

## Department of Treasury and Finance

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Mr John Ramsay  
Executive Commissioner  
Tasmanian Planning Commission

Attention: Sarah Crawford

Dear Mr Ramsay

Thank you for your letter of 4 December 2023 inviting comments from the Department of Treasury and Finance on the draft Guidelines for the assessment of the Macquarie Point Multipurpose Stadium Project of State Significance.

Treasury officers have undertaken a review of the draft Guidelines with a focus on Section 3 in relation to economic, financial and community wellbeing as these matters relate most directly to Treasury's responsibilities and expertise.

In undertaking this review, consideration has been given to relevant guidelines in other jurisdictions including:

- Infrastructure Australia's guide to economic appraisal;
- guidelines on cost benefit analysis from other states and territories; and
- Treasury's internal practices for assessing regulatory impact statements and business cases.

The following comments are provided to assist you in finalising the Guidelines.

### *Details from the Infrastructure Australia (IA) Guidelines*

I note that the draft Guidelines provide general guidance on the material required for a cost benefit analysis. However, it is suggested that the Guidelines could also require any proponent provide information that meets the requirements of the Infrastructure Australia Guide to Economic Appraisals. This would ensure that the specific nuances of a cost-benefit analysis are appropriately addressed without having to individually list those requirements in your Guidelines.

### *Base Case assumptions*

The importance of accurately defining the base case, as you outline in your Guideline, is supported. However, with reference to the IA Guidelines it is noted that, "The base case should not simply assume that nothing will change over time - changes that can be reasonably expected should be recognised when identifying impacts of each option". This should include appropriate assumptions regarding outcomes that would occur without the stadium including works and costs expected to be incurred at the site regardless.

### *Options*

In a cost benefit analysis it is preferable to assess the base case against a number of options and not just the preferred option. Whilst this can be challenging if no other options have been thoroughly considered, we note that it may be in the public interest to request an assessment of alternate options to compare the current proposal against.

### *Computable General Equilibrium (CGE) Models*

Treasury supports the use of CGE modelling to complement the cost benefit analysis as a CGE model can provide an indication of the impact of the project on macroeconomic variables. However, any results need to be treated with caution. This is because there are often significant quality issues with Tasmanian data, especially due to smaller samples sizes, that can result in limited data and/or increased data volatility. In addition, as noted in the IA guidelines, such models do not measure the welfare impact of the project. Any use of CGE modelling needs to be transparent about the assumptions used and the results need to be carefully reviewed, particularly to ensure that flow on impacts are not overstated. It is noted that the draft Guidelines refer to reporting Gross Domestic Product (GDP) changes. GDP is a national measure and it is suggested that the correct measure would be Gross State Product (GSP).

### *Financial Assessment*

It is noted that the Financial Impact Report section includes a reference to “the impact of project costs on the State’s projected financial position compared with a projected financial position for the State on a no policy change basis”. It is considered important that this section is amended to ensure that all financial impacts are captured and that there is increased clarity in relation to what is meant by the State’s financial position. In this regard, it is proposed that:

- wording be amended to refer to “the impact of the project including construction and ongoing costs”. This reflects the fact that the impact of the project from a financial perspective will not just be related to construction costs but also other costs such as the future operation of the asset and funding related costs;
- references to the State’s financial position be changed to refer to the State’s General Government Sector and Total State Sector financial position. This enables the direct budgetary position to be considered (i.e. through a focus on the GGS) as well as the TSS which is more the focus of credit rating agencies; and
- additional commentary be included that refers to the impact on the State’s financial position (as described above) being considered in the context of the impact on key fiscal measures such as the Net Operating Balance, Fiscal Balance and Net Debt.

The Guidelines should also specify the time period relevant to the assessment of the expected impact on the State’s financial position. Treasury publishes four-year estimates of the State’s financial position twice a year. The most recent of these is the 2023-24 State Budget. The Government does not publish a projected financial position beyond the Forward Estimates period.

Assessment of the State’s credit rating is undertaken by international credit rating agencies using methodologies that differ, are in some cases uncertain and that take into account both qualitative and quantitative matters. Attempting to link a single action or project to a change in the State’s credit rating would, therefore, be highly speculative. It is considered more appropriate that the Financial Impact Report identify possible implications for the cost of State debt and the State’s credit rating.

In addition, it is agreed that an assessment of the impact of the treatment of Commonwealth funding by the Commonwealth Grants Commission will be important because of the potential impact on project costs to the State and net benefits. However, the calculation of Tasmania’s share of GST under the mechanism of horizontal fiscal equalisation is complex and depends on each State’s circumstances at the time of calculation.

Should you have any queries or require any further information regarding this matter, please contact me on (03) 6145 0707 or email [fiona.calvert@treasury.tas.gov.au](mailto:fiona.calvert@treasury.tas.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Fiona Calvert', written in a cursive style.

Fiona Calvert  
Acting Secretary

22 December 2023