Unit 5, 13-15 Stokes StLane Cove North NSW  2066

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Ms Kylea Tink

Independent Federal Member for North Sydney

Level 10/2 Elizabeth Plaza

North Sydney NSW 2060

Dear Ms Tink

[**Annexure A**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CCBA%5CAnnexure_A.htm) **chronicles a 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%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CPork%5CWastefulRecklessMajorInfrastructureProjects.htm) **and also** [**Pork-barrelling**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CPork%5Cpork-barrelling.htm) **that has wasted billions of dollars from both Federal and our States** [***Public Purses.***](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CPublic_Purse.htm)

**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%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CAt_arm%27s_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%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CAccredited_Tunnel%26PatronageConsultants.htm) **to opine upon proposed infrastructure project's** [**Net Present Value**](https://www.investopedia.com/terms/n/npv.asp)**,** [**Internal Rate of Return**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CInternal_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.) **(where total revenue from sales, tolls or turnover approximates total construction and operating costs).**

**The** [**Writer's**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm) [**Letter to the Prime Minister dated 20 Jan 2023**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CPrime_Minister%5CLetter_to_Anthony_Albanese_20-Jan-2023.htm) **(provided on CDs, USB Sticks and A4 paper), together with his** [**Discussion Paper**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDiscussion_Paper.htm), **explains that (relying upon the Australian Constitution) the Federal Govt may legislate to desist Australia's six States on-going rampant waste of the** [***Public Purse***](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CPublic_Purse.htm)**by obligating our States to submit a** [**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/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 that will initially save $4b *circa* annually and over double that annually after Australia’s States become more familiar with measuring all the tangible and intangible costs and benefits for each sought after major infrastructure project, in particular applying plausible patronage/usage forecasts and not *Best Guess* *will do!***

This [**Writer**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm) owns and resides at Unit 5, 13-15 Stokes St, Lane Cove North.  He is attending North Sydney Leagues Club (Tues, 27 June) re **Let's Talk About The Voice**, together with other family members.  One is my sister, Rosemary Marks, who handed out voting slips for you at Artarmon Public School in May last year.

Below are pertinent extracts from your recent email sent Friday, May 12, 2023
'**A Band Aid Budget**'**:**

"As a nation we will not move to a forward focused economy until we have **a government who is truly willing to challenge the status quo** on how revenue is gathered **and generated by our country.**

**Ultimately, our economy needs long term, systemic reform with a focus on driving positive economic activity and increased productivity.  We will not get there simply by managing cost inputs."**

Below are extracts from SMH [**Taxpayers lose out when governments rush transport projects**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CSMH_TheAge%5Ctaxpayers_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%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CSMH_TheAge%5Cwhats-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) 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**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm)that includes a robust
[**Base Case Financial Model**](http://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/base_case_financial_model.htm)thatis audited [***at arm's length***](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CAt_arm%27s_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%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CAccredited_Tunnel%26PatronageConsultants.htm)toopine upon each proposed infrastructure project's[**NPV**](https://www.investopedia.com/terms/n/npv.asp)**,** [**Internal Rate of Return**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CInternal_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* 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%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDefined_Terms%5CBusiness_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 electorate him.

Would you ask at least two people that worked in the financial side of major infrastructure projects for at least five years, but are now retired (or working elsewhere) and therefore hopefully not conflicted in their appraisal, to separately -

a)      read this[**Writer's**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm)[**Letter to the Prime Minister dated 20 Jan 2023**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CPrime_Minister%5CLetter_to_Anthony_Albanese_20-Jan-2023.htm)and his
 [**Discussion Paper**](file:///F%3A%5CDocuments%5CMy%20Web%20Sites%5CMuggaccinos%5CStateGovtRailInfrastructure%5CDiscussion_Paper.htm)**;** and
b)      provide you with at least two A4 pages of written comments and questions.

This[**Writer**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm) will answer in writing to you all questions that you provide to him from the two or more retired or semi-retired people that worked in the financial side of some recent major infrastructure projects.  It is vital that each understands a [**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm), in particular a [**Base Case Financial Model**](http://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/base_case_financial_model.htm)prepared with integrity/veracity, and not reliant upon fanciful construction/operating cost projections and ambitious usage/patronage forecasts.

The major infrastructure companies in Australia (Transurban, John Holland, Lend Lease, Spark Infrastructure, Macquarie Atlas Roads, Brookfield Multiplex, CIMIC Group *et al*) have rarely had it so good.  Hence, it would likely be counterproductive to seek an objective opinion from anyone *presently raking in the bucks* working for, or consulting to, one of the above major players regarding this [**Writer's**](http://muggaccinos.com/StateGovtRailInfrastructure/Writer/The_Writer_.htm) recommendation for legislation for proponents of new large infrastructure projects to provide a [**Conforming Cost-Benefit Analysis**](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Conforming_Cost-Benefit_Analysis.htm) to the [**Productivity Commission**](http://www.pc.gov.au/) at least six weeks prior to [***Financial Close***](https://muggaccinos.com/StateGovtRailInfrastructure/Defined_Terms/Financial_Close.htm).

Yours sincerely



Philip J Johnston