

From: Purcell, John
Sent: Friday, 24 October 2014 2:10 PM
To: Catherine Hull; Malcolm Nicholas
Subject: FW: COMMONWEALTH PAYMENTS FOR INFRASTRUCTURE

Colleagues

In the ACT's Final Submission on the 2015 Methodology Review we raised concerns about the Commission's application of the 50% discount for Commonwealth payments for National Network Roads, including the failure to address the national significance of other transport modes and the lack of an evidential basis for the 50% figure. Consequently, we proposed that, unless a robust method for assessing national benefits from infrastructure projects can be developed, there should be no discounting of the associated Commonwealth payments. This matter was also highlighted by the ACT in earlier submissions.

As part of our preparation for David Nicol's meeting with the Commissioners next week, we have produced the attached spreadsheet, which lists all of the Commonwealth payments to States for infrastructure projects as shown in Budget Paper 3 of the 2014-15 Federal Budget, with the existing and proposed CGC treatments for each item.

This table, in our view, simply serves to highlight the inconsistencies in the way Commonwealth payments for infrastructure are proposed to be assessed (recognising that some of the treatments are specified in the terms of reference for Updates and Reviews issued by the Federal Treasurer). This is a very difficult and contentious subject on which to brief parties on the transparency of the decision making process. It also reflects badly on the concept of fiscal equalisation in the sense that some jurisdictions will never qualify for the big infrastructure items on offer under the different programs.

Treasurer Hockey's recent letter to State Treasurers about the issue of supplementary terms of reference for the 2015 Review (also attached) states that a 50% discount is to be applied to payments for major roads under the Infrastructure Growth Package, again on what basis we do not understand. In our view, such infrastructure under this specific package is not generally of national significance but more attuned to State infrastructure priorities. [Obviously it is a direction which the Commission itself is not required to justify].

Hence we all find ourselves faced with two different federally inspired infrastructure packages each receiving a discount from equalisation but on no common link or rationale.

One implication which can be read into the Federal Treasurer's letter is that no discounting should apply to other Commonwealth payments for infrastructure. The Commonwealth Treasurer has seen fit to apply a discount to one program but not the other. Our view is that, in the absence of an effective method of assessing the national significance of projects on a case-by-case basis, the Commission should work from this assumption and apply 100% equalisation to all payments for State roads under the Infrastructure Investment Programme.

We ask that this email be added to the ACT's final submission as a supplementary item for consideration by the Commission.

Regards

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