

## Methodology for approval delay costings (August 2019)

The recommended methodology for approval delay costings is based on the established One-Stop Shop (OSS) estimates.

- The estimated delay costs for late approval decisions between 2016 - 2019 is derived from the original OSS costings [reported](#) by the Department in 2014. The methodology used to measure the change in Net Present Value (NPV) through reducing approval timeframes for decisions was agreed by the Office of Best Practice Regulation in 2014, and applied in 2016 to estimate the Water Trigger Amendment.
- The OSS savings were calculated based on a sample of 52 projects from 2010-11 to 2012-13. A weighting was applied to the NPV calculations to represent the observation that the 2010-11 approvals reflected a 'once-in-a-decade' investment boom for mining projects.
- The estimated delay savings to business through the implementation of the OSS reforms was an average of **\$417 million/year** for all projects, which represents the delay being reduced to zero days through the removal of the Commonwealth approval process.
- A **per day change in NPV per project** due to delay costs is determined from the OSS NPV estimates (average values: change in NPV \$417 million, 188 delay days, 52 projects = **\$42,000/day/project**).
- For the purposes of generating an indicative estimate of delay costs for 2016 - 2019 projects, the per day per project OSS estimate is appropriate to use, which takes into account an overall increase in the total number of projects being assessed and change in sector mix since the OSS estimates were originally calculated.

### Proposed Application

A total indicative delay cost to business of **\$846 million** has been estimated as a result of late approval decisions over the last three financial years.

- For projects with late approval decisions, the NPV delay cost/day/project can be multiplied by the average days delayed and the number of projects with late approval decisions to determine the total delay cost.
- This method was applied to the last three financial years (2016-17 to 2018-19: see Table 1 below) to determine a total indicative delay cost to businesses over this time period of \$846 million due to late approval decisions.

Table 1: Indicative total delay costs for projects over the last three financial years with late approval decisions

Financial year	Number of projects with late approval decisions <sup>1</sup>	Average days approval decision overdue	Total delay cost (\$mill) <sup>2</sup>
18/19	60	130	-\$333
17/18	57	123	-\$299
16/17	50	100	-\$214
		<b>Total</b>	<b>-\$846</b>

<sup>1</sup> Number of projects with late approval decisions excluded Commonwealth developments

<sup>2</sup> Total delay cost calculation: Number of projects x average days overdue x \$42, 716.90

- This delay cost figure has changed from an earlier lower estimate as the method was refined and simplified to focus on the approval decision delays only over three financial years, rather than the referral and approval decision delays in one financial year.
- While getting figures for three years is similar to the OSS approach, this application may not be appropriate to use as an average has not been taken. This may only be appropriate if seeking to use this as a demonstration of potential savings for a three year period if all approvals met statutory timeframes.

*Savings for business of an estimated **\$302 million per year** could be made through the Department meeting the final approval decision statutory timeframe.*

- A weighted average delay cost to business over the last three financial years can be calculated by using the following formula:

$$\text{Total weighted average number of projects} \times \text{Total weighted average number of days delayed} \times \text{NPV delay cost/day/project}$$

- This formula was applied to the last three financial years to determine that late approval decisions are costing business an estimated \$302 million per year (see Table 2 below).

Table 2: Indicative average delay costs to business per year from late approval decisions

Financial year	Weighted average of projects with late approval decisions	Weighted average days approval decision overdue	Average delay cost per year (\$mill)
18/19	22.1	46.7	-
17/18	21.9	42.0	-
16/17	17.0	29.9	-
	<b>60.0</b>	<b>118.6</b>	<b>-\$302</b>

#### *Further application and limitations*

- Delay costs to business has the potential to be much higher if the calculation was applied to other statutory decisions throughout a project's assessment and approval process by the Department. Delay cost calculations of other statutory decisions have not been made at this stage due to limited timeframes and resources.
- The per day delay cost can also be applied to a specified reduction in approval times (e.g. 100 days), or for reducing approval times for the specific assessment phases.
- If greater confidence is required in estimating the delay costs, the NPV of projects for the three financial years would need to be estimated. However, significant resources and time would be required to calculate these savings.

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To date, there have been six judicial review applications in relation to the Galilee Basin Projects – 2 discontinued applications relating to the Abbot Point projects and one challenge relating to the Carmichael Coal Mine and Rail Project (which was discontinued with the consent of all parties). The total length of time for these proceedings was 578 days. There have also been two applications (original and appeal) for the approval of the Carmichael mine and one application for the referral decision on the North Galilee Water Scheme (which were resolved with the consent of all parties without a hearing). The total length of time for these proceedings was 823 days comprising 293 days for the first Carmichael proceeding, 340 days for the Carmichael appeal and 190 days for the NGWS proceedings.

The total length of time for all proceedings from 2015 to date is therefore **1,401 days** (this figure takes into account the total days for each separate proceeding)

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**Analysis of average calendar days from Valid date to Approval Decision over the last five financial years (2014/2015 to 2018/2019 based on Approval Decision date) for assessments by Accredited Assessment, Bilateral Agreement, Environment Impact Statement and Public Environment Report**

Average cal. days with Department	273	21%
Average cal. days with Proponent	998	79%
<b>Average Cal. Days Total</b>	<b>1271</b>	

Average cal. days with Department - Valid Date to Assessment Method decision date	43	3%
Average cal. days with Department - Approval		

Decision start date to Approval Decision completed

date

227 18%

Average cal. days with Proponent

998 79%

**Average cal. days Total**

**1271**

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