



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party **Proposal No:** C1638
Date Referred: 13/03/2023 **Date Published:** 20/03/2023
Proposal Title: Pause the Central section of the Great Western Highway Upgrade
Cluster: Transport

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	31,900	32,800	-	64,700
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	(31,900)	(32,800)	-	(64,700)

Capital Expenditure	3,000	(94,700)	(300,000)	(778,300)	(1,170,000)
Capital Offsets					
Net Capital Expenditure:	3,000	(94,700)	(300,000)	(778,300)	(1,170,000)

Net Lending/(Borrowing):	(3,000)	62,800	267,200	778,300	1,105,300
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Total State Sector Impacts

Net Lending/(Borrowing):	(3,000)	62,800	267,200	778,300	1,105,300
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Notes and costing assumptions:

The policy proposes to pause the Central Section of the Great Western Highway Upgrade between Blackheath and Little Hartley until 1 January 2026. Pausing the project would create a saving of \$1.1 billion in the forward estimates period. This policy would set aside \$40 million in 2026 to allow for the resumption of planning and/or construction.

Transport has advised that it is not possible to quantify the impact on costs for pausing the project beyond the estimates as a final estimated total cost has not been determined for this project. Transport has also advised that pausing the project will likely lead to increased costs when the project starts again.

Commonwealth funding

Transport for NSW advised that the central section of the Great Western Highway Upgrade is not associated with any Commonwealth funding commitment or allocation. Transport also notes that while the project was predicated to receive Federal contributions at an 80/20 split with the State Government, those Federal contributions have not been committed.

Notes and costing assumptions continued:

Assumptions

This costing assumes the project will be paused as of 1 April 2023.

The costing assumes that the \$32 million in 2023-24 and \$33 million in 2024-25 will be sufficient to cover immediate termination costs as advised by Transport for NSW. This cost is for predictable obligations associated with closing-out the projects, risks arising from unpredictable costs are outlined in the next sections.

Cost of land acquisitions

Transport for NSW advised the Environmental Impact Study (EIS) for the central section of the Great Western Highway Upgrade likely will be on display prior to 1 April 2023. Display of the EIS will allow landowners in the area identified for the project to commence the process of seeking government acquisition under the hardship provisions of the *Land Acquisition (Just Terms Compensation) Act 1991*. Any costs associated with such property acquisitions would result in the overall savings being reduced.

Costs for pausing work underway

If the upgrade is paused, some of the work completed/underway to date would have to be written off. Examples of costs that would likely be written off include (but are not limited to): planning and pre-construction works e.g. business case development, demolition and site preparation costs.

In addition, costs that result directly from pausing the project could include contract penalties, bid costs and termination costs for labour hire and professional services contractors.

Transport for NSW does not have estimates for such costs and advises it would assess them on a case-by-case basis in consultation with NSW Treasury. These have therefore been excluded from the costing due to uncertainty. The PBO notes that these costs could potentially be material and would significantly affect savings from this policy. The estimates in this costing should be considered in light of this risk. Alternatively, it is possible that they may not arise.