

Help Sheet – Economic Assessment



Infrastructure Betterment Fund
Regional Roads and Transport Recovery Package

What is the economic assessment?

The economic assessment is a process of understanding the monetary costs and benefits associated with infrastructure projects. To be able to identify the costs and benefits, targeted questions are designed in the application form. The responses will provide the information required to determine the impacts of natural disasters on assets and understand how betterment investment can minimise any adverse effects and promote infrastructure resiliency over the longer term.

How does economic assessment estimate the costs and benefits of each project?

A resilience mapping process for each application has been developed to inform the economic assessment for potential projects eligible for funding. The economic assessment compares the costs and benefits of the betterment proposals against the base case or the build back like for like scenario.

How could a betterment investment create more benefits to the community?

Betterment helps reduce vulnerability to adverse disaster risks. Functionality is less compromised when an asset is designed to withstand natural disaster risks. This means that if the time the asset is out of action is reduced, it will result in a reduction in time that the community is disadvantaged. The value of that time depends on the asset type and the existence of alternatives to the affected asset. Additional benefits can be derived from betterment projects, including broader economic, environmental, social and productivity benefits. These can all be captured as part of the economic assessment if they are supported by evidence and data.

What is the difference between 'without betterment' (the base case) and 'with betterment'?

The base case is the "status quo", which, in this context, assumes building damaged assets to current standards (i.e. without any betterment). At the same time, the alternative scenario is the Betterment Fund, which means that the damaged asset is rebuilt and will be more resilient to future natural disasters. The aim of economic assessment, therefore, is to evaluate and measure the difference attributable to the additional investment (above the "current standards" replacement cost), as a result of asset "betterment". For example, if replacing an asset to its previous state costs \$100,000 and betterment requires an additional investment of \$30,000 to a new total cost of \$130,000, the assessment will measure the additional impact arising from this additional investment of \$30,000.

Does the economic assessment monetise the intangible benefits?

Yes. The assessment will realise a number of intangible or non-market benefits in the assessment for each asset type. These values will be drawn from a bank of values that have been agreed to by the Department of Regional NSW. These non-market values have been derived using published NSW Treasury Guidelines.

What is the rationale behind the questions?

The questions aim to draw out the proposals' key benefits and costs in line with program objectives and contingent on the asset type and the nature of natural disaster risk. The suite of questions for each asset class is designed to compare the betterment scenario against its corresponding base case or the build back like for like. The difference between the base case and betterment case measures the impact of the additional investment and hence evaluates the proposal's net effect on the people of NSW.

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Are the questions common across all the asset types?

To understand the benefits, specific questions contingent on asset type and sub-category are asked to applicants for both the base case and the betterment case. However, there are a few common questions about the nature of the disaster or the estimated time that the asset was out of action in the previous disasters.

How does the economic assessment quantify the benefits?

One key benefit of betterment is replacement cost savings. The economic assessment is expected to benefit the community through avoided or reduced asset replacement cost due to less or no need for asset restoration. Another quantifiable benefit of betterment is the reduced time the asset will spend out of action in the event of a natural disaster, on account of its more resilient design. There is opportunity to further identify and quantify benefits, as a result of betterment, that you believe are important in considering your application.

How is public benefit defined?

Public benefit is where a project has measurable benefits to the general community (or sufficient section of the community) that are sustained, ongoing and quantifiable. Public benefits may be defined when an asset is reconstructed better than it was before it was damaged due to a natural disaster. As an example, the betterment asset is out of action for less time in the event of a natural disaster.

Is it mandatory to answer the questions under two scenarios, with and without Betterment Fund?

Yes, all applications seeking Betterment Funding are required to answer all questions. The economic assessment process will estimate the betterment impacts by comparing costs and benefits under the base case and the alternative with betterment investment. Not answering every question will mean that the economic model will be incomplete, and this will delay the assessment of your application.

If the local government area has experienced multiple disasters, what should be considered in answering the questions?

In this application consider the worst case declared natural disaster you have experienced and the impacts that have occurred when answering the economic assessment questions for a particular asset.

What should I assume in answering the questions under the two scenarios?

The base case scenario or 'without betterment' assumes that the asset is repaired to current standards. In answering those questions, use the worst-case event experienced from previous natural disasters, which are eligible under the Betterment Programs. The 'with betterment' option assumes that the asset is repaired with betterment and designed to be more resilient to the impact of the declared natural disaster. In answering those questions, estimate the effect of the new asset with betterment.

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Where can I find more specific tips and help in answering the questions?

A help sheet has been developed for each asset type to assist applicants in providing appropriate project outcomes. You can find the help sheets here nsw.gov.au/betterment

If you have any additional questions about the economic assessment for the Infrastructure Betterment Fund, please contact infrastructure.betterment@regional.nsw.gov.au. For additional questions for the Regional Roads and Transport Recovery Package please contact rrtrp@transport.nsw.gov.au.

Can I combine multiple small project economic data in a single application?

No, the economic assessment needs to have the data for each project individually. The economic assessment question should answer for each project under the two scenarios, with and without betterment funding.

Where can I get the inputs and data to answer the economic assessment questions?

The applicant is required to use their best estimates and utilise any available evidence or data to support the claims made about the benefits. Applicants may choose, at their own discretion, to get the assistance of an independent consultant to respond to the questions. You are required to provide supporting evidence for all of your assumptions.

Should I answer all economic assessment questions?

You will be assessed on the information you provide. It is necessary to answer all economic assessment questions as accurately as possible and ensure the data is correct in the application form and consistent with the information provided in other sections of the application. Any document to support the economic benefit claims would help to strengthen the economic assessment result. Failure to respond to all questions adequately may slow, or prevent the assessment of your application.

Questions? Email: infrastructure.betterment@regional.nsw.gov.au

Phone: 1300 679 673