Review of responses to advice on the economic assessment of the Vickery Extension Project

NSW Department of Planning

A Marsden Jacob Report
Prepared for Client
November 2019

Marsden Jacob Associates
ABN 66 663 324 657
ACN 072 233 204

economists@marsdenjacob.com.au

Authors
Gavan Dwyer – Marsden Jacob Associates

About Us
Established in 1996, Marsden Jacob Associates has grown to be Australia’s leading dedicated natural resource economics, policy and strategy advisory. We employ talented economists and policy advisors who specialise in solving practical, real world problems relating to water, energy, environment, natural resources, agriculture, earth resources, public policy and transport. We work with a wide range of cross-disciplinary partner firms to deliver best project outcomes for our clients.

www.marsdenjacob.com.au

Statement of Confidentiality
The contents of this document and any attachments are confidential and are intended solely for the addressee. The information may also be legally privileged. If you have received this document in error, any use, reproduction or dissemination is strictly prohibited. If you are not the intended recipient, please immediately notify the sender by reply e-mail or phone and delete this document and its attachments, if any.

Disclaimer
This document has been prepared in accordance with the scope of services described in the contract or agreement between Marsden Jacob Associates Pty Ltd ACN 072 233 204 (Marsden Jacob) and the Client. This document is supplied in good faith and reflects the knowledge, expertise and experience of the advisors involved. The document and findings are subject to assumptions and limitations referred to within the document. Any findings, conclusions or recommendations only apply to the aforementioned circumstances and no greater reliance should be assumed or drawn by the Client. Marsden Jacob accepts no responsibility whatsoever for any loss occasioned by any person acting or refraining from action because of reliance on the document. Furthermore, the document has been prepared solely for use by the Client and Marsden Jacob Associates accepts no responsibility for its use by other parties.
## Contents

**Response**  
Responding to initial comments  
Accounting for the impact of transportation constraints
Response

We note the responses of AnalytEcon to our previous advice. On the whole they are likely to meet the requirements of the guidelines – though the additional information we suggest below would nonetheless provide further valuable insight on the merits of the mine extension.

Responding to initial comments

We note the responses to our previous advice.

We observe on the whole they are likely to meet the requirements of the guidelines – though the additional information we suggest would nonetheless provide further valuable insight on the merits of the mine extension.

In particular, our view is there is greater rigour in the application of Computable General Equilibrium (CGE) analysis than input-output assessments. This is because input-output methods relied on by AnalytEcon overstate the flow-on impacts through the economy and they are also silent on the opportunity costs of resources to the wider economy.

The consideration of these factors appears to be of lesser significance in the Guidelines to what might be normally considered in a whole of economy benefit cost assessment given that the focus of the guidelines is primarily on NSW.

Accounting for the impact of transportation

We also note the comments of the Panel in relation to the cumulative impacts of the project on the other mines and the subsequent economic effect of the mine on State revenues. Based on the additional information provided in our view the response of AnalytEcon has helped address these concerns and this could be further supported by AnalytEcon demonstrating more explicitly in the tabulation of economic impact that there are no opportunity costs either to the state, or from the Tarrawonga mine using the rail facility.