Australian Government

Northern Australia Infrastructure Facility

Public Benefit Guideline

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1. Purpose

The Board of the Northern Australia Infrastructure Facility (the **Board**) can only approve Projects that will be of public benefit.

This Guideline sets out how the Board will assess the public benefit of a Project prior to making an Investment Decision.

This Guideline should be read in conjunction with the NAIF Environmental, Social and Governance Policy.

2. Definitions

Investment Mandate refers to the *Northern Australia Infrastructure Facility Investment Mandate Direction 2018*

Investment Decision has the meaning given in the Investment Mandate.

Investment Proposal has the meaning given in the Investment Mandate.

Project has the meaning given in the Investment Mandate.

Project Proponent has the meaning given in the Investment Mandate.

3. Background

Pursuant to mandatory criteria 2 in Schedule 1 of the Investment Mandate, the NAIF Board can only approve projects that will be of public benefit.

The Investment Mandate states as follows:

"The Board must be satisfied that the Project will produce benefits to the broader economy and community beyond those able to be captured by the Project Proponent.

In assessing public benefit, the Board may, without limitation, consider whether the Project will have the capacity to serve multiple users (either immediately or during the expected life of the Project)."

Section 9 (1) of the Investment Mandate also requires that:

"In determining any concession to be granted in an Investment Decision, the Board must have regard to:

> *(a) the extent and mix of all concessions necessary for the Investment Proposal to proceed; and*
>
> *(b) the extent of the project's public benefit."*

Public benefits are benefits of the Project not captured by the Project Proponent. They are benefits of the Project valued by other business users, governments, individuals and the community. Examples include improvements in regional productivity, regional connectivity or better social or economic outcomes for individuals. Significant public benefits are more likely to eventuate when a Project serves, or has potential to serve multiple end users. The requirement that any Project must have a public benefit is consistent with the objective of NAIF to support infrastructure that promotes economic growth and stimulates population growth in northern Australia. Estimating the future public benefit of a Project requires judgement.

4. Policy

The estimated public benefit will be considered by the Board when determining whether to provide financial assistance to a Project and the level of any financing concession to be granted. It is expected that Projects which have the capacity to serve multiple users - and thus a broader segment of society – will generate greater public benefit.

The Board will only approve Projects that have *net* public benefit (**Public Benefit**). The Project is of Public Benefit, if the benefits of the Project are greater than the costs, excluding benefits received (e.g. revenue) and costs borne (e.g. capital and ongoing costs) by the Project Proponent.

For Projects where the proposed NAIF Investment is $A50m or greater, the Board requires a Cost Benefit Analysis (**CBA**) of the Project's Public Benefit. Such analysis involves valuing the benefits and costs of a Project to estimate the Public Benefit (see **Annexure 1 – Benefits and Costs**).

It is preferable that the benefits and costs are quantified in present value terms. In some cases, not all benefits or costs of a Project can be quantified. In these circumstances, the CBA can be supported by qualitative assessments on how benefits and costs of a Project will be realised. However, failure to quantify the Public Benefit of a Project may influence the financing concessions available to the Project.

- The CBA must examine if a Project has a Public Benefit to the economy and community. It must involve aggregating the impacts on members of the community, excluding the benefits and costs of the Project captured by the Project Proponent.
- Where possible, the CBA must consider a range of possible scenarios in addition to the base case. Sensitivity analysis on the assumptions that underpin the CBA outcome, for example discount rates applied to estimate benefits and costs in present value terms, must also be provided.

At a minimum, three types of impacts than generate benefits and costs should be included in the CBA.

- **Impacts on the economy and productivity**. Examples include the value of capacity and operating cost savings that flow from the Project to business and the value of improvements in reliability of infrastructure services.
- **Impacts on individuals**. Examples include accessibility and connectivity impacts, or improved employment, health, safety and security outcomes.
- **Impacts on the community**. Examples include positive and negative environmental and social impacts during the construction and operation of the Project.

For Projects where NAIF's proposed investment is below $A50m, a CBA may not be required. However, the Public Benefit must still be clearly demonstrated to the satisfaction of the Board. For Projects requiring significant financing concessions, the Project Proponents will be encouraged to provide a CBA.

Economic modelling on the impact of a Project when in operation for example on economic indicators such as economic output and employment can be used as supporting analysis on the Public Benefit of a Project. This modelling should account for resource constraints inherent in the economy and exclude the economic impact of the construction of the Project already included elsewhere in the public benefit analysis (e.g. in the CBA).

To assist in its analysis of the Public Benefit of a Project, where an Investment Decision is greater than $A100m, NAIF must consult Infrastructure Australia. This may include seeking feedback from Infrastructure Australia on the public benefit claims presented to NAIF by the Project Proponent and any assumptions used. NAIF may also consult, when appropriate, with Government stakeholders, including Commonwealth and State/Territory departments on any potential Public Benefits of a Project. In addition, the Board may seek advice from independent experts on the analysis provided.

In some cases, a Project Proponent may have already conducted a public benefit analysis to meet Government approvals for the Project. In these cases, it may be appropriate that the Project Proponent use these assessments in its Investment Proposal to the NAIF Board to reduce duplication. However, NAIF will consider the information provided and may request further analysis to support the NAIF Investment Proposal.

This Guideline will be reviewed at least annually.

Annexure 1 – Benefits and costs

The below table provides examples of benefits and costs that could be included in a CBA for a Project. As NAIF is only interested in the Public Benefit, the value of benefits and costs captured by the Project Proponent (for example through ticket prices) must be excluded, with only the *additional* benefit or cost included.

Category	Type of Impact	Analysis
Productivity and economic impacts	Reliability impacts	The value of improvements in reliability for business and/or government users.
	Land use changes	The value of changes in land due to the Project. For example, property value impacts and the productivity impact of greater density of use.
	Long term employment impacts	The value of the (indirect) sustained increase in employment caused by the operation of the Project. For example, employment created by broader accessibility, reliability or productivity improvements and excluding employment created by the construction of the Project.
	Travel time impacts	The value of travel time benefits to business and /or Government.
	Operating cost savings	Reduced expenditure due to savings in operating, maintenance, compliance and investment costs, and the direct economic benefits of reduced operating costs.
	Capacity increase	Capacity increase that enables greater opportunity/access to infrastructure services.
	Resilience	Value of improved economic resilience to adverse events. For example, a lower probability, or frequency, or impact of adverse events.
	Accessibility and connectivity benefits	Value of accessibility and connectivity improvements, including any induced demand (i.e. arising from price/quality improvements).
Impacts on individuals	Non-business reliability impacts	The value of improvements in reliability (e.g. travel time variability on the transport network or electricity network resilience) for non-business users.
	Traveller travel time impacts	The value of reduction in travel time for non-business travellers.
	Service improvement impacts	The value of greater amenity from improved services.
	Health, safety and security	The value of a reduction in the number of accidents, deaths and/or security incidents.
	Environmental impacts	The value of positive or negative environmental impacts of the Project.
Community impacts	Social impacts	The value of positive or negative social impacts of the Project. This may include considerations of equity or the distribution of benefits or the types of groups/individuals impacted as a result of the Project.
	Impacts during construction	Costs incurred during construction. For example, noise, delay, disrupted services, congestion.
	Network significance of Project	Value of wider “network implications” of the Project. For example, broader network travel time savings or impact on existing Projects.
Network impacts	Avoided costs	Costs that would be incurred under a ‘do minimum’ option, but which are avoided in the option considered.
Other	Other	Other potential sources of benefit or costs