



Policy costing

Finally build the East Coast High Speed Rail with government investment	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>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. From 2019-20 to 2029-30, the proposal would provide funding for:</p> <ul style="list-style-type: none">• the creation of the High Speed Rail Authority to undertake preliminary works for all five stages of the project from 1 July 2019• stage 1 of the high speed rail project (Sydney to Canberra) from 1 January 2024. <p>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 Commonwealth Government over the next 30 years.</p> <p>The High Speed Rail Authority would be responsible for project delivery and eventual operation of the east coast high speed rail network.</p> <p>The proposal would have effect from 1 July 2019.</p>	

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 2019
- implementing stage 1 of the high speed rail project as outlined in Table ES-6 on page 17 and Table 7-2 on page 307 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 and underlying cash balances by \$110 million and decrease the headline cash balance by \$1,710 million over the 2019-20 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 Commonwealth 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 Commonwealth 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.

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, public debt interest expense impacts have been included in this costing because the equity injections provided under this proposal involve financial asset transactions.

No revenue would be generated by the project over the period 2019-20 to 2029-30.

This proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period. The disaggregated impacts of the proposal over the period 2019-20 to 2029-30 are provided at [Attachment A](#). There would be further significant fiscal impacts over the subsequent four decades.

The estimated financial implications of this proposal are based on the costs presented in the report, uplifted for inflation since the report’s 2012 reference date. The 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 any variations to the 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 on the Commonwealth 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)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-10	-20	-30	-40	-110
Underlying cash balance	-10	-20	-30	-40	-110
Headline cash balance	-410	-420	-430	-440	-1,710

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

(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has assumed that:

- 100 per cent of the costs of the proposal would be funded by the Commonwealth 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.

All administered expenses have been rounded to the nearest \$100 million, public debt interest expenses and departmental expenses have been rounded to the nearest \$10 million.

Data sources

Department of Infrastructure, Regional Development and Cities, 2014, *High Speed Rail Study Phase 2 report* [Online]

Available at https://infrastructure.gov.au/rail/publications/high-speed-rail-study-reports/#anc_hsr2 [Accessed 31.08/2018]

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Finally build the East Coast High Speed Rail with government investment – financial implications

Table A1: Finally build the East Coast High Speed Rail with government investment – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
<i>Administered</i>													
<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>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Departmental</i>													
<i>High Speed Rail Authority</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – departmental	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – expense	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total (excluding PDI)	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
PDI impacts	..	-10	-20	-30	-90	-240	-440	-590	-690	-790	-920	-60	-3,830
Total (including PDI)	-10	-20	-30	-40	-100	-250	-450	-600	-700	-800	-930	-110	-3,980

(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.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table A2: Finally build the East Coast High Speed Rail with government investment – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Payments													
<i>Administered</i>													
<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>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Departmental</i>													
<i>High Speed Rail Authority</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – departmental	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – payments	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total (excluding PDI)	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
PDI impacts	..	-10	-20	-30	-90	-230	-420	-580	-680	-790	-910	-60	-3,770
Total (including PDI)	-10	-20	-30	-40	-100	-240	-430	-590	-690	-800	-920	-110	-3,920

(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.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table A3: Finally build the East Coast High Speed Rail with government investment – Headline cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Payments													
<i>Administered</i>													
<i>Preliminary requirement</i>	-400	-400	-400	-400	-200	-	-	-	-	-	-	-1,600	-1,800
<i>Line 1 Stage 1 (Canberra to Sydney)</i>	-	-	-	-	-1,600	-2,400	-2,500	-1,700	-1,700	-1,800	-1,800	-	-13,600
<i>Line 1 Stage 2 (Canberra to Melbourne)</i>	-	-	-	-	-700	-700	-700	-	-	-	-	-	-2,000
<i>Line 2 Stage 3 (Newcastle to Sydney)</i>	-	-	-	-	-600	-700	-700	-	-	-	-	-	-2,000
<i>Line 2 Stage 4 (Brisbane to Gold Coast)</i>	-	-	-	-	-400	-400	-400	-	-	-	-	-	-1,200
<i>Line 2 Stage 5 (Gold Coast to Newcastle)</i>	-	-	-	-	-1,100	-1,100	-1,100	-	-	-	-	-	-3,300
Total – administered	-400	-400	-400	-400	-4,600	-5,300	-5,400	-1,700	-1,700	-1,800	-1,800	-1,600	-23,900
<i>Departmental</i>													
<i>High Speed Rail Authority</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – departmental	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-150
Total – payments	-410	-410	-410	-410	-4,610	-5,310	-5,410	-1,710	-1,710	-1,810	-1,810	-1,650	-24,050
Total (excluding PDI)	-410	-410	-410	-410	-4,610	-5,310	-5,410	-1,710	-1,710	-1,810	-1,810	-1,650	-24,050
PDI impacts	..	-10	-20	-30	-90	-230	-420	-580	-680	-790	-910	-60	-3,770
Total (including PDI)	-410	-420	-430	-440	-4,700	-5,540	-5,830	-2,290	-2,390	-2,600	-2,720	-1,710	-27,820

(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.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.