



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: A006

Date Referred: 30/11/2018

Date Published: 18/03/2019

Proposal Title: Restore Labor's M4 Cashback

Cluster: Transport

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	56,308	121,813	131,558	309,679
Depreciation	-	-	1,039	1,039	2,078
Less: Offsets	-	-	-	-	-
Revenue	-	8,766	26,869	28,367	64,002
Net Operating Balance:	-	(47,542)	(95,983)	(104,230)	(247,755)

Capital Expenditure	-	8,424	-	-	8,424
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	8,424	-	-	8,424

Net Lending/(Borrowing):	-	(55,966)	(94,944)	(103,191)	(254,101)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(55,966)	(94,944)	(103,191)	(254,101)
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Notes and costing assumptions

The policy proposes to reinstate a cashback scheme on the section of WestConnex called the New Widened M4 (M4W) consistent with current M5 Cashback arrangements from 1 January 2020. The scheme would cost \$254 million over the forward estimates. The policy is proposed to be ongoing and would have an impact beyond the forward estimates. The costing assumes the cashback would be funded from the General Government Sector.

Please see overleaf for further details.

Notes and costing assumptions continued:

Assumption	Source	Figure	Note
Daily traffic volume	August 2018 toll free period data	142,597	Note 1
Year on year growth	M4 Environmental Impact Statement (EIS)	3.29%	Note 1
Daily traffic volume 2019-20	142,597 increased by 3.29% (see above)	148,187	Note 1
Minus vehicles ineligible for cashback	23 % advice from RMS	134,083	Note 2
Total daily vehicles eligible for cashback	148,187 minus 34,083	114,104	Note 2
Increase in usage by eligible vehicles as a result of cashback	Compare usage between toll free and toll periods	30% (34,321)	Note 3
New total vehicles eligible for cashback	148,335	114,104 plus 34,321	Note 3
Take-up if we assume 50% of eligible users claim cashback	Based on M5 numbers	74,167	Note 4
Average Toll per day per vehicle	\$4.00 in 2018-19 escalated by 4% as per Motorway concession	\$4.16	Note 5
Daily cashback cost	Number of claimants x average toll (see above)	3.1 million per day	Note 5
Annual cashback (daily cashback x365)		\$112 million	See table
Scenario 2 – assume 70% of eligible users claim	M5 numbers with expectation that a higher percentage of M4 users will claim	70% of 148,335 which is 103,835. Then multiplied by \$4.16 then 365 to get annual cost of \$158 million	Note 4
Cost of reimbursing the toll will be offset by savings from the Toll Relief scheme	A potential total offset of \$64 million has been estimated using the 2017-18 entitlements as a base.	\$8.766 million 2019-20	Note 6

Notes and costing assumptions

Note 1

To calculate the users of the M4W the actual average daily traffic (ADT) for M4W over the month of August 2018 of 142,597 has been used to calculate the ADT for 2019-20. This total has been escalated by 3.92% p.a. being the calculated forecast traffic growth rate (calculated from Table 7-2 and Table 7-3 in Appendix D of the M4 Widening Environmental Impact Statement). This brings the ADT to 148,187. The forecast traffic growth rate of 3.92% includes the impact of the opening of future WestConnex stages of M4W traffic volumes. Assumed increases in traffic volumes do not include the impacts of future non-WestConnex projects e.g. Western Harbour Tunnel, Beaches Link and F6 Extension.

Note 2

In line with the eligibility criteria for the scheme, heavy vehicles (8% of total volume modelled assumption) have been removed from the ADT as have interstate users (1% estimate), business registered users (13% estimate) and unregistered users (1% estimate). The percentage of ineligible users is based on advice from Transport NSW that 13% of all NSW tolling accounts are associated with vehicles registered for business use and on average heavy vehicles make up 8% of the average daily traffic counts on Sydney roads (<https://www.rms.nsw.gov.au/about/corporate-publications/statistics/traffic-volumes/aadt-map/index.html/?z=17&lat=-33.84234549424519&lon=151.04603710865103>).

The 23% of ineligible users have been excluded from the ADT before any usage or uplift projections are applied. This leaves a total of 114,104 ADT (148,187 minus 34,083).

Notes and costing assumptions continued:

Note 3

As a result of the cashback scheme, this costing assumes a 30% increase in usage. This increase has been derived from a comparison of the July 2017 traffic ADT of 195,809 and the August 2018 ADT of 142,597. The difference in traffic is 53,212, about 30% more than the ADT in August 2018. When applied to the 114,104 eligible users, the total ADT is 148,335.

Note 4

The costing assumes that 50% of users will actually claim cashback. This percentage is based on current cashback claim rates for the M5 where approximately 50% of users claim cashback. There are a number of variables that may change the number of claims. For example changes in motorist behaviour as new sections of WestConnex open, testing of the cashback scheme vs the toll relief scheme and opening of other motorways and other public transport options that impact on congestion and usage of roads generally. However, for motorists who use the M5 there are few alternative routes but for motorists who use WestConnex more free alternatives are available. If 70% of motorists were to claim cashback the total cost of the scheme would rise to \$158 million which is based on calculating the 70% of claimants from the ADT of 148,335 (i.e. 103,835). The ADT is then multiplied by \$4.16 then 365 to get annual cost of \$112 million.

The costing assumes that the M4W cashback scheme will apply the same eligibility criteria as the M5 cashback which are:

- Person is a NSW resident
- Vehicle is registered for private, pensioner or charitable use
- Registered for Cashback with tolling provider
- Paid toll using an electronic tag account
- Submitted a claim for a toll incurred no later than 12 months after the end of the quarter in which the toll was paid
- The cashback will not apply to other sections of Westconnex
- GST is not refunded.

Note 5

An average of the toll prices in 2018-19 has been used (4.00) and then escalated by 4% over the forward estimates in line with the Motorway concession agreements.

Note 6

There is a high level of uncertainty associated with estimating the impact of the M4 cashback on the Toll Relief Scheme. The Toll Relief scheme has only been in operation for one year and there are likely to be changes in motorist behaviour once new Motorways open therefore more data is required to model potential patterns. As a result, a 100% range of tolerance has been applied.

A potential offset of \$64 million from the expanded toll relief program (announced December 2018) has been included. Entitlements have been estimated using 2017-18 entitlements as a base and the calculation assumes a growth factor of 10% p.a. to partly account for new motorway openings.