



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: A007

Date Referred: 8/10/2018

Date Published: 18/03/2019

Proposal Title: Tolling Transparency

Cluster: Transport

## General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-2022 \$'000	Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
<b>Net Operating Balance:</b>	-	-	-	-	-

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
<b>Net Capital Expenditure:</b>	-	-	-	-	-

<b>Net Lending/(Borrowing):</b>	-	-	-	-	-
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<b>Total State Sector Impacts</b>	-	-	-	-	-
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## Notes and costing assumptions

The policy proposes to implement the following policies for toll roads:

- Limit toll increases to CPI for future toll roads
- IPART approval for all future toll road agreements will be required
- A methodology will be published to justify the tolling differential for trucks
- The Auditor-General will conduct a review of all pre-existing toll road contracts

The policy will have no impact over the forward estimates. The PBO has confirmed it would be feasible to meet administrative costs within existing agency resources (see over leaf).

### Key Assumptions:

#### Limit toll increases to CPI for future toll roads

The budget impact of this policy is assumed to be nil as toll revenue from future toll roads is not factored into forward budget estimates. No existing toll roads or toll roads under construction will be subject to this policy. The following table sets out the escalation rates for tolls on existing private motorways and private motorways under construction.

**Notes and costing assumptions continued:**

Road	Escalation
Cross City Tunnel	CPI or 0%
Eastern Distributor	Greater of 37.5% of CPI plus 62.5% of AWE or 1%, quarterly
Lane Cove Tunnel	Light vehicles: Greater of CPI or 0% Heavy vehicles: Greater of CPI or 1%, quarterly
M5 South West	Greater of CPI or 0%
Hills M2	Light vehicles: Greater of CPI or 1% Heavy vehicles: Greater of CPI or 1%, quarterly
Westlink M7	CPI
NorthConnex	Greater of CPI or 1%, quarterly
Sydney Harbour Tunnel	Determined by SHT Company but cannot exceed Sydney Harbour Bridge.
WestConnex	4% per annum until 2040. CPI thereafter.

**IPART approval required for all future toll road agreements and publication of truck toll methodology**

The policy specifies that administrative costs should be absorbed within existing agency resources. The PBO notes that the IPART Act could be used to allow IPART to approve future toll road agreements with funding sourced from Transport for NSW.

**Auditor-General review of all pre-existing toll road contracts**

The policy proposes the Auditor-General review all pre-existing toll road contracts. It also specifies that administrative costs should be absorbed within existing agency resources. For the purposes of this costing, it is assumed that the type of audit performed by the Audit Office would be a performance audit. A performance audit could be performed on aspects of the efficiency, effectiveness or economy of tolling arrangements – for instance whether they meet the NSW government’s objectives in distributing or defraying the costs to road users. This might cover some, or all of the above tolling arrangements.

The Audit Office has advised that the cost to audit a toll road contract would be approximately \$330,000. There are currently 12 toll road contracts and a review of these contracts would amount to a total cost of approximately \$4 million (2018 dollars). Advice from the Audit Office is that the costs of reviewing tolling arrangements cannot be met within existing budgets without displacing other planned performance audit work and limiting the independence of the Auditor-General to determine the topic focus areas for audit. The costing has applied the assumption made in the proposed policy that administrative costs should be absorbed; the PBO notes however the Auditor-General would be likely to argue that additional funding should be made available.

The Audit Office has advised that its mandate does not currently permit an audit of public services contracted to private sector suppliers (the Audit Office does not have "follow the dollar" powers). However, it may be possible to have access to certain information via audits of state government agencies. Roads and Maritime Services is responsible for the private motorway concession arrangements. The Minister or Treasurer, or both houses of Parliament can request the Audit Office perform audits under section 27 B (3) of the *Public Finance and Audit Act 1983*. Other members of the government, and opposition members cannot request audits under the legislation.