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[**Defined Terms and Documents**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CDefined_Terms.htm)[**Discussion Paper**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDiscussion_Paper_31-Mar-21.htm)[**Written Question With Notice**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCommGovtFundingStates%5CWritten_Question_for_Question_Time.htm)[**Annexure A**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm)

31 March 2021

Jim Chalmers MP                                    **jim.chalmers.mp@aph.gov.au****07 3299 5910**

Federal Labor Member for Rankin

Shadow Treasurer

PO Box 349, Woodridge, QLD 4114

Dear Mr. Chalmers,

**The** [**Writer**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CWriter%5CThe_Writer_.htm) **has drafted a** '[**Written Question With Notice' in Question Time directed to the Federal Treasurer**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCommGovtFundingStates%5CWritten_Question_for_Question_Time.htm) **for the Shadow Treasurer to place in the** [**House Despatch Box**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CRoleOfGovt%5CHouse_Despatch_Box.jpg)

**In 2009, a landmark Productivity Commission paper** [**6. Evaluating major infrastructure projects: how robust are our processes?**](https://www.pc.gov.au/research/supporting/strengthening-evidence/08-chapter6.pdf) **-**

**A.   identified concerns about Australia's six States incapacity to undertake robust
Cost-Benefit Analysis for prospective transport and communications infrastructure projects; and**

**B.   offered** "[***to be a centre of excellence for cost–benefit analysis within the Australian Government***](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CProductivityComm%5CCentreOfExcellence.jpg)"

**Since that offer,** [**Annexure A**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm) **evidences that billions of taxpayer funded dollars have been squandered annually on poorly planned and inadequately appraised *State 'rail infrastructure projects'* across Australiaresulting in cost blowouts, completion delays and usage/patronage paucity**[**.**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm)

**\*** [**SECT 51(i)**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s51.html) **and** [**SECT 98**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s98.html) **of the Australian Constitution behoove the Commonwealth Govt to enact legislation to '*Centralise*' responsibility upon the most skilled Commonwealth Govt agency at evaluating *'what are and what are not cost-effective rail infrastructure projects'*, by legislating that the six States must submit (to the** [**Productivity Commission**](http://www.pc.gov.au/) **in ample time prior to Financial Close) a** [**Conforming Cost-Benefit Analysis**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CConforming_Cost-Benefit_Analysis.htm) **for all proposed rail infrastructure projects with forecast *Capex* that exceeds $20,000,000**

**\*     For those rail infrastructure projects over $100,000,000 *Capex*,** **the Productivity Commission** **would, *at arm's length,* allocate a score out of 100 points on the pertinent** [**Conforming Cost-Benefit Analysis**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CConforming_Cost-Benefit_Analysis.htm)

[**Chapter IV. Finance And Trade of the Constitution of Australia**](https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Constitution/chapter4), in particular [**SECT 96 'Financial assistance to States'**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s96.html)**,** authorises the Commonwealth Parliament to "...grant financial assistance to any state on such terms and conditions as the Parliament sees fit."

*Ipso facto*, because of the many billions of dollars of cost blow outs upon rail infrastructure funded partially from fiscal grants from the Federal Government (to the States) in recent years under [**SECT 96 'Financial assistance to States'**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s96.html), obligations under the below [**SECT 51(i)**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s51.html) and in particular [**SECT 98**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s98.html) of the Australian Constitution, compel the Commonwealth Govt to enact new laws to '*Centralise*' *an arm's length* responsibility to the most skilled Commonwealth Govt agency at evaluating what are and what are not cost effective rail infrastructure projects, by legislating that the six States must submit a [**Conforming Cost-Benefit Analysis**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CConforming_Cost-Benefit_Analysis.htm) (to the Productivity Commission  in ample time prior to [**Financial Close**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CFinancial_Close.htm)) for each future rail infrastructure project with projected *Capex* that exceeds $20,000,000**.**

Enacting new laws to '*Centralise*' *an arm's length* responsibility to a ***Gatekeeper***, namely the Productivity Commission will -

a)      save the various States' *Public Purse* at least $1,000,000,000 annually, and

b)      materially reduce embarrassment that befalls State Premiers, Deputy Premiers and Transport Ministers when significant cost blowouts and project delays ([**Annexure A**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm)) are exposed in Australia's free press.

The [**Writer**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CWriter%5CThe_Writer_.htm) has recently expended over 100 hours preparing a [**Discussion Paper**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDiscussion_Paper_31-Mar-21.htm) seeking the aforementioned two bullet points be legislated by the Commonwealth Govt.  His [**Discussion Paper**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDiscussion_Paper_31-Mar-21.htm)commenced by -

a)      informing that [**the Writer, worked for CBA for 37 years; the latter half in
infrastructure finance**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CWriter%5CThe_Writer_.htm); and

b)      listing a welter of **'critical reports' and 'fault finding newspaper articles' that chronicle that billions of taxpayer funded dollars have been squandered annually on poorly planned and inadequately appraised *'rail infrastructure projects'* resulting in cost blowouts, completion delays and usage/patronage paucity -** in [**Annexure A**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm)**.**

The [**Writer's**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CWriter%5CThe_Writer_.htm) [**Discussion Paper**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDiscussion_Paper_31-Mar-21.htm) -

A)      informs that[**Australian Government financial payments effectively support about 46 per cent of Australia's six states' annual fiscal revenue expenditure**. **"In aggregate, the States were estimated to receive Australian Government payments of $127.4 billion in 2019–20"**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCommGovtFundingStates%5CCommonwealthGovtFundingStates.pdf);

B)      contends that, pursuant to [**SECT 51(i)**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s51.html)and[**SECT 98**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s98.html)of the Australian Constitution, the Commonwealth Govt is obligated to enact legislation to '*Centralise*' responsibility upon the most skilled Commonwealth Govt agency at evaluating/quantifying *'what are and what are not cost-effective rail infrastructure projects'*, by legislating that the six States must submit (to the [**Productivity Commission**](http://www.pc.gov.au/) in ample time prior to Financial Close) a [**Conforming Cost-Benefit Analysis**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CConforming_Cost-Benefit_Analysis.htm)for all proposed rail infrastructure projects with forecast *Capex* that exceeds $20,000,000; and

C)      seeks the Productivity Commission to *inter alia* 'score/rank' all [**Conforming Cost-Benefit Analysis**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CConforming_Cost-Benefit_Analysis.htm) for allproposed rail infrastructure projects with forecast *Capex* that exceeds $100,000,000, relying upon [**SECT 98**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s98.html)of the Australian Constitution.

His [**Discussion Paper**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDiscussion_Paper_31-Mar-21.htm)finishes by asking the below two Questions:

1.      How much of the [**$120 billion p.a. *circa* that the Commonwealth Govt has more recently funded to the States annually**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCommGovtFundingStates%5CCommonwealthGovtFundingStates.pdf) would have been better expended, had the
Commonwealth Govt. accepted back in 2009 the [**Productivity Commission's**](http://www.pc.gov.au/)offer to be ***"***[***a centre of excellence for cost–benefit analysis within the Australian Government***](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CProductivityComm%5CCentreOfExcellence.jpg)***"***?

2.       Had the Productivity Commission been so appointed, would it have -

           i)      challenged the rationale/economics/logic of providing a juxtaposed second rail system
 between Circular Quay and Central Railway;

           ii)     recommended that George Street be restricted to Govt buses only by diverting all cars etc to nearby roads, seemingly at about 10% of the cost of the CSELR light rail provision and operating costs over the next 50 years; and

           iii)    asked TfNSW to provide the annual patronage forecasts (at least over 20 years of Operations) that calc'd that CSELR would achieve [**almost $4 billion worth of benefits**](http://muggaccinos.com/StateGovtInfrastructureProjects/EastSydneyLightRail/LeglislativeCouncil_SydneySW_light_rail_investigation.htm)?

The [**Writer's**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CWriter%5CThe_Writer_.htm)  [**Annexure A**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm) evidence that the below forecasts that Henry Ergas and Alex Robson made back in2009 in the Productivity Commission paper "[**6.  Evaluating major infrastructure projects: how robust are our processes?**](https://www.pc.gov.au/research/supporting/strengthening-evidence/08-chapter6.pdf)at **6.4 Conclusions** have eventuated:

"Overall, our review suggests the following conclusions:

i)     **Insufficient attention is paid in the evaluation process to options that would avoid investment, or, more broadly, that would focus on securing greater efficiency from the existing capital stock. Simply put, infrastructure investment appears to be viewed as a benefit, rather than a cost.**

ii)    **The distortions arising from this undesirable narrowing of the range of options considered are then compounded by evaluations that are too vulnerable to ‘*fudge factors*’. In a Gresham’s law of evaluation, bad evaluations (often by consultants) can drive out good**, given that they trade at equal values.

In our view, **these outcomes are driven by governments that see little real value in major project evaluation**. They may see merit in evaluation of essentially routine decisions (such as the decision to place a new roundabout or improve a road surface) or in cost-effectiveness analysis of the options available for meeting predetermined goals (such as improving bus transit in a congested area), **but not in the full analysis of objectives and options (including the option of not spending taxpayers’ money).** This, we argue, reflects the impact of a perception (initially due to strong economic growth, and then to a belief that the global financial crisis justifies greatly increased outlays) **that public funds have a negligible opportunity cost.** This perception has been accentuated **by the growing blurring of accountability in the Australian federation, which reduces the budget disciplines on the States, and the blurring also of responsibility for financing infrastructure as between the public and private sectors (which, whatever its other merits, increases the return to rent-seeking deals between governments and private infrastructure developers).  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."**

**Conclusion**

The Australian Constitution, specifically [**SECT 98**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s98.html)**,** obligate the Commonwealth Govtto enshrine in legislation B) and C) above.  [C](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm)ritical reports and fault-finding newspaper articles([**Annexure A**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCBA%5CAnnexure_A.htm)), in particular[**The Social Losses from Inefficient Infrastructure Projects: Recent Australian Experience**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CProductivityComm%5CSSRN-id1465226.pdf)**,** chronicle thatAustralia's States do not possess the specialist skills to appraise
[**Cost-Benefit Analysis**](https://www.projectmanager.com/blog/cost-benefit-analysis-for-projects-a-step-by-step-guide) which includes a robust [**Base Case Financial Model** t](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5Cbase_case_financial_model.htm)hat forecasts future costs/revenues to calc *inter alia* the [**Net Present Value**](https://www.investopedia.com/terms/n/npv.asp) and an [**Internal Rate of Return**](https://www.investopedia.com/terms/i/irr.asp)**.**In 2009 the Productivity Commission offered to be***"***[***a centre of excellence for cost–benefit analysis within the Australian Government***](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CProductivityComm%5CCentreOfExcellence.jpg)***".***

**Request**

To avoid $1,000,000,000 *circa* of the Commonwealth *Public Purse* being further wasted annually by the States on rail infrastructure projects, the [**Writer**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CWriter%5CThe_Writer_.htm) welcomes your thoughts on his afore-mentioned proposal for the Commonwealth Govt to legislate, pursuant to [**SECT 98**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s98.html)and obligated under [**SECT 96** '**Financial assistance to the States**](http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/coaca430/s96.html)' of the Australian Constitution, specifically **"...**on such terms and conditions as the Parliament thinks fit....", that the –

I.)      Australian State submit a [**Conforming Cost-Benefit Analysis**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDefined_Terms%5CConforming_Cost-Benefit_Analysis.htm) for eachproposed rail infrastructure project with forecast *Capex* beyond $20,000,000 to in independent ***Gatekeeper***, namely the Productivity Commission; and

II.)     the Productivity Commission publish a detailed analysis for all proposed rail infrastructure projects with forecast *Capex* beyond $100,000,000.

Seemingly pursuant to [**Infosheet 1**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CRoleOfGovt%5CInfosheet_1__Questions.htm)and[**Question Time - Chapter 15**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CRoleOfGovt%5CQuestion_Time__Chapter_15.htm), this could start by the Shadow Treasurer placing in the[**House Despatch Box**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CRoleOfGovt%5CHouse_Despatch_Box.jpg)a '[**Written Question With Notice'** directed to the Federal Treasurer](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CCommGovtFundingStates%5CWritten_Question_for_Question_Time.htm)**.**  It would likely be in A4 hardcopy, and also on CDs and USB Sticks to facilitate navigation of information relied upon, in particular the [**Discussion Paper**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CDiscussion_Paper_31-Mar-21.htm).

This should have the support of [**former top NSW rail executive Dick Day**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CSMH%5C%244_bil_blowout_puts_Sydneys_transport_plans_on_the_line.htm), and **Greens MP,** [**Mehreen Faruqi, who has a doctorate in engineering who first alerted to the prospect for costs claims by Acciona and also former director of Professionals Australia, Paul Davies**](https://www.smh.com.au/national/nsw/how-did-gladys-make-such-heavy-work-of-light-rail-20180629-p4zohz.html), as well as [**Ron Christie, former Co-ordinator-General of NSW Rail.**](file:///C%3A%5CUsers%5Cscribepj%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CSMH%5CGridlocked_and_unworkable%27_Dire_warning_for_Sydney%27s_trains.htm)

Yours sincerely



Philip James Johnston