



### Finally Building High Speed Rail

Party:

Australian Greens

Summary of proposal:

This proposal would provide equity funding for an east coast high speed rail project, as laid out in the High Speed Rail Study Phase 2 report (the report) released on 11 April 2013, with a revised commencement date. From 2022-23 to 2032-33 the proposal would provide funding for:

- the creation of the High Speed Rail Authority to undertake preliminary works for all five stages of the project from 1 July 2022
- line 1 stage 1 of the high-speed rail project (Sydney to Canberra) from 1 January 2024
- line 1 stage 2 of the high-speed rail project (Canberra to Melbourne) from 1 January 2032.

The Commonwealth Government would be the only investor in the project and enter into contracts with the states, territories and private sector third parties. The project would be funded through off-budget equity investments (totalling around \$120 billion) by the Australian Government over the next 30 years.

The High Speed Rail Authority would be responsible for project delivery and eventual operation of the east coast high speed rail network.

The proposal would have effect from 1 July 2022.

### Costing overview

This costing only addresses the costs associated with:

- establishing the High Speed Rail Authority and undertaking preliminary works for the high speed rail project, as outlined in Table 7-6 on page 312 of the report, with a revised commencement date of 1 July 2022
- implementing line 1 stage 1 (Sydney to Canberra) and stage 2 (Canberra to Melbourne) of the high-speed rail project as outlined in Table ES-6 on page 17 and Table 7-2 on page 306 of the report, with a five-year delay in commencement relative to the report.

This costing does not address subsequent phases of the project.

This proposal would be expected to decrease the fiscal balance by around \$663 million, decrease underlying cash balances by around \$613 million and decrease the headline cash balance by around \$18,479 million over the 2022-23 Budget forward estimates period.

As specified by the requestor, funding for the high-speed rail project would be provided as equity injections to the newly established High Speed Rail Authority. This administered funding would have a direct and significant impact on the headline cash balance and would only impact the fiscal and underlying cash balances in the form of public debt interest expenses. This is because, for both the fiscal and underlying cash balances, investments in the High Speed Rail Authority would be treated as the Australian Government exchanging one financial asset (cash) for another (equity in the High Speed

Rail Authority). The headline cash balance impact of the proposal shows the full amount of the equity injection into the High Speed Rail Authority as well as the impact of the proposal on the Australian Government borrowing requirement and net debt position. The long-run fiscal impact of the proposal will depend on the returns the High Speed Rail Authority can achieve. This is highly uncertain.

No revenue would be generated by the project over the period 2022-23 to 2032-33.

The proposal would have ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The estimates of the financial implications of this costing have been based on the costs presented in the report, uplifted for inflation since the 2012 report reference date. The Parliamentary Budget Office (PBO) has not independently estimated the costs associated with constructing high speed rail. These costs are extremely sensitive to a number of factors, including Commonwealth, state and territory government funding arrangements for the project, availability of suitable land that could be used for the purposes of the project, and variations to the final construction and operational costs for the project. Further, costs specified by the requestor are based on estimates from a report published in 2013, and cost estimates may have varied considerably since that time, reflecting a range of factors. The timing of expenditure may also vary considerably. The PBO has not undertaken any assessment of whether the funding specified under the proposal would be sufficient for the implementation of the project or whether the project milestones are achievable. Any changes to implementation timeframes, policy design or funding arrangements would significantly alter overall costs and their profile.

As noted in the report (page 37), any investment of the magnitude of the high-speed rail project will have an impact on economic growth and, through that, on the budget. In particular, the project may crowd out alternative investments, reducing productivity growth during the construction phase, with those effects only offset by the progressive productivity benefits of the project as construction of each stage of the project is completed and services commence. These further economic impacts of the project have not been included in this costing but could reduce overall tax revenues over the medium term.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-13.2	-83.3	-213.4	-353.4	<b>-663.3</b>
Underlying cash balance	-13.2	-73.3	-193.4	-333.4	<b>-613.3</b>
Headline cash balance	-436.2	-5,166.3	-6,289.4	-6,587.4	<b>-18,479.3</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

### Key assumptions

The PBO has made the following assumptions in costing this proposal.

- 100 per cent of the costs of the proposal would be funded by the Australian Government, without any assistance or cost-sharing with state and territory governments or the private sector
- once it is operational, the project would either be sold or operate as a public non-financial corporation such that a commercial return on the equity invested is delivered.

## Methodology

The departmental costs of the High Speed Rail Authority were based on the departmental expenses of the *Inland Rail Project* measure from the 2017-18 Budget and indexed by the net effect of the wage cost index and the efficiency dividend.

The costs of preliminary requirements and implementation of the project were as specified in the report, after indexing to adjust for price changes over the modified project schedule specified by the requestor.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.<sup>1</sup>

## Data sources

Department of Infrastructure, Regional Development and Cities, [High Speed Rail Study Phase 2 Report](#), 2013 [Accessed 10 June 2022].

Australian Government, *Budget 2022-23*, Australian Government, 2022.

Australian Government, *Budget 2017-18*, Australian Government, 2017.

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<sup>1</sup> [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Costings\\_and\\_budget\\_information](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information)

## Attachment A – Finally Building High Speed Rail – financial implications

**Table A1: Finally Building High Speed Rail – Fiscal balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Expenses</b>													
<b>Administered</b>													
<i>Preliminary requirement</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 1 (Canberra to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 2 (Canberra to Melbourne)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 3 (Newcastle to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 4 (Brisbane to Gold Coast)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 5 (Gold Coast to Newcastle)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total – administered</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Departmental</b>													
<i>High Speed Rail Authority</i>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>Total – departmental</b>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>Total – expenses</b>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>Total (excluding PDI)</b>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>PDI impacts</b>	..	-70.0	-200.0	-340.0	-450.0	-510.0	-580.0	-650.0	-740.0	-850.0	-1,040.0	-610.0	-5,430.0
<b>Total (including PDI)</b>	-13.2	-83.3	-213.4	-353.4	-463.5	-523.6	-593.7	-663.8	-753.9	-864.0	-1,054.1	-663.3	-5,579.9

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

.. Not zero but rounded to zero.

**Table A2: Finally Building High Speed Rail – Underlying cash balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Payments</b>													
<b>Administered</b>													
<i>Preliminary requirement</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 1 (Canberra to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 1 Stage 2 (Canberra to Melbourne)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 3 (Newcastle to Sydney)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 4 (Brisbane to Gold Coast)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Line 2 Stage 5 (Gold Coast to Newcastle)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total – administered</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Departmental</b>													
<i>High Speed Rail Authority</i>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>Total – departmental</b>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>Total – payments</b>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>Total (excluding PDI)</b>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>PDI impacts</b>	..	-60.0	-180.0	-320.0	-440.0	-510.0	-570.0	-640.0	-730.0	-840.0	-1,020.0	-560.0	-5,310.0
<b>Total (including PDI)</b>	-13.2	-73.3	-193.4	-333.4	-453.5	-523.6	-583.7	-653.8	-743.9	-854.0	-1,034.1	-613.3	-5,459.9

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

.. Not zero but rounded to zero.

**Table A3: Finally Building High Speed Rail – Headline cash balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Payments</b>													
<b>Administered</b>													
<i>Preliminary requirement</i>	-423.0	-436.0	-449.0	-460.0	-471.0	-	-	-	-	-	-	-1,768.0	-2,239.0
<i>Line 1 Stage 1 (Canberra to Sydney)</i>	-	-1,650.0	-2,550.0	-2,620.0	-1,780.0	-1,820.0	-1,870.0	-1,920.0	-1,960.0	-2,010.0	-2,060.0	-6,820.0	-20,240.0
<i>Line 1 Stage 2 (Canberra to Melbourne)</i>	-	-870.0	-900.0	-920.0	-	-	-	-	-	-1,480.0	-2,960.0	-2,690.0	-7,130.0
<i>Line 2 Stage 3 (Newcastle to Sydney)</i>	-	-654.0	-673.0	-690.0	-	-	-	-	-	-	-	-2,017.0	-2,017.0
<i>Line 2 Stage 4 (Brisbane to Gold Coast)</i>	-	-393.0	-404.0	-414.0	-	-	-	-	-	-	-	-1,211.0	-1,211.0
<i>Line 2 Stage 5 (Gold Coast to Newcastle)</i>	-	-1,090.0	-1,120.0	-1,150.0	-	-	-	-	-	-	-	-3,360.0	-3,360.0
<b>Total – administered</b>	<b>-423.0</b>	<b>-5,093.0</b>	<b>-6,096.0</b>	<b>-6,254.0</b>	<b>-2,251.0</b>	<b>-1,820.0</b>	<b>-1,870.0</b>	<b>-1,920.0</b>	<b>-1,960.0</b>	<b>-3,490.0</b>	<b>-5,020.0</b>	<b>-17,866.0</b>	<b>-36,197.0</b>
<b>Departmental</b>													
<i>High Speed Rail Authority</i>	-13.2	-13.3	-13.4	-13.4	-13.5	-13.6	-13.7	-13.8	-13.9	-14.0	-14.1	-53.3	-149.9
<b>Total – departmental</b>	<b>-13.2</b>	<b>-13.3</b>	<b>-13.4</b>	<b>-13.4</b>	<b>-13.5</b>	<b>-13.6</b>	<b>-13.7</b>	<b>-13.8</b>	<b>-13.9</b>	<b>-14.0</b>	<b>-14.1</b>	<b>-53.3</b>	<b>-149.9</b>
<b>Total – payments</b>	<b>-436.2</b>	<b>-5,106.3</b>	<b>-6,109.4</b>	<b>-6,267.4</b>	<b>-2,264.5</b>	<b>-1,833.6</b>	<b>-1,883.7</b>	<b>-1,933.8</b>	<b>-1,973.9</b>	<b>-3,504.0</b>	<b>-5,034.1</b>	<b>-17,919.3</b>	<b>-36,346.9</b>
<b>Total (excluding PDI)</b>	<b>-436.2</b>	<b>-5,106.3</b>	<b>-6,109.4</b>	<b>-6,267.4</b>	<b>-2,264.5</b>	<b>-1,833.6</b>	<b>-1,883.7</b>	<b>-1,933.8</b>	<b>-1,973.9</b>	<b>-3,504.0</b>	<b>-5,034.1</b>	<b>-17,919.3</b>	<b>-36,346.9</b>
<b>PDI impacts</b>	<b>..</b>	<b>-60.0</b>	<b>-180.0</b>	<b>-320.0</b>	<b>-440.0</b>	<b>-510.0</b>	<b>-570.0</b>	<b>-640.0</b>	<b>-730.0</b>	<b>-840.0</b>	<b>-1,020.0</b>	<b>-560.0</b>	<b>-5,310.0</b>
<b>Total (including PDI)</b>	<b>-436.2</b>	<b>-5,166.3</b>	<b>-6,289.4</b>	<b>-6,587.4</b>	<b>-2,704.5</b>	<b>-2,343.6</b>	<b>-2,453.7</b>	<b>-2,573.8</b>	<b>-2,703.9</b>	<b>-4,344.0</b>	<b>-6,054.1</b>	<b>-18,479.3</b>	<b>-41,656.9</b>

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

- Indicates nil.

.. Not zero but rounded to zero.