attract more people and more investment into our state.

“We only get one chance to get the plan for this iconic site right, and today’s news is a hiccup in achieving this outcome.”

Master Builders SA chief executive Ian Markos said the government must now “get on with the job” after years of delay in developing a firm plan that has now collapsed.

“It is disappointing that the relationship between the State Government and the consortium has broken down, but the important thing now is that we get things moving,” Mr Markos said.

“This is a rare opportunity to create an exciting new precinct in Adelaide’s CBD, and to create thousands of jobs at the same time. The government must get on with the job.

“Delivery must commence immediately to ensure thousands of construction and ongoing jobs.

“Many of our members will welcome the chance to be involved in such a significant project.”



More impressions of the failed plan.

Urban Development Institute of Australia SA chief executive Pat Gerace said “the scale and location of the site has the potential for something truly special”.

“The government’s decision to reduce the residential component will mean that no stone can be left unturned in activating the space so it’s a vibrant and fun place to be during the night and the weekends,” he said

“The real challenge will now be in Adelaide having an open mind about doing something iconic. We encourage the government to be brave and bold in its vision.

“We can’t afford for the next iteration to be nothing at all.”

Sticking points in the deal are said to have been a push from the developer to further increase maximum building heights and the government's desire to change the payment structure so that it would receive more of the purchase cost upfront rather than spread over time.

Sources close to the failed deal say there was also substantial bad blood between the government and Commercial and General over the botched sale of the State Administration Centre on Victoria Square.

The SAC houses the offices of senior ministers including Mr Weatherill, and was to be sold to the company but it was unable to raise the money needed.



How the failed plan for the old RAH site would have looked at night.

Opposition Leader Steven Marshall said collapse of the deal was “a major embarrassment for a government who has had this project on the drawing board for more than a decade”.

“It’s quite clear that this government can’t handle major projects,” he said.

“They can’t work with the private sector to create jobs.”

Mr Marshall said there must be an ambitious vision for the site to create long-term jobs.

“This is an extraordinary opportunity for SA, seven hectares in the middle of our CBD,” he said.

“It cannot be squandered on a project promising only short-term construction jobs.

“This project must inspire a much larger ambition. The Liberal Party wants to see this site utilised to create sustainable, long-term jobs in our state as well as a much more ambitious plan for the interface with our Botanic Gardens and other institutions.”



More impressions of the failed plan.