



Election policy costing

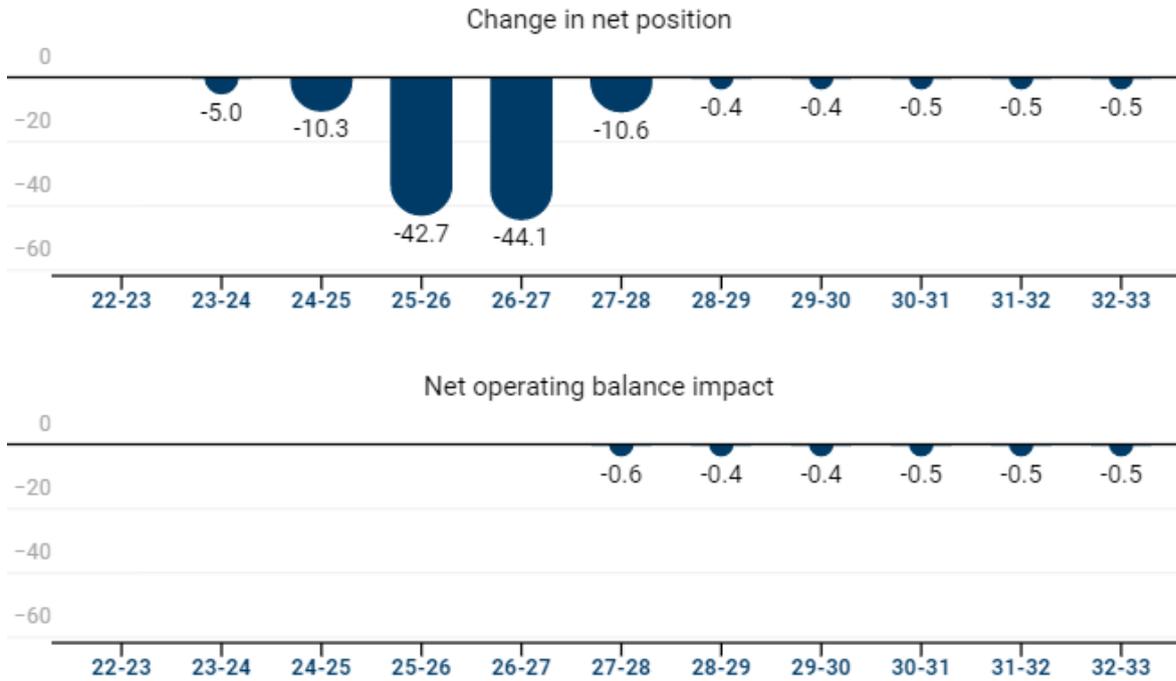
Reinstatement of the Ballarat rail freight corridor plan

Political party	Independent - Ali Cupper
Requestor	Ms Ali Cupper MP
Request date	28 June 2022
Response date	26 July 2022
Policy commencement	1 July 2023
Policy conclusion	Ongoing
Policy summary	<p>This policy would:</p> <ul style="list-style-type: none">▪ convert 68 km of track between Maryborough and Ballarat North Junction from broad to standard gauge▪ convert west of Lydiard Street to Gheringhap (via Ballarat Station and Humffray Street) from broad to standard gauge track▪ convert Ballarat North Junction to west of Doveton Street from broad to standard gauge track and link to the Maryborough line▪ recommission 550 m of existing broad gauge track from west of Doveton Street to Ballarat North Junction and link to the Wendouree line▪ convert 350 m of single line from west Doveton Street to east Armstrong Street from broad to dual gauge track▪ convert west Lydiard Street to Ballarat Station (platforms 1 and 2) from broad to dual gauge track▪ remove the Macarthur Street level crossing.
Budget baseline	May 2022 budget
Expiry date of this response	At the release date of the next Victorian Government budget or budget update.

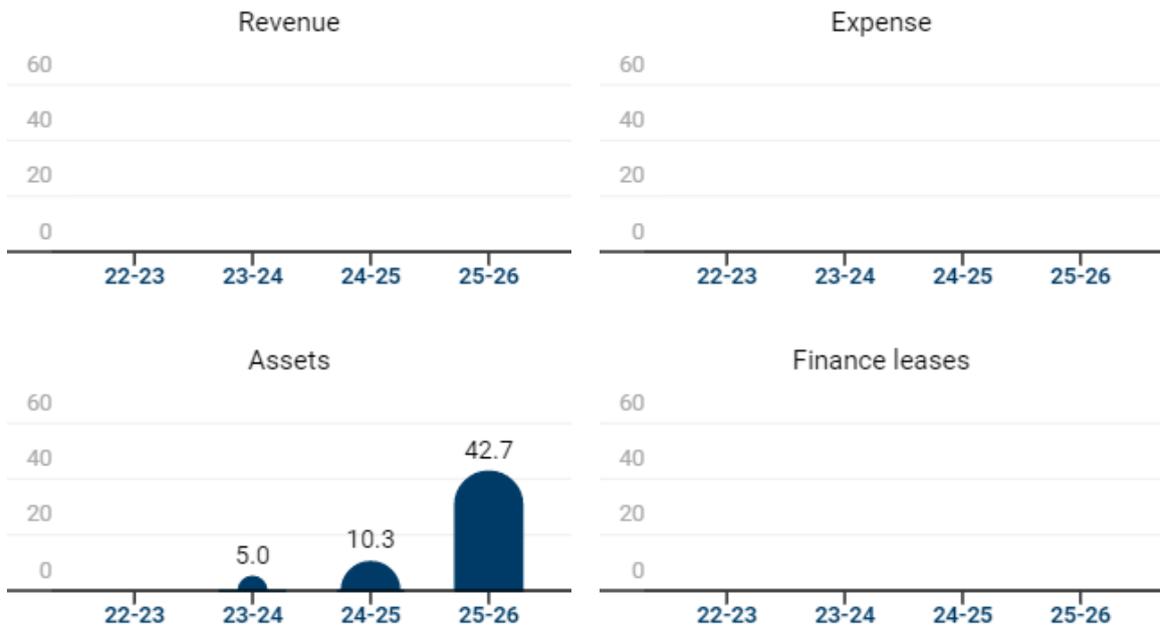
Our response

Reinstatement of the Ballarat rail freight corridor plan

Budget impact



Costing components



Source: Parliamentary Budget Office.

Context

The government announced the Murray Basin Rail Project (MBRP) in 2014. The project was originally meant to upgrade most of the rail and freight network in North-western Victoria in 5 stages. Each stage would upgrade a different section through conversion from broad or dual gauge to standard gauge track. The government completed stage 1 of the project in 2019.

After exceeding the original budget, the government released a revised business case in 2020, which outlined a smaller project scope. The government's revised project includes minor upgrades to some lines, and sleeper work on sections of the line upgraded in Stage 1. The government expects that works on the Ouyen to Murrayville Line will be completed by mid-2022. Upgrades on further lines, passing loops, turnouts and sidings, along with additional upgrades, have begun or will begin in 2022. As part of the revised business case, the government removed stages 3 to 5 which would:

- convert track from broad to standard gauge and other upgrade works between Maryborough to Manangatang, and Korong Vale to Sea Lake
- convert track from broad to dual gauge and other upgrade works between Gheringhap to Warrenheip
- convert track from broad to dual gauge and other upgrade works between Warrenheip to Maryborough.

This policy proposal would complete stages 4 and 5 of the original MRBP and would also:

- convert the Maryborough to Ballarat and Ballarat to Gheringhap Lines to standard gauge, rather than converting to dual gauge
- convert sections of the line within the Ballarat Precinct to dual gauge
- recommission broad gauge track in Ballarat to separate the Wendouree and Maryborough lines
- remove the Macarthur Street level crossing in Ballarat.

Costing overview

We expect this policy to decrease the state's budgeted net position by:

- \$58.0 million across 2022–23 to 2025–26, this entirely reflects an increase in assets to upgrade rail track infrastructure
- \$115.1 million across 2022–23 to 2032–33, this reflects:
 - an increase in assets of \$112.2 million to upgrade rail track infrastructure and regauge passenger trains
 - an increase in operating expenses of \$3.7 million due to rail maintenance
 - partially offset by an increase in revenue of \$0.8 million due to additional rail freight operator access charge revenue from moving higher freight volumes.

The total estimated investment (TEI) reflects the amount of expenditure needed to undertake the asset works, but excludes the associated operating, maintenance expenses and finance lease costs. We expect this policy to have a TEI of \$112.2 million from the commencement of asset works in 2023–24 to completion in 2027–28.

This cost estimate is sensitive to changes in:

- final design and construction profiles of the track upgrades
- forecast escalation of rail project costs.

Our approach

Assumptions

When costing this policy, we made the following assumptions:

1. All current MBRP works would be completed before 1 July 2023.
2. The regauging work required for this policy would be similar to that of the North East Rail Line Upgrade.
3. The number of passenger services between Maryborough and Ballarat would not be affected by converting services to standard gauge.
4. Passengers would need to change trains at Ballarat to access the standard gauge service to Maryborough.
5. Freight access charges for increased rail freight use would be the average of the current charges paid.

Method

When costing this policy, we:

- determined the distance of track to be converted to standard gauge
- estimated the unit costs of converting broad gauge to standard and dual gauge
- applied the unit cost to the length of the Ballarat to Gheringhap and Maryborough to Ballarat lines
- estimated the costs of line-specific upgrades that would be required
- estimated the costs of converting a V/Line train to operate on standard gauge tracks
- estimated the maintenance operating costs based on similar infrastructure operating costs
- estimated the additional revenue from this policy based on access charges paid by rail freight operators and a proportionate amount of additional volume of freight expected from the MBRP.

Data sources

- ARTC. 2022. North East Rail Line Upgrade - ARTC. [ONLINE] Available at: <https://www.artc.com.au/projects/northeast/>. [Accessed 26 May 2022]
- Information provided by the Department of Transport
- Information provided by V/Line
- VICSIG. 2022. Victoria District. [ONLINE] Available at: <https://vicsig.net/index.php?page=infrastructure&district=victoria>. [Accessed 26 May 2022]
- Victoria's Big Build. 2022. Murray Basin Rail Project - Victoria's Big Build. [ONLINE] Available at: <https://bigbuild.vic.gov.au/projects/murray-basin-rail-project>. [Accessed 26 May 2022]
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- V/Line. 2022. Maryborough timetable. [ONLINE] Available at: [https://www.vline.com.au/getattachment/208ac9f8-4c82-4d2f-80af-6e0739ede11b/Maryborough-Melbourne-\(via-Ballararat-and-Castlemain](https://www.vline.com.au/getattachment/208ac9f8-4c82-4d2f-80af-6e0739ede11b/Maryborough-Melbourne-(via-Ballararat-and-Castlemain). [Accessed 26 May 2022]
- V/Line Corporate. 2022. Murray Basin Rail Project. [ONLINE] Available at: <https://corporate.vline.com.au/getattachment/f958999b-2c85-47db-bb27-950c283918ed/Murray-Basin-Rail-Project-Sheet>. [Accessed 26 May 2022]

Attachment A – Detailed budget impacts

Year-on-year impacts

(\$ million)	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33
Revenue	-	-	-	-	-	-	0.1	0.1	0.2	0.2	0.2
Expense	-	-	-	-	-	0.6	0.6	0.6	0.6	0.6	0.7
Net operating balance impact	-	-	-	-	-	-0.6	-0.4	-0.4	-0.5	-0.5	-0.5
Assets	-	5.0	10.3	42.7	44.1	10.1	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	-	-5.0	-10.3	-42.7	-44.1	-10.6	-0.4	-0.4	-0.5	-0.5	-0.5

Cumulative impacts

(\$ million)	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	2032–33
Revenue	-	-	-	-	-	-	0.1	0.3	0.4	0.6	0.8
Expense	-	-	-	-	-	0.6	1.1	1.7	2.4	3.0	3.7
Net operating balance impact	-	-	-	-	-	-0.6	-1.0	-1.4	-1.9	-2.4	-2.9
Assets	-	5.0	15.3	58.0	102.2	112.2	112.2	112.2	112.2	112.2	112.2
Finance leases	-	-	-	-	-	-	-	-	-	-	-
Change in net position	-	-5.0	-15.3	-58.0	-102.2	-112.8	-113.2	-113.7	-114.1	-114.6	-115.1

Notes: Figures may not sum due to rounding. Consistent with Victorian Budget Paper No.3 – Service Delivery, we do not consider changes to interest, depreciation expense nor non-cash adjustments. The net operating balance measures the gap between government revenue and expenses, and is an indicator of the policy's impact on operating sustainability. A positive change indicates that this policy would improve the net operating balance of the state budget. The net position measures the gap between government revenue and expenses, and movements in financial and non-financial assets. It is an indicator of the policy's impact on the state budget, and is more appropriate for comparing policy costings. A positive change indicates that this policy would improve the net position of the state budget.

Source: Parliamentary Budget Office.