

Transport Portfolio - Schedule of Escalation Rates, Discount Rates and other information for Cost Estimates to be used in Funding Submissions 2013-14

Purpose: This document provides the current escalation factors and other financial parameters for use in developing cost estimates. They must be used in all funding submissions, whether a business case is required or not.

(1) Escalation Rates (per annum)

Capital Costs¹

Category	2013-14 to 2016-17	2017-18 Onwards
Road	4.2% p.a.	4.1% p.a.
Rail	3.2% p.a.	3.5% p.a.
Rolling Stock	3.3% p.a.	2.9% p.a.
Bus	4.4% p.a.	4.4% p.a.

Operating Costs

Category	2012-13	2013-14 Onwards
Bus	4.4% p.a.	4.4% p.a.
Other	2.75% p.a.	2.5% p.a.

1: Capital escalation rates are applied to total project costs including contingencies.

(2) Discount Rates

The rate applicable for transport projects is 5% (real). Where the nominal rate is to be used, the discount rate is 7.7%. These rates include the risk premium for transport infrastructure projects. If warranted by exceptional economic circumstances, DTF may provide an update to the discount rate.

For projects with a significant information & communication technology (ICT) or enterprise software (ERP) component, a separate discount rate may be required.

(3) Contingencies

An appropriate level of contingency must be included in the costing of all submissions. It is expected that submissions supported by a business case would have been subject to a rigorous identification of risk and the estimation of contingency. Where a business case does not exist, a submission needs to provide a reasonable allowance for the cost of events likely to impact the total cost in delivering the project.

For capital project cost estimation including contingency, please refer to the Project Cost Estimation Manual or discuss with the Integrated Programs Coordination Division (IPCD) in DOT.

(4) Other Project Costs

Project Management:

It is expected that all submissions will include an appropriate level of project management costs applicable for the project. For capital projects, costs for project management can only be capitalised if the costs are directly attributable to the acquisition or construction of the asset or project. Further accounting policy guidance can be provided as required on the types of costs which can be capitalised.

Capital Project Levies:

The following two levies are to be applied to DOT major capital projects requiring a business case.

DOT Corporate Levy: To assist in funding the corporate support costs associated with new capital projects.	1%
DOT Project Development Levy: To assist in funding initial project planning and development activities of DOT.	4%

Note: There may be some circumstances where the levy amount should be different.

PTV and VicRoads: Guidance on levies applicable to capital projects of these agencies can be obtained from the relevant area of the respective agency.

Contact person: