



## PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

**Referred by:** Australian Labor Party **Proposal No:** C1677  
**Date Referred:** 13/03/2023 **Date Published:** 20/03/2023  
**Proposal Title:** Toll Cap - \$60 per week per account from 1 January 2024  
**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)	-	6,000	2,500	2,500	11,000
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue		(31,751)	(66,835)	(35,163)	(133,749)
<b>Net Operating Balance:</b>	-	<b>(37,751)</b>	<b>(69,335)</b>	<b>(37,663)</b>	<b>(144,749)</b>

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

<b>Net Lending/(Borrowing):</b>	-	<b>(37,751)</b>	<b>(69,335)</b>	<b>(37,663)</b>	<b>(144,749)</b>
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### Total State Sector Impacts

<b>Net Lending/(Borrowing):</b>	-	<b>(37,751)</b>	<b>(69,335)</b>	<b>(37,663)</b>	<b>(144,749)</b>
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### Notes and costing assumptions:

The policy proposes to set a limit on tolls paid on the Sydney motorway network within a one week period. The policy would allow tolls paid above \$60 in any one week period to be refunded to those who lodge bank details with Service NSW, on a quarterly basis. The policy applies to private accounts only.

The cap would start in 1 January 2024 at \$60 and be indexed annually at 4% (consistent with CPI indexation applied to motorway tolls). The policy would cost \$145 million over the forward estimates (two years) and each year around 51,000 customers with private toll accounts are expected to claim a rebate.

The policy would keep the M5West Cashback and the Government's new 40% toll relief policy recently announced would remain as per budget. The policy assumes administrative measures would be likely as it would have a strong incentive effect to aggregate vehicles under one account (there is currently no limit to tags per account), see the *Risks and uncertainties* for details.

The policy assumes GST will be collected by operators and passed on to the Federal Government. The State Government will refund to drivers the full toll, including the GST component.

**Notes and costing assumptions continued:**

**Key assumptions**

There are a total of 3.4 million toll accounts in NSW (Linkt 2.3 million and EToll 1.1 million). This includes both commercial and private accounts.

We have assumed that the number of toll accounts would not be affected by the proposed policy. The policy will affect around 51,000 driver each year, including existing toll accounts and new demand.

**Number of drivers who claim**

The number of drivers claiming shown in **Table 1** was calculated by:

1. Adding the numbers of private accounts (Linkt and E-Toll) that paid between \$60 to \$110 per week in tolls. This was calculated as follows:
  - For E-toll accounts, Transport for NSW provided account data from 2019-20 to 2021-22. This excludes drivers who claim the M5 Cashback.
  - The numbers of Linkt account over the same period was determined by using the distribution of E-Toll account spends from 2019-20 to 2021-22.
  - The number of accounts in 2021-22 (from both Linkt and E-Toll) have been escalated by 1.2% each year over the forward estimates to reflect growth in NSW consumer accounts (driven by growth in per capita licences and NSW population). This is aligned with the same principles of escalation used by NSW Treasury to cost the Toll Relief scheme.
  - The number of toll accounts in 2023-24 onwards includes drivers from lower brackets in previous years whose spend increased over the four years (*Table 1*). This is because the 2018-19 median point (obtained from Transport for NSW data) is escalated annually by 4 per cent (*Table 2*). As a result, toll accounts that spend on average \$50 to \$60 week from 2023-24 onwards are applicable for this policy.
  - The PBO has calculated the number of new toll accounts due to an uplift in demand (see *Demand Response* and *Table 4* below).
  - The PBO then applied a claim rate of 74% to the total number of private accounts (both existing and new accounts) each year based on the current take up rates for the Toll Relief scheme.

**Table 1 - Number of existing accounts by per week spend**

<b>Number of eligible people</b>	<b>74%</b>			
<b>PBO description</b>	<b>2018-19 Median Point</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
No. spending \$0 per week	-	409,815	414,733	419,709
No. \$0 - \$10/week	5.00	968,653	980,277	992,040
No. \$10 - \$20/week	15.00	364,623	368,998	373,426
No. \$20 - \$40	30.00	139,235	140,906	142,597
No. \$40 - \$50	45.00	31,590	31,969	32,353
No. \$50 - \$60	55.00	17,555	17,765	17,978
No. \$60 - \$70	65.00	10,848	10,978	11,110
No. \$70 - \$80	75.00	6,903	6,986	7,070
No. \$80 - \$90	85.00	4,339	4,391	4,444
No. \$90 - \$100	95.00	2,959	2,994	3,030
No. \$100 - \$110	105.00	4,794	4,851	4,910
		<b>1,961,314</b>	<b>1,984,850</b>	<b>2,008,668</b>

*Note, accounts with average weekly toll spend between \$0 and \$50 are not applicable for this policy.*

2. The weekly cost of the rebate for all beneficiaries is calculated by multiplying the difference (*Table 3*) between the escalated cap and median toll spend per bracket each week (*Table 2*) by the number of existing and new beneficiaries (*Table 1* and *Table 4*).

**Notes and costing assumptions continued:**

3. This is multiplied by 52 to get the annual cost. As the policy proposes to start on 1 January 2024, we have taken only 50 percent in 2023-24.

- Transport for NSW has advised that some accounts in the \$100 per week spend, while registered as private accounts without an ABN, may be extensively used for business purposes. This has been factored into the costing and a median point of \$105 assumed as a base and double the amount of the cap being refunded to this group (see *Table 3*). An audit of accounts is required by the policy to determine whether the account is being used for business purposes. This audit has been included in the administration costs below.

**Table 2 - Escalated cap and escalated median weekly toll spend**

PBO description	2018-19 Median Point	2023-24	2024-25	2025-26
<b>Weekly Cap</b>	-	<b>\$60.00</b>	<b>\$62.40</b>	<b>\$64.90</b>
No. spending \$0 per week	-	\$0	\$0	\$0
No. \$0 - \$10/week	5.00	\$6	\$6	\$7
No. \$10 - \$20/week	15.00	\$18	\$19	\$20
No. \$20 - \$40	30.00	\$36	\$38	\$39
No. \$40 - \$50	45.00	\$55	\$57	\$59
No. \$50 - \$60	55.00	\$67	\$70	\$72
No. \$60 - \$70	65.00	\$79	\$82	\$86
No. \$70 - \$80	75.00	\$91	\$95	\$99
No. \$80 - \$90	85.00	\$103	\$108	\$112
No. \$90 - \$100	95.00	\$116	\$120	\$125
No. \$100 - \$110	105.00	\$128	\$133	\$138

**Table 3 - Rebate per toll bracket (difference between escalated cap and weekly toll spend)**

PBO description	2018-19 Median Point	2023-24	2024-25	2025-26
No. \$50 - \$60	55.00	7	7	7
No. \$60 - \$70	65.00	19	20	21
No. \$70 - \$80	75.00	31	32	34
No. \$80 - \$90	85.00	43	45	47
No. \$90 - \$100	95.00	56	58	60
No. \$100 - \$110	105.00	68	70	73
		<b>224</b>	<b>233</b>	<b>242</b>

**Demand response**

We have calculated the uplift in demand (i.e., the number of new beneficiaries) by the following.

- The PBO has assumed a -0.25 elasticity of demand. We looked at the survey of elasticities set out in a report by Robert Bain (“Toll Road Pricing: Demand Elasticity and Affordability”, 2017) on toll road pricing and determined that -0.25 is a reasonable assumption. Other studies reported elasticities from -0.03 to -0.5, with the average sitting in the range of -0.2 to -0.3.
- Elasticity of -0.25 means that for every 1 per cent decrease in the real price of a toll charge, demand will increase by 0.25 per cent, all else being equal.
- This 0.25 is multiplied by the change in real price for each average toll spend bracket to determine the number of new beneficiaries. The real change in price has been determined as 35 per cent on average under the proposed policy, so we expect there to be an 8.8 per cent (35 per cent multiplied by 0.25) increase in toll usage.

**Notes and costing assumptions continued:**

**Table 4 - New demand claiming toll relief**

PBO description	2018-19 Median Point	2023-24	2024-25	2025-26
No. \$50 - \$60	55.00	453	459	464
No. \$60 - \$70	65.00	654	662	670
No. \$70 - \$80	75.00	591	598	605
No. \$80 - \$90	85.00	455	461	466
No. \$90 - \$100	95.00	356	360	364
No. \$100 - \$110	105.00	636	643	651
		<b>3,145</b>	<b>3,183</b>	<b>3,221</b>

*Note, due to the 2018-19 median point being escalated annually by 4 per cent, beneficiaries in the \$50 to \$60 bracket spend above the \$60 cap (Table 2). As a result, new demand is seen in this bracket over the forward estimates.*

**Risks and uncertainties - administration costs**

The policy assumes that administrative measures would be needed as there would be a strong incentive for drivers to add more vehicles under one toll account (there is currently no limit to tags per account). These measures could include:

- A short cap period (a week is proposed in this policy)
- Limiting cars per account (not applied in this costing).
- Auditing the numbers of tags per account (assumed in the administration costs).

However, the PBO notes that the current toll relief program would likely encourage drivers to have one tag per account so as to allow multiple drivers within the one household to each claim toll relief.

The policy assumes similar administration costs to the Toll Relief scheme announced in July 2022. The scheme has an administration cost of \$6 million in 2022-23 and \$2.5 million in 2023-24 (scheme ends 2024) and the PBO has assumed the same profile up to 2025-26. Administration costs assume the provision of auditing of the numbers of tags per account and whether accounts are used for private or business use.

**Change to legislation**

To implement the new Toll Relief scheme, a regulation was required to be made under the *Roads Act 1993*. This costing assumes that legislative changes would also be required to implement the cap.