
BUILDING BETTER REGIONS FUND ROUND 2 – CRITERIA REPOSSES 1 & 2

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Criteria 1: The economic benefit your project will deliver to the region during and beyond the construction phase (15 points)

MERIT CRITERION ONE - ECONOMIC BENEFIT (15 POINTS)

- Economic benefits for a region may cover increases in economic activity, improvements in productivity, wider access to markets or fairer and more equitable economic outcomes. For projects located in an excluded area, you must clearly demonstrate how economic benefits flow directly into an eligible area. Examples of how your project could demonstrate these economic benefits include:
 - Increasing the number or value of jobs, new businesses or the production of goods and services in the region (this includes direct and indirect opportunities created through the project)
 - Providing opportunities for growth in existing sectors, e.g. tourism, agriculture, manufacturing
the use of local suppliers and goods
 - Increasing efficiency of the transport system or service delivery
 - Increasing Indigenous economic participation – including Indigenous employment and supplier-use outcomes
 - The degree to which the project delivers benefits beyond the construction phase

TOOL: ECONOMIC IMPACT ASSESSMENT

- Calculates the economic activity generated by additional spending
 - <\$100M Input Output (IO) model
 - >\$100M Computable General Equilibrium (CGE) model
- IO Model
 - Direct impacts (industry purchases)
 - Flow-on impacts (industry support & consumption)
 - Output, value add, income, employment (Full-Time-Equivalent)
- Construction & operational phase separately
- Use a professional, assessors will focus on quality of the inputs

THINGS TO WATCH: ECONOMIC IMPACT ASSESSMENT

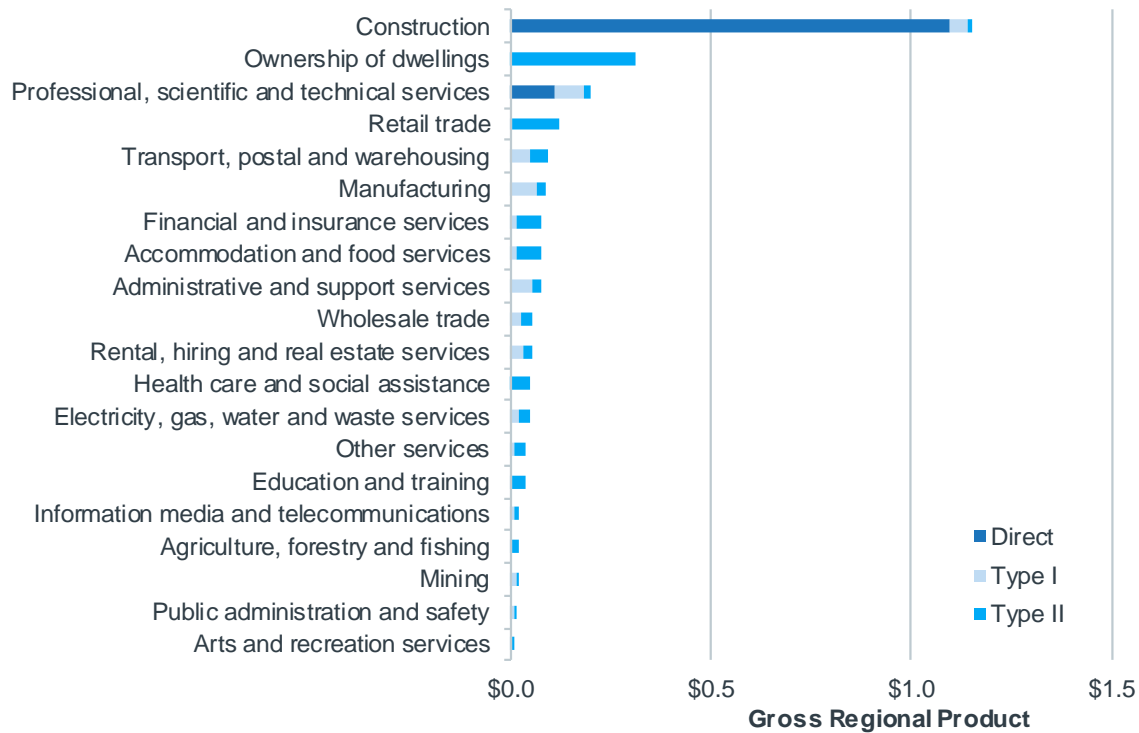
- Assessors will focus on quality of the inputs/ assumptions:
 - Drivers of the economic impact modelling:
 - Capital expenditure (detailed level of capital expenditure breakdown, consider the appropriate share of local content)
 - Operational turnover/ direct employment, facilitated visitation, enabled development
- Level of complexity varies greatly depending on the type of project
- Qualitative consideration of impacts unable to be modelled (facilitated development, population attraction, competitiveness for investment attraction)

ECONOMIC IMPACT EXAMPLE

- \$1.1M capex regional impact

Impact	Output (\$'000)	Gross Value Added (\$'000)	Incomes (\$'000)	Employment (FTEs)
Direct	\$575.0	\$185.3	\$98.6	2
Type I Flow-On	\$365.5	\$156.5	\$90.7	1
Type II Flow-On	\$375.8	\$209.8	\$104.4	2
Total	\$1,316.3	\$551.6	\$293.8	4

ECONOMIC IMPACT EXAMPLE



Merit criterion two – Social Benefit (10 points): The social benefit your project will deliver to the region during and beyond the construction phase.

MERIT CRITERION TWO – SOCIAL BENEFIT (10 POINTS)

- Social benefits for a region may cover increases in regional amenity, improving community connections and inclusion and providing opportunities for learning and knowledge creation. Examples of how your project could demonstrate these social benefits include:
 - Making a region a more attractive place to live
 - Improving community connections and social inclusion
 - Supporting or protecting local heritage and culture
 - Strengthening community institutions, governance and leadership capacity
 - Increasing community volunteering
 - The degree to which the project delivers benefits beyond the construction phase
 - Addresses disadvantage within the community

SOCIAL BENEFIT

1. What is the problem?

- Declining population
- Rising unemployment
- Loss of youth/skills
- Crime
- Need to improve culture/heritage opportunities

2. Understanding disadvantage in the community and how facilities and activities can address that

- Use statistics and case studies to support both #1 and #2

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TOOL: COST BENEFIT ASSESSMENT

- Is your project the best way to solve the problem?
- Is your project the best way to deliver the outcome sought?
- Evaluate various alternatives
- Use cost benefit analysis to decide:
 - Identifying benefits
 - Valuing benefits (timing is critical)
 - Hopefully greater than the costs
 - Priced and unpriced benefits
 - Use of non-market value proxies (e.g. benefit transfer, contingent valuation, hedonic modelling)
- Take a stakeholder approach (primary data is best)

EXAMPLE: COST BENEFIT ASSESSMENT

- CBA Process:
 - Define the project and base case
 - Express costs over time (30 years)
 - Express benefits over time
 - Calculate the net benefit
 - Discount to net present value (NPV) using a real discount rate (7%)
 - Don't incorporate financing costs or inflation
 - Undertake sensitivity analysis of key variables

The formula for determining the present value is:

$$PV = \frac{FV_n}{(1+r)^n}$$

Where:

PV = present value today

FV = future value *n* periods from now

r = discount rate per period

n = number of periods

Extending this to a series of cash flows the present value is calculated as:

$$PV = \frac{FV_1}{(1+r)^1} + \frac{FV_2}{(1+r)^2} + \dots + \frac{FV_n}{(1+r)^n}$$

Real Discount Rate	Present Value Costs (\$M)	Present Value Benefits (\$M)	Net Present Value (\$M)	BCR
4%	\$1,533.2	\$1,707.5	\$174.3	1.11
7%	\$1,102.2	\$1,186.2	\$84.0	1.08
10%	\$837.6	\$869.0	\$31.3	1.04

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