



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 16/03/2023

Proposal No: C1256
Date Published: 20/03/2023

Proposal Title: Truck multiplier on M5 East and M8

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)		1,500	500	500	2,500
Depreciation					-
Less: Offsets					
Revenue		(6,915)	(14,279)	(7,365)	(28,559)
Net Operating Balance:	-	(8,415)	(14,779)	(7,865)	(31,059)

Capital Expenditure	-	-	-	-	-
Capital Offsets					
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(8,415)	(14,779)	(7,865)	(31,059)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(8,415)	(14,779)	(7,865)	(31,059)
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Notes and costing assumptions

The policy proposes to refund a third of the truck toll to businesses for 10 truck trips taken per week, per account on the M5 East or the M8. The policy is a trial for two years beginning 1 January 2024 and ending 31 December 2025.

On Sydney motorways trucks pay 3x or 2x the toll that cars pay. Trucks are required to pay more than cars to reflect the increased wear and tear trucks and their load have on roads. The total cost over the forward estimates including administration costs is \$31 million.

This has been calculated by using the following formula:

number of subsidised truck trips per day on the M5 East and M8 x 10 x 365 x one third of the toll - refund from Tollway operators for increased demand

Number of trips subsidised

For simplicity we have assumed that there are three groups of trucks:

Group 1-25% of all trucks make two trips per week

Group 2 -25% make of all trucks make five trips per week

Group 3 -50% of all trucks make 10 trips per week

Average daily traffic (ADT) on the M5E/M8 is around 7800 which implies the following number of subsidised daily trips each week for the groups:

Cost of subsidising 10 trips per week for existing demand						
	Year 1	Year 1 Daily (\$)	Year 1 Annual (\$)	Year 2	Year 2 Daily (\$)	Year 2 Annual (\$)
Number who make 2 trips/week	1,955	11,075	4,042,209	2,008.84	12,308	4,492,284.37
Number who make 5 trips/week	1,955	11,075	4,042,209	2,008.84	12,308	4,492,284.37
Number who make 10 trips/week	3,910	22,149	8,084,417	4,017.68	24,615	8,984,568.75
Total		44,298	16,168,835		49,231	17,969,137

Other assumptions including demand

- Traffic modelling completed as part of Appendix G of the New M5 Environmental Impact Statement (AECOM Australia Pty Ltd, 2015, p 23) shows that in 2015, the average daily traffic (ADT) of heavy vehicles on the M5 East was 10,400. We note that this road was not tolled until 2020.
- The current ADT on the M5E and M8 shows there is a decrease of around 2600 trucks per day. Based on this number and advice from Transport about truck volumes on local roads, the costing assumes around 2400 trucks would return to using the M5 East or M8.
- Reflecting the roughly 32 per cent reduction in demand associated with imposition in 2020 of 100% of the truck tolls, the costing assumes an elasticity of demand of 0.32. For each truck group, the percentage reduction in the average toll is multiplied by this elasticity, to give the estimated increase in truck trip volumes.
- Under a policy of lowering tolls for all trucks making up to 10 trips, all trucks would receive a 33% reduction in tolls, resulting in a 10.7 per cent increase in demand.
- For the purposes of this costing, trucks are assumed to fall in the General Access Vehicle category (categorised by Transport for NSW) which has unrestricted access to the NSW road system.
- The truck tolls for the M5 East and M8 have been indexed annually at 4% (consistent with current toll escalation methods applied to motorways). The amount of the refund is equal to 1/3 of the average truck toll paid on these motorways.
- The report from the Bureau of Infrastructure and Transport Research Economics (“Australian aggregate freight forecasts –2022 update”, 2022) suggested that truck traffic growth is primarily driven by freight volume growth, in line with real gross state product growth. Using Treasury’s advice on average real gross state product growth, we assume truck traffic grows annually by 2.75 per cent.

Risks and uncertainties

While an allowance for induced demand was included in the costing based on traffic volumes, it is possible that there may be further uplift in demand as a result of the policy.

The PBO notes that customer behaviour is highly unpredictable based on past observations when there was significant uplift in demand when toll concessions were introduced.

Cost of implementation and administration

The costing assumes similar implementation and administration costs would be required in line with the Government’s Toll Relief scheme announced in July 2022.

This is because truck accounts are commercial accounts and the PBO considers this policy is more comparable, in terms of administration, to the Toll Relief scheme than it is to schemes like the M5 cashback that apply to private accounts.

NSW Treasury has advised that the Toll Relief scheme will have planning and implementation costs of \$1.5 million in 2023-24 and salary and wage costs of \$500,000 in 2024-25.

Note

To implement the 2022 Toll Relief scheme, a regulation was required to be made under the *Roads Act 1993*. We assume that regulatory changes would also be required to implement this policy.