



## Policy costing

Funding construction of East West Link	
Party:	Coalition
Summary of proposal: The Coalition would provide \$4 billion to the first Victorian Government willing to build the East West Link. This funding is set at a level such that the project would not require additional funding from the Victorian Government.	

## Costing overview

The East West Link is a proposed tollway that would link Victoria's Eastern Freeway with CityLink. This project requires the agreement of the Victorian Government in order to progress. The Premier of Victoria, the Hon Daniel Andrews MP, has publicly opposed the project both prior to and following the Coalition's announcement that, if elected, it would increase the Commonwealth Government's contribution to the cost of the project. Accordingly, the Parliamentary Budget Office (PBO) considers that this commitment should be treated as a contingent liability and has no impact on the budget at this point in time.

The PBO considers that the treatment of this commitment is consistent with the relevant Australian Accounting Standards Board Standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets which states that a contingent liability is *a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity*.

- While many contingent liabilities reflect the potential outcomes of events that are linked to legal actions, this does not prohibit the inclusion of a sufficiently strong public commitment to undertake certain action in the event of another related action occurring.

The impact of funding for this project was initially included in the 2013-14 Mid-Year Economic and Fiscal Outlook and then removed in the 2015-16 Budget following objection to the project by the Victorian Government. The commitment has henceforth been included in the budget as a contingent liability instead. Given the election commitment, the contingent liability has increased from \$3 billion at the 2019 Pre-election Economic and Fiscal Outlook to \$4 billion.

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

	2019–20	2020–21	2021–22	2022–23	<b>Total to 2022–23</b>
Fiscal balance	-	-	-	-	-
Underlying cash balance	-	-	-	-	-

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

- Indicates nil.

## Data sources

2013. *2013-14 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.

2015. *2015-16 Budget Paper No. 2*, Canberra: Commonwealth of Australia.

2015. Australian Accounting Standards Board, *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, Melbourne: Commonwealth of Australia,