

Foreword

As towns and cities grow, pressure on infrastructure increases, from schools and hospitals to utilities and transport. As always, resources available to governments are limited. Prudent choices are therefore essential.

Interviews with government officials and surveys of members of the New Zealand Government Economics Network and the Economic Society of Australia revealed some not inconsiderable disquiet about the use — and non-use — of cost-benefit analysis (CBA) in government decision-making.

Like any analytical tool, CBA can be misused, but it remains the most rigorous method available to assist decision-makers. It is the central tenet of this monograph — supported by survey results — that one practical means of improving quality is to harmonise the framework that is used for CBA in the various Australian and New Zealand jurisdictions. Greater transparency — through publication of all CBA studies commissioned by governments — is an important complement to harmonisation, albeit one requiring a degree of political courage.

Discount rates are typically the focus of those promoting analytical consistency in CBA. But results can also be sensitive to input variables such as travel time, the depressive effect of taxes or loans used to fund infrastructure, and the application of risk analysis. Recognising this, the following pages argue for a comprehensive systematisation of the framework used for CBA.

Dr Leo Dobes (Crawford School of Public Policy, The Australian National University) is the primary author of the publication. Dr George Argyrous (Australia and New Zealand School of Government and University of New South Wales) was the principal author of Chapter 2 (with econometric analysis contributed by Dr Patrick Doupe, Crawford

School) and Appendix 7. Ms Joanne Leung (New Zealand Ministry of Transport) authored appendices 4 and 5, and provided input to other chapters.

Professor John Wanna
Sir John Bunting Chair of Public Administration
The Australian National University

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