



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

QON No. 11

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
JEREMY HANSON MLA (CHAIR), DEEPAK-RAJ GUPTA MLA, MICHAEL PETTERSSON MLA

Inquiry into referred 2018–19 Annual and Financial Reports
ANSWER TO QUESTION ON NOTICE

Asked by Alistair Coe MLA -

Ref: CMTEDD Annual Report, Output 8.1, Infrastructure, Finance and Capital Works

In relation to: Light Rail Stage 2 – Business Case – cost-benefit ratio

1. What are the minimum requirements for business cases in terms of cost-benefits ratios?
2. What are the best practice requirements for business cases in terms of cost-benefit ratios?
 - a. Have any projects not met the best practice requirements during the previous five financial years to date?
 - i. If so, advise:
 1. The name of the project;
 2. What the cost-benefit ratio was; and
 3. Why the project was approved if it did not meet best practice requirements.
3. What is the average cost-benefit ratio for capital works and infrastructure projects in the ACT?
 - a. Are different standards applied to different projects?
 - i. If so, why?

Yvette Berry MLA: The answer to the Member's question is as follows:–

1. Government decisions on individual capital works projects, programs and other activities reflect the priorities of the Government. The Government seeks a range of information in order to determine its priorities. Cost-benefit ratios are but one piece of information that may be used in Government decision making. The Government does not require a "minimum cost-benefit ratio" for a project to proceed. The investment decision for each project is determined having regard to the particular circumstances of each project, of which the cost-benefit ratio set out in a business case is just one factor.

ACT Government guidelines for the development of cost-benefit ratios are set out in the ACT Government's Capital Framework (<https://apps.treasury.act.gov.au/infrastructure-finance-and-reform/the-capital-framework>).

2. Please refer to the response above.



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3. Within the ACT Government, economic analysis (which may include a Cost Benefit Analysis) is not required for all capital works projects. The ACT's Capital Framework ordinarily requires economic analysis for those projects over \$10 million in capital value. The Capital Framework also allows an alternative Cost Effectiveness Analysis in certain circumstances. Accordingly, there is not an 'average' cost benefit ratio for all capital works and infrastructure projects in the ACT. The ACT Government does not propose to undertake an exercise to calculate such a figure.

Approved for circulation to the Standing Committee on Economic Development and Tourism

Signature:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Date: 22/11/19

By the Acting Treasurer, Yvette Berry MLA