**[Letter to Chair of the Productivity Commission dated 20 Sept 2023](file:///F:\\Documents\\My%20Web%20Sites\\Muggaccinos\\StateGovtRailInfrastructure\\ProductivityComm\\Chairperson\\Letter_to_Chairperson_20-Sept-2023.htm)** [**Letter to Mr Chris Barrett, Chair of the Productivity Commission dated 8 Aug 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter_to_Chairperson_8-Aug-2023.htm)[**Letter to the Prime Minister dated 20 Jan 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Prime_Minister\Letter_to_Anthony_Albanese_20-Jan-2023.htm)

[**Response Letter from Alex Robson, Acting Chair Productivity Commission 22 Sept 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter-from_Productivity_Commission_22_Sept-23.jpg) [**Terms and Documents**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Defined_Terms.htm)[**Discussion Paper**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Discussion_Paper.htm)[**Annexure A**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Annexure_A.htm)[**Annexure B**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Annexure_B.htm)

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12 November 2023         **Click on embedded URLs in coloured text to open associated files**

Mr. Ross Gittins                                                        **rgittins@smh.com.au**

Economics Editor, Sydney Morning Herald

1 Denison Street

North Sydney NSW 2060

Dear Mr. Ross Gittins

* **The recent Acting Chair of the Productivity Commission, Alex Robson, was the co-author of a seminal publication** "[**6. Evaluating major infrastructure projects: how robust are our processes**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Evaluating_major_infrastructure_projects_ProdComm.htm) **(Aug 2009 -** [**still published on the Productivity Commission website**](https://www.pc.gov.au/research/supporting/strengthening-evidence/08-chapter6.pdf)**) that argued the need for the Commonwealth** [**Productivity Commission**](http://www.pc.gov.au/) **to be** [**a** ***"centre of excellence or reference for cost–benefit analysis within the Australian Government***](https://muggaccinos.com/StateGovtRailInfrastructure/ProductivityComm/CentreOfExcellence.jpg)**...**  **14 years ago,** **Alex Robson and his co-author, Henry Ergas, contended that Australia's six States no longer retained the expertise to produce and then appraise a** [**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm) **for each proposed new transport infrastructure project.**
* **What caused the Acting Chair of the Productivity Commission, Alex Robson, (on 22 Sept '23) to do a 180 degrees *Backflip* on his afore-mentioned 2009 potent and exhaustive convictions by dismissing the** [**Writer's letter (on DVD, USB Stick and A4) to the Productivity Commission dated 8 August 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter_to_Chairperson_8-Aug-2023.htm) **that behooved the Productivity Commission to now adopt Messrs Ergas & Robson's 2009 recommendation for the independent** [**Productivity Commission**](https://www.pc.gov.au/) **to review all future** [**Conforming Cost-Benefit Analysis**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Conforming_Cost-Benefit_Analysis.htm) **for each proposed new State transport infrastructure project, initially limiting to rail - explained in this** [**Writer's**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Writer\The_Writer_.htm) **detailed** [**Discussion Paper**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Discussion_Paper.htm)**.** [**Alex Robson's *Backflip* of his own 2009 mantra response letter to the Writer is dated 22 Sept 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter-from_Productivity_Commission_22_Sept-23.jpg)**.  What is incredulous is that Alex Robson's forecasts (projected back in 2009) of fiscal wastage by the States, pale with more recent gross negligence in NSW and Victoria chronicled in** [**Annexure A**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Annexure_A.htm)**.  How could one of the co-authors of** [**THE SOCIAL LOSSES FROM INEFFICIENT INFRASTRUCTURE PROJECTS: RECENT AUSTRALIAN EXPERIENCE**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\SSRN-id1465226.pdf) **that evidenced significant social loses due to** **"...these powerful trends..." now represent that he and seemingly co-author, Henry Ergas, had grossly exaggerated their below described concerns in their seminal 2009 research paper?**
* **In view of the horrendous fiscal waste by both the six States and also the Commonwealth since that 2009 prediction, why didn't the Prime Minister followed Messrs Ergas & Robson's advice and appoint the Commonwealth Productivity Commission to audit, *at arm's length*, all future** [**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm) **for major infrastructure projects?  Why didn't the Writer receive a response from the   
  Prime Minister's Office to his request** [**Letter to the Prime Minister dated 20 Jan 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Prime_Minister\Letter_to_Anthony_Albanese_20-Jan-2023.htm) **that chronicled '**[**16 Reasons**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Prime_Minister\Letter_to_Anthony_Albanese_20-Jan-2023.htm)**' to appoint the productivity Commission to audit *at arm's length* where the six States sought to expend** [**the 46% funded by the Commonwealth Govt**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CommGovtFundingStates\Part_1.Overview.htm)**.**
* [**Federal Infrastructure Minister, Catherine King**](https://www.canberratimes.com.au/story/8412995/infrastructure-review-finds-billions-in-cost-pressures/)**,** [**recently said on ABC Radio National that the investment pipeline, which had increased from 150 to 800 projects under the previous government, had not been managed well. "It is simply just not sustainable for the pipeline to continue the way that it is after a decade of being used for political purposes....**](https://www.canberratimes.com.au/story/8412995/infrastructure-review-finds-billions-in-cost-pressures/)"
* [**The NSW budget deficit is on track to widen to almost $2 billion by 2026-27, according to a Treasury warning handed to the Minns Labor government as it weighs up how to rein in spending in its first budget next month**](https://www.afr.com/politics/nsw-deficit-to-blow-out-to-2b-treasury-20230823-p5dyrx)**.** - AFR - 24 Aug ‘23
* [**Taxes up, debt rising: Victoria’s finances are teetering above an abyss**](https://www.theage.com.au/politics/victoria/taxes-up-debt-rising-victoria-s-finances-are-teetering-above-an-abyss-20230522-p5dacg.html)- The Age – 23 May 23

**QUESTION TO ROSS GITTINS, OR ANY OTHER 'SMH' OR 'THE AGE' JOURNALIST  
Do you know someone with an understanding of** [**Australia's Constitution**](https://www.aph.gov.au/constitution) **(a Constitutional lawyer), in particular the following four Sections, that would earnestly like a halt to the rampant waste of our six States'** [***Public Purse***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm)**on predominately un-costed rail infrastructure projects, too often prompted by** [***pork-barreling***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Pork\pork-barrelling.htm) **/** [**grey crime**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\GrattanInstitute\‘Grey_corruption’_cuts_our_living_standards.htm)**? *-* chronicled in** [**Annexure A**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Annexure_A.htm)

**This** [**Writer**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm) **believes that the below four sections of the Australian Constitution obligate the Commonwealth Govt. to legislate to thereby enact tangible audit protocols to ensure that our six States are not further wasteful of the** [**46% *circa* of Australia’s six States annual revenue expenditure**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CommGovtFundingStates\Part_1.Overview.htm) **from the Commonwealth Govt.**

[**SECT 51.  Legislative powers of the Parliament**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter1/Part_V_-_Powers_of_the_Parliament)

The Parliament shall, subject to this Constitution, have power[**12**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/Notes#note-12) **to make laws for the peace, order, and good government of the Commonwealth with respect to**:

(i)         trade and **commerce with other countries, and among the States;**

(xxxiv)**railway construction and extension in any State** with the consent of that State;

[**Chapter IV. Finance And Trade**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter4)

[**SECT 96.  Financial assistance to States**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter4)

During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, **the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit**.

[**SECT 97.  Audit**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter4)

Until the Parliament otherwise provides, the laws in force in any Colony which has become or becomes a State with respect to the receipt of revenue and the expenditure of money on account of the Government of the Colony, **and the review and audit of such receipt and expenditure, shall apply to the receipt of revenue and the expenditure of money on account of the Commonwealth in the State in the same manner as if the Commonwealth, or the Government or an officer of the Commonwealth, were mentioned whenever the Colony, or the Government or an officer of the Colony, is mentioned.**

[**SECT 98.  Trade and commerce includes navigation and State railways**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter4)

The power of the Parliament **to make laws with respect to trade and commerce extends to** navigation and shipping, and to **railways the property of any State**.

A seminal July 2009 publication"[**6. Evaluating major infrastructure projects: how robust are our processes?**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Evaluating_major_infrastructure_projects_ProdComm.htm)- Henry Ergas and Alex Robson ([**now Acting Chair**](https://www.pc.gov.au/about/people-structure/commissioners/alex-robson)) **-** ([**largely republished on the Productivity Commission website**](https://www.pc.gov.au/research/supporting/strengthening-evidence/08-chapter6.pdf)in Aug 2009) as[**THE SOCIAL LOSSES FROM INEFFICIENT INFRASTRUCTURE PROJECTS: RECENT AUSTRALIAN EXPERIENCE**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\SSRN-id1465226.pdf) offered for the Commonwealth[**Productivity Commission**](http://www.pc.gov.au/)to be [a ***"centre of excellence or reference for cost–benefit analysis within the Australian Government***](https://muggaccinos.com/StateGovtRailInfrastructure/ProductivityComm/CentreOfExcellence.jpg)**..."** ([**bottom of page 162**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\ProductivityCommission_08-chapter6.pdf)**)** because that [**Productivity Commission**](http://www.pc.gov.au/) [**published paper in Aug 2009**](https://www.pc.gov.au/research/supporting/strengthening-evidence/08-chapter6.pdf) contended that Australia's six States no longer retained the expertise to require/complete and then appraise a[**Conforming Cost-Benefit Analysis**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Conforming_Cost-Benefit_Analysis.htm)for each proposed transport infrastructure project.

Below are significant extracts from [**THE SOCIAL LOSSES FROM INEFFICIENT INFRASTRUCTURE PROJECTS: RECENT AUSTRALIAN EXPERIENCE**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\SSRN-id1465226.pdf)**:**

"We are not optimistic that changes to cost–benefit analysis processes alone can

counteract **"**[**..these powerful trends**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\CentreOfExcellence.jpg)[..](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm)" Nonetheless, we think three changes would have

merit:

•    a requirement for all cost–benefit analyses to be disclosed that would also  
      highlight which projects had not been subjected to economic project evaluation

•    far greater and systematic auditing of cost–benefit analyses, both at the stage of  
      the financing decision and post-project completion. In contrast, there is little or  
      no such audit currently, and in many instances, cost–benefit analyses are not  
      even updated, maintained or properly archived after the initial ‘go/no go’   
      decision is taken.

•   **the establishment of a centre of excellence or reference for cost–benefit analysis  
      within the Australian Government, preferably in an independent entity, such as  
      the Productivity Commission**."

Below are extracts re **"**[**... these powerful trends...**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\CentreOfExcellence.jpg)**"**(referred to just above extract) that patently troubled Messrs Ergas and Alex Robson back in 2009:

“We outline some major trends in transport cost–benefit analysis in Australia, including those resulting from the creation of the **Building Australia Fund** and the establishment of **Infrastructure Australia** as a policy advisory body. To assess the quality of the evaluation processes, we undertake a detailed analysis of the east–west rail project in Victoria.

Although that project involves several components, some of which are not now proceeding (or have been deferred), it remains extremely large **and has now received very substantial funding from the Commonwealth. However, this is a project which, even in its sponsor’s cost–benefit analysis, had benefits that were not far above costs. Our examination of that cost–benefit analysis in the longer version of the paper raises a number of concerns, including double-counting of benefits and substantial difficulties with the approach the cost–benefit analysis adopts to the calculation of the project’s ‘wider economic impacts’ (essentially, pecuniary externalities associated with the project).”**

**Section 6.2 Telecommunications** in Henry Ergas and Robson in 2009 paper ([**still published on the Productivity Commission website**](https://www.pc.gov.au/research/supporting/strengthening-evidence/08-chapter6.pdf)) chronicles the frightful waste of the [***Public Purse***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm) by the both the Federal Govt and State Govts on Telecommunications seemingly predicated on associated mega expenditure being a *Vote Winner*:

Below are a few extracts:

"Second, the Australian Government engaged in a wide range of spending programs (with appropriations totalling close to $4 billion, in 2008 prices) aimed at promoting service upgrading, usually in regional areas, and implemented an ever broader and more draconian range of quality of service regulations.

**None of these spending initiatives or quality of service regulations were ever subjected to proper cost–benefit analysis (or if such analysis was undertaken, it was never disclosed)**. However, an analysis by one of the authors found that in 1999 the total benefits associated with addressing claimed service quality problems (including in terms of consumer gains and network-related cost savings) were between $644 million and   
$713 million in present value terms over the length of the project life. **These benefits were outweighed by the costs which (again in present value terms) were estimated at $1387 million over the project life (Ergas and Hardin 1999).**

**The lack of attention to systematic evaluation of the costs and benefits of policy initiatives has continued under the Rudd Government. The Minister for Broadband, Communications and the Digital Economy, Senator Stephen Conroy, when asked by the opposition whether a cost–benefit study of the proposed expenditure had been carried out, said (according to a report in the Communications Day of 13 May 2009), that there was ‘no need’ for such a study**, as ‘Labor’s commitment to build a high speed broadband network has been clear … A range of studies have been carried out all over the world that have investigated the economic impact of broadband.’ (Bartholomeusz 2009)

**"Conclusions on telecommunications**

In short, under both the Howard and Rudd governments, important telecommunications decisions have been made **without formal, transparent assessment of costs and benefits**. Our review — both of the quality of service regulations implemented by the previous government, and of the proposed NBN — **suggests such an assessment would conclude that the policies at issue impose costs than exceed the relevant benefits**."

**"Together, these trends risk making cost–benefit analysis merely a box to be ticked, rather than an exercise that has real value, not least to government itself."**

How then can one of the two authors of the above 2009 convincing paper (39 pages long, with over 100 references to collaborating reference documents), namely Alex Robson, recently the Acting Chair, that argued for the Productivity Commission to audit a[**Conforming C-B A**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Conforming_Cost-Benefit_Analysis.htm) [***at arm's length***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\At_arm's_length.htm)for each future significant infrastructure project, now imply in his [**Recent Response Letter to the Writer dated 22 Sept 2003**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter-from_Productivity_Commission_22_Sept-23.jpg) that the above extracts had been a gross exaggeration of conflict of interest, incompetence and wasteful expenditure by State Govts when implementing new infrastructure projects? (Elaborated shortly below.)

The [**Writer's**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm) [**Letter to the Chair of the Commonwealth Productivity Commission dated   
8 Aug 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter_to_Chairperson_8-Aug-2023.htm)(provided on 2 @ DVDs, 2 @ USB Sticks and 4 @ A4 paper), together with his[**Discussion Paper**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Discussion_Paper.htm), explains that (relying upon the afore-mentioned Australian Constitution), the Federal Govt. may legislate to desist Australia's six States on-going rampant waste of the [***Public Purse***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm)by obligating each State to submit a [**Conforming Cost-Benefit Analysis**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Conforming_Cost-Benefit_Analysis.htm)for each proposed rail, road, energy (solar v coal/gas), telecommunications etc infrastructure project to the Commonwealth[**Productivity Commission**](http://www.pc.gov.au/) at least six weeks BEFORE[***Financial Close***](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Financial_Close.htm)for appraisal. Such legislation will initially save $4b *circa* annually and over double that annually after Australia’s six States become more familiar with measuring all the tangible and intangible costs and benefits for each sought after major infrastructure project and applying plausible patronage/usage forecasts and not *Best Guess* *patronage/usage will do!*

[**The Little–Mirrlees rule**](https://documents1.worldbank.org/curated/en/581361468740162733/pdf/multi-page.pdf) suggests that [**the value of proper project appraisal is at least 10 per cent of the value of projects. With Australia spending ever more on infrastructure, these are gains well worth seeking.**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Evaluating_major_infrastructure_projects_ProdComm.htm)

The [**Response Letter from the Acting Chair (Alex Robson )of the Commonwealth Productivity Commission dated 22 Sept '2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter-from_Productivity_Commission_22_Sept-23.jpg) (the same Alex Robson who jointly authored [**THE SOCIAL LOSSES FROM INEFFICIENT INFRASTRUCTURE PROJECTS: RECENT AUSTRALIAN EXPERIENCE**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\SSRN-id1465226.pdf)back in Aug 2009 that the Productivity Commission feverishly endorsed being *a centre of excellence* to appraise future required [**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm)) now evidences a patent disregard for -

(a)    the logical reasons that the Productivity Commission made the afore-mentioned offer to be a [**"...centre of excellence or reference for cost–benefit analysis within the Australian Government**](https://muggaccinos.com/StateGovtRailInfrastructure/ProductivityComm/CentreOfExcellence.jpg)...." back in August 2009; and

(b)    the very reason the offer was made in 2009 have grossly magnified, whereupon Australia's two largest State Govt's finances are on the edge of financial collapse predominately due to uncosted major rail infrastructure projects and associated tunnelling costs, with not an iota of patronage usage.

The [**Response Letter from the Acting Chair**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter-from_Productivity_Commission_22_Sept-23.jpg) failed to explain that it understood what this [**Writer**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm) has recently beseeched the Productivity Commission to action, namely to audit future   
[**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm)to be submitted by Australia's six states because the afore-mention four Sections of the Commonwealth Constitution legally obligate the Commonwealth Govt "... **to make laws with respect to trade and commerce extends to** navigation and shipping, and to **railways the property of any State".**

The [**Response Letter from the Acting Chair**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\Chairperson\Letter-from_Productivity_Commission_22_Sept-23.jpg) cited a further [**Review by the** **Productivity Commission in May 2014**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\infrastructure-overview.pdf)**.** It is a pity the P.C neglected to consider the cautionary thoughts of Henry Ergas in his [**Submission to the Productivity Commission inquiry into infrastructure costs**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\sub087-infrastructure.pdf) dated Jan 2014, in particular his [**Section** **4.3.**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Henry_Ergas\4,3__Enhancing_the_quality_and_management_of_investment_decisions.htm)[**Enhancing the quality and management of investment decisions**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Henry_Ergas\4,3__Enhancing_the_quality_and_management_of_investment_decisions.htm)**.** Below is an extract from Section 4.3 (item 12) of Henry Ergas 2014 Submission to the Productivity Commission that identifies costly flaws in current State expenditure on infrastructure and deficiencies by the conflicted [**Infrastructure Australia**](https://www.infrastructureaustralia.gov.au/):

12.          Major investment decisions with respect to the road network (and the passenger rail network) are taken by State and Territory governments. In so far as those decisions rely on Commonwealth funding, **they are subject to processes operated by Infrastructure Australia. Weaknesses in these decisions include:**

·         These mega- projects **are especially vulnerable to unduly optimistic cost and demand estimates**.

·         It also undermines the integrated planning of the road network, notably in urban areas, **by encouraging a focus on major projects** rather than on the network as a whole.

·         The resulting inefficiencies **are aggravated by the poor quality of project evaluation**:

o    There are many technical deficiencies in project evaluation, **including sloppy use of ‘wider economic benefits’ to get questionable projects over the line, and incorrect setting of discount rates**.

o    Additionally, the discount rates used do not properly incorporate a mark-up for optimism bias and other distortions in public sector decision-making. The extent of that mark-up should reflect the option value of deferring investment, which in turn depends on the extent to which updated cost and demand information could lead to a reconsideration of the timing and extent of investment.

o    **There is little quality control of project evaluations, and Infrastructure Australia has had only a modest impact in this regard**.

o    **Too few evaluations are made fully public, and even when they are, they are not released in a form that would facilitate third party analysis**.

o    **Evaluations are rarely updated in the course of the project’s progress, meaning too little attention is paid to the desirability of terminating or postponing projects should costs rise or expected demand fall.**

o    **No Australian government has in place adequate processes for *ex post* review of cost-benefit studies, with the result that the scope to learn from experience is forgone.**

·         **As well as major projects going ahead when they should not, the result of poor quality project evaluation is that planners rarely take proper account of uncertainty.**

**The Australian Constitution:  
►** [**SECT 51 and SECT 98**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\sect_51,96,97,98.htm) **provides for the Australian Parliament to make laws regarding States expenditure on "...**[**railways the property of any State**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s98.html)"**; and   
►** [**SECT 97 'Audit'**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\sect_51,96,97,98.htm) **requires the Commonwealth Govt to evidence that**'**Financial assistance to States**' **is expended cost-effectively** 

[**SECT 96** '**Financial assistance to States**](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CONSTITUTION;id=constitution/constitu/constitution96.doc;query=Id:%22constitution/constitu/constitution114.doc%22)' of the Australian Constitution allows the Commonwealth Parliament to make financial grants to the States predicated "**...on such terms and conditions as the Parliament thinks fit**....".  Due to the magnitude of the on-going annual tax payer wastage evident in [**Annexure A**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Annexure_A.htm) and hereunder**,** [**SECT 96**](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CONSTITUTION;id=constitution/constitu/constitution96.doc;query=Id:%22constitution/constitu/constitution114.doc%22) behooves the Commonwealth Govt. to '*Centralise*' responsibility for measuring, quantifying and ranking all proposed infrastructure projects with forecast *Capex* >$20m upon the Commonwealth [**Productivity Commission**](http://www.pc.gov.au/)**.**

Below are the two aforementioned sections of the Australian Constitution (SECT 51, SECT 97 and SECT 98) that obligate the Commonwealth Govt to enact new laws to '*Centralise*' responsibility to ensure that all future major State infrastructure projects are robust and cost-effective and do not waste the Commonwealth Govt's [***Public Purse***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm):

[**SECT 51(i) of the Australian Constitution enables the Parliament of Australia to make laws with respect to**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter1/Part_V_-_Powers_of_the_Parliament):

**"trade and commerce with other countries, and among the States**;"

[**SECT 51(xxxiv)**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter1/Part_V_-_Powers_of_the_Parliament)[**of the Australian Constitution enables the Parliament of Australia to make laws with respect to**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter1/Part_V_-_Powers_of_the_Parliament)

**"railway construction and extension in any State with the consent of that State;"**

[**SECT 97. Audit**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter4)

**"Until the Parliament otherwise provides, the laws in force in any Colony which has become or becomes a State with respect to the receipt of revenue and the expenditure of money on account of the Government of the Colony, and the review and audit of such receipt and expenditure, shall apply to the receipt of revenue and the expenditure of money on account of the Commonwealth in the State in the same manner as if the Commonwealth..."**

[**The meaning of trade and commerce is clarified in the below extract of SECT 98 of the Constitution includes navigation and State railways**](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CONSTITUTION;id=constitution/constitu/constitution98.doc;query=Id:%22constitution/constitu/constitution114.doc%22)**:**

**"The power of the Parliament to make laws with respect to trade and commerce extends to navigation and shipping**, **and to railways the property of any State**."

Alas, [**Annexure A**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Annexure_A.htm) is a chronology that the above conflicting **"**[**... these powerful trends...**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\ProductivityComm\CentreOfExcellence.jpg)**"** have increased significantly since 2009 ostensibly due to[***pork-barreling***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Pork\pork-barrelling.htm)***,*** [**grey crime**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\GrattanInstitute\‘Grey_corruption’_cuts_our_living_standards.htm)and bureaucratic incompetence from the likes of former NSW Transport Minister, Andrew Constance.  It lists a veritable welter of evidence of Australia's six States'[**Wasteful, Reckless Major Infrastructure Projects with Material Cost Blowouts and/or Substantial Completion Delays and/or Usage/Patronage Paucity**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Pork\WastefulRecklessMajorInfrastructureProjects.htm)and also[***Pork-barrelling***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Pork\pork-barrelling.htm)that has misspent billions of dollars from both Federal and State[***Public Purses***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm)ostensibly for political gain.

The above annual squandering has increased in more recent years due to a focus on new rail links and our six States not *first-up* preparing/submitting a[**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm)that is audited [***at arm's length***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\At_arm's_length.htm) by a specialist, objective third party, namely the Commonwealth [**Productivity Commission**](http://www.pc.gov.au/)that can draw upon expert determination by[**Accredited Tunnelling and Traffic Patronage Consultants**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Accredited_Tunnel&PatronageConsultants.htm) to opine impartially upon proposed infrastructure project's [**Net Present Value**](https://www.investopedia.com/terms/n/npv.asp)**,** [**Internal Rate of Return**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Internal_Rate_of_Return.htm)and forecast[**Break Even Point**](https://www.business.qld.gov.au/running-business/finance/essentials/break-even-profit#:~:text=Break-even point,-You need to&text=This is the point where,and prepare your business plan.) (when total revenue from tolls or turnover approximates total construction and operating costs).

Australian States submitting (at least six weeks' prior to [**Financial Close**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Financial_Close.htm)) a[**Conforming Cost-Benefit Analysis**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Conforming_Cost-Benefit_Analysis.htm)for appraisal [***at arm's length***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\At_arm's_length.htm)by a specialist, non-conflicted, objective third partywould be a lot cheaper than our six States continuing to rush into demolition/construction and learning from often exceedingly costly project management oversights*.*  It would also avoid associated State politicians from embarrassment due to cost blowouts, and/or completion delays and/or patronage paucity.  Prior appraisal by the Commonwealth Productivity Commissionwill enable appreciably more of the[***Public Purse***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm)to be directed to aged care, child care, youth allowance, teachers, nursing*,* flood relief, road repairs*,* homeless accommodation *et al.*

The ***problem* (**[***pork-barreling***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Pork\pork-barrelling.htm) **/** [**grey crime**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\GrattanInstitute\‘Grey_corruption’_cuts_our_living_standards.htm) **/** conflicted or reckless Govt decision making) is *deep rooted, unfair, wasteful* and *longstanding*.  The ***solution*** is *swift, simple* and *steadfast* because the[**Australian Constitution**](https://www.aph.gov.au/constitution)obligates decisive corrective redress when the Commonwealth provides taxation revenue to the six States.

Below are extracts from SMH [**Taxpayers lose out when governments rush transport projects**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\SMH_TheAge\taxpayers_lose_out_when_governme.htm)- July 6, 2021 - that support the SMH article's title:

**"**[**Grattan Institute research**](https://grattan.edu.au/report/megabang-for-megabucks/) shows that 28 per cent of major infrastructure projects – those valued at $1 billion or more – end up costing more than governments claimed when contracts were signed, **and when they do the average blowout is more than $600 million.** The price of a quick political win is often a long, slow and unnecessary budget sink.

When governments pursue risky infrastructure projects, **they must at least set themselves up for success by doing adequate planning and discovery. Failing to do so only leads to expensive mistakes that could have been dealt with far more cheaply at the project’s conception.**

**In Sydney, the**[**NSW Auditor-General**](https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2016_Nov_Report__CBD_and_South_East_Light_Rail_Project_0.pdf)**criticised the CBD and South East Light Rail project’s “inadequate planning and tight timeframes”, after the construction company claimed the government failed to pass on crucial information about underground conditions. In June 2019, the NSW government paid the contractors an extra $576 million in compensation.**

Cost increases caused by rushing to market may mean that the cost-benefit equation used to justify building the project in the first place no longer stacks up. As Grattan Institute has shown, cost overruns are [**far more likely**](https://grattan.edu.au/report/the-rise-of-megaprojects-counting-the-costs/) than cost underruns, and this is particularly the case when projects are rushed.

What can be done to break this costly habit of rushing megaprojects to market? **Instead of grasping for votes, governments need to assess projects on their merits and only fund those that can withstand scrutiny. Problems often arise due to site conditions, such as contaminated soil. Governments should do better discovery of underground conditions prior to building, and should certify these results to potential bidders.** Where it is economical to reduce future risks and costs, governments should also conduct more early work on sites.

**Governments have a responsibility to spend public money wisely. Rushing into political projects or “nation building” megaprojects neglects this responsibility. To get value for money on transport projects, we need governments to go back to basics – to plan, prepare and justify before a shovel even hits the dirt."**

The below extracts from SMH article [**State debts growing faster than federal as infrastructure pipeline extends**](https://muggaccinos.com/StateGovtRailInfrastructure/SMH_TheAge/state_debts_growing_faster_than_federal_as.htm)- Feb 27, 2023 - (listed my [**Annexure A**](http://muggaccinos.com/StateGovtRailInfrastructure/CBA/Annexure_A.htm)) chronicle that some of Australia's State Govt’s have more recently run up massive debts on rail and road transport infrastructure projects, often involving significant deep, long tunnelling.  Rarely has any effort been made to learn if passenger patronage of associated new trains and/or tolls paid by vehicles ‘*will get within a bull’s roar’* of the associated massive construction costs.

"**Cumulatively, the states and territories have budgeted to spend $319 billion on infrastructure between 2023 and 2026. That is 37 per cent up on the previous four years and about the same amount the federal government spent on dealing with the COVID-19 pandemic.**

**S&P said an element of the spending was being driven by elections, noting Victorians went to the polls late last year while NSW voters will cast their ballots next month.**

“Infrastructure spending is politically attractive. Elected officials get to announce projects they say will bust congestion and shorten commuting times,” the agency said.

**Victoria and NSW are on track to hold about $220 billion in debt each by 2026. This year, Victoria is expected to hold about $170 billion in debt while NSW is forecast to hold about $160 billion."**

Extracts from SMH [**What’s happened to Albanese’s infrastructure agenda?**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\SMH_TheAge\whats-happened-to_Albanese_infrastructure.htm) -May 14, 2023 - evidence that both the Commonwealth and State Govts are finally realising that mega-transport infrastructure projects end up costing a *LOT* more than initially forecast and take a *LOT* longer to complete.  Alas, governments still know zilch about forecasting commuter/passenger patronage that are required to repay the massive construction and ongoing operating costs, if the project is to achieve a positive [**Net Present Value**](https://www.investopedia.com/terms/n/npv.asp):

"Victorian Premier Daniel Andrews has delayed [**two of his state’s most high-profile transport projects**](https://www.smh.com.au/link/follow-20170101-p5d1pp) – Melbourne Airport Rail and Geelong Fast Rail – while the NSW government last year mothballed several big projects including the [**Beaches Link and the second stage of the Parramatta light rail**](https://www.smh.com.au/link/follow-20170101-p5app7).

The uncertainty sparked federal Infrastructure Minister, Catherine King, to this month order a [**snap 90-day review of $120 billion worth of projects over the next 10 years**](https://www.smh.com.au/link/follow-20170101-p5d7cu).

She promised the $120 billion would be kept on a rolling 10-year basis, **but said each project would be assessed to determine whether it was “fit for purpose”.**

Grattan Institute seasoned/committed/capable Transport and Cities Director, Marion Terrill's below comments ([**in the above SMH article - May 14, 2023**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\SMH_TheAge\whats-happened-to_Albanese_infrastructure.htm)) appear imprecise:

“It’s quite common for politicians to make promises in the heat of an election campaign,” she says, adding that **there should be some kind of process that then assesses whether the projects are viable.**

The "**...kind of process...**" is [**Infrastructure Australia**](https://www.infrastructureaustralia.gov.au/) assisting the relevant State Govt prepare a [**Conforming Cost-Benefit Analysis**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Conforming_Cost-Benefit_Analysis.htm)that includes a robust [**Base Case Financial Model**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Comms\..Defined_Terms\base_case_financial_model.htm)thatis audited [***at arm's length***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\At_arm's_length.htm)by a specialist, objective third party, *id est* the Commonwealth [**Productivity Commission**](http://www.pc.gov.au/)**,** that can draw upon[**Expert Determination by Accredited Tunnelling and Traffic Patronage Consultants**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Accredited_Tunnel&PatronageConsultants.htm)toopine upon each proposed infrastructure project's[**NPV**](https://www.investopedia.com/terms/n/npv.asp)**,** [**Internal Rate of Return**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Internal_Rate_of_Return.htm)and the forecast[**Break Even Point**](https://www.business.qld.gov.au/running-business/finance/essentials/break-even-profit#:~:text=Break-even point,-You need to&text=This is the point where,and prepare your business plan.)(when revenues received approximate costs incurred).

NSW Transport's philosophy for expending zillions of the [***Public Purse***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm) under former Minister for Transport and Infrastructure, Andrew Constance, was [***build it and they will come***](https://www.domain.com.au/news/build-it-and-they-will-come-eventually-20120203-1qxjo/), and [***just-turn-up-and-go***](https://www.facebook.com/TransportForNSW/posts/just-turn-up-and-gosydney-metro-means-new-air-conditioned-metro-trains-every-fou/769921959832452/)*.* Don't worry about a [**Business Case**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Business_Case.htm), if there are votes in it, we'll build it.  When that idiocy began to come to the fore [**Andrew Constance abandoned his party in Sept 2021 to prey upon winning a Federal Seat.**](https://www.abc.net.au/news/2021-10-03/nsw-transport-minister-andrew-constance-quits-state-politics/100510476)The [**electoral division of the Federal seat of Gilmore**](https://www.aec.gov.au/profiles/nsw/gilmore.htm) was abreast of Mr. Constance's economic-less, financial judgement and opted not to elect him.

**Question/Request:**If you know someone with an understanding of [**Australia's Constitution**](https://www.aph.gov.au/constitution), in particular the above listed four Sections in [**Annexure B**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Annexure_B.htm), that would earnestly like a halt to the rampant waste of our six States' [***Public Purse***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Public_Purse.htm)on un-costed transport infrastructure projects too often prompted by [***pork-barreling***](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Pork\pork-barrelling.htm) / [**grey crime**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\GrattanInstitute\‘Grey_corruption’_cuts_our_living_standards.htm) (chronicled in [**Annexure A**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CBA\Annexure_A.htm)), would you pass on a DVD and/or USB stick, an A4 of this letter and the Instruction Page to access this letter by DVD or USB Stick.  Would you ask him/her to opine on my belief that [**Four Sections of the Constitutions**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\Defined_Terms\Annexure_B.htm)(and perhaps other Sections) obligate the Commonwealth Govt. to legislate to enact tangible audit protocols, that involve the Commonwealth Productivity Commission being appointed *The Gatekeeper* (explained herein), to ensure that our six States are not further wasteful of the[**46% *circa* of Australia’s six States annual revenue expenditure**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\StateGovtRailInfrastructure\CommGovtFundingStates\Part_1.Overview.htm)from the Commonwealth Govt?

Yours sincerely



Philip Johnston