



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Coalition **Proposal No:** C1485
Date Referred: 1/03/2023 **Date Published:** 20/03/2023
Proposal Title: \$1 billion to build better bush roads and rail
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)	-	-	75,000	125,000	200,000
Depreciation	-	-	-	200	200
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	-	(75,000)	(125,200)	(200,200)

Capital Expenditure	-	-	10,000	20,000	30,000
Capital Offsets					
Net Capital Expenditure:	-	-	10,000	20,000	30,000

Net Lending/(Borrowing):	-	-	(85,000)	(145,000)	(230,000)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	-	(85,000)	(145,000)	(230,000)
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Notes and costing assumptions:

This policy proposes to provide an additional \$1 billion to upgrade and build resilient local and state roads in regional NSW. The policy proposes to fund spending via three programs from 2024-25 to 2027-28:

- \$400 million for the Fixing Local Roads program;
- \$300 million for the Fast Tracking Freight program, of which \$200 million will be for the rail component and \$100 million for the roads component; and
- \$300 million for the Build Back Better program.

The policy proposes the following profile of annual spending (Table 1).

Notes and costing assumptions continued:

Table 1. Profile of spending proposed in the policy.

		Forward estimates					Beyond years		
		2022-23	2023-24	2024-25	2025-26	4 year total	2026-27	2027-28	Project total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating expenditure	Fixing Local Roads			25,000	55,000	80,000	160,000	160,000	400,000
	Fast Track Freight			40,000	50,000	90,000	100,000	110,000	300,000
	Build Back Better			10,000	20,000	30,000	60,000	60,000	150,000
<i>Operating expenditure</i>	<i>Subtotal</i>			75,000	125,000	200,000	320,000	330,000	850,000
Capital expenditure	Build Back Better			10,000	20,000	30,000	60,000	60,000	150,000
Depreciation	Build Back Better				200	200	600	1,800	2,600
<i>Capital expenditure</i>	<i>Subtotal (ex depreciation)</i>			10,000	20,000	30,000	60,000	60,000	150,000
Total				85,000	145,000	230,000	380,600	391,800	1,232,400

The PBO has costed this policy based on the profile of spending nominated in the policy. We note Transport for NSW information applies a different profile (see below); however, it is probable project timing could be adjusted to maintain the policy's spending profile.

Transport for NSW advice

The PBO consulted with Transport for NSW (Transport) on this policy, who recommended the following assumptions, and resultant costs set out in Table 2.

- Capital in the Build Back Better program will incur costs for operation and maintenance, assumed to be \$3 million per annum from 2028-29 ongoing, and escalating by 2.5% annually.
- Depreciation should be calculated based on a 70-year useful life, in keeping with typical state road depreciation. Using a straight-line method, this amounts to some \$8.1 million over 10 years.
- As staff currently allocated for Fixing Country Roads and Fixing Local Roads are not permanent, and those programs are largely exhausted, the standard assumption for similar programs is that 6% of the program budget would be required for administration and delivery.

Key implementation risks

The policy provides for a majority of the spending to be delivered through grants to local councils, which would be treated as operational spending. Where any reclassifications from operational to capital spending occurs, this will require additional depreciation funding.

The proposed rail funding allocated under the Fast Tracking Freight program will be subject to negotiation with the Transport Asset Holding Entity of New South Wales (TAHE). The classification of the funding will depend on the likelihood of a commercial return being generated from the program, as well as the geographic location. Where a commercial return cannot be generated, it is likely that the funding will be treated as capital grants. It should be noted however, the TAHE board would have responsibility to make decisions based on expected commercial return, in addition to other objectives around regional, social, environmental and sustainability, under existing governance arrangements.

Transport notes that \$200 million has been allocated to rail upgrades as part of the Fast Tracking Freight program. This amount is relatively small compared with cost per kilometre of track, and Transport notes that this funding could be used for safety improvements to level crossings or bridge strengthening.



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Table 2. Estimated spending profile advised by Transport for NSW

COSTING INFORMATION	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m	2028-29 \$m	2029-30 \$m	2030-31 \$m	2031-32 \$m	Forward Estimates (4-year) Total \$m	10-year Total \$m
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Expenditure	0.0	0.0	-85.5	-132.5	-315.8	-325.2	-5.0	-6.9	-7.0	-7.0	-218	-884.9
Fixing Local Roads	0.0	0.0	-23.5	-51.7	-150.4	-150.4	0.0	0.0	0.0	0.0	-75.2	-376.0
Fast Tracking Freight	0.0	0.0	-37.6	-47.0	-94.0	-103.4	0.0	0.0	0.0	0.0	-84.6	-282.0
Build Back Better - OPEX	0.0	0.0	-9.4	-18.8	-56.4	-56.4	0.0	0.0	0.0	0.0	-28.2	-141.0
Build Back Better - Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-2.0	-2.0	-2.0	0.0	-8.1
Build Back Better O&M	0.0	0.0	0.0	0.0	0.0	0.0	-3.0	-3.1	-3.2	-3.2	0.0	-12.5
TfNSW Program Delivery	0.0	0.0	-15.0	-15.0	-15.0	-15.0	0.0	0.0	0.0	0.0	-30.0	-60.0
Total Budget Result Impact	0	0	-85.5	-132.5	-315.8	-325.2	-5.0	-6.9	-7.00	-7.00	-218	-884.9
Total Capital Expenditure	0.0	0.0	9.4	18.8	56.4	56.4	0.0	0.0	0.0	0.0	28.2	141.0
Build Back Better - CAPEX	0.0	0.0	9.4	18.8	56.4	56.4	0.0	0.0	0.0	0.0	28.2	141.0
Net Lending Impact	0.0	0.0	-94.9	-151.3	-372.2	-381.6	-3.0	-3.1	-3.2	-3.2	-246.2	-1012.5