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Tēnā Katou Ministers

### **Cost-benefit of flood management infrastructure projects**

Thank you for your on-going support for our flood management infrastructure construction proposals and particularly those contained in *Before the Deluge 2.0*.

Further to our April 2024 correspondence, we would now like to draw your attention to a report we have recently received from NZIER (attached) on the economics of flood risk mitigation.

This report provides a robust assessment of the economic value of the 55 completed flood risk reduction projects (as initiated in 2020) to inform implications for government support for the second tranche of 80 projects outlined in *Before the Deluge 2.0*.

The report notes various reasons for central government to be involved in local flood mitigation, including to:

- Reduce costs of deploying government emergency services and reduce demands on other government social services for people adversely affected or displaced by floods.
- Reduce damage to government-owned and managed infrastructure.
- Co-ordinate and expedite clean-up operations and disposal of wastes.
- Reduce economic disruption that detracts from gross domestic product (GDP).
- Lower government liability as the de facto insurer of last resort by reducing the likelihood of insurers removing cover from at-risk areas.
- Accelerate the completion of mitigation works where local communities struggle with the affordability of the works required.

The report contains excellent benefit-cost information drawn from Awanui and Taradale case studies. In addition, the 55 completed projects were assessed by the report's authors to have an average BCR in the range of 2 to 4.



The BCR range found for these projects is viewed by the authors as good value for money and favorable spending choices when compared to other infrastructure projects, where BCRs tend to be closer to 1. Around 55% of tangible benefits were attributed by the authors to indirect costs of disruption of activity, which contributes to regional and national value-added benefits outside the locality.

The same BCRs are said by the authors to be applicable to the 80 prospective projects seeking government support in *Before the Deluge 2.0*. Pro rata splits between local and central government funding would show a similar split between reductions in direct impacts (largely affecting local property values) and indirect impacts (affecting business activity and GDP).

We trust you will find the above information and the attached report useful. We remain available to provide further information if you require it.

Ngā mihi



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