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Ms. Lyn Beverley
Committee Secretary
Senate Select Committee Inquiry into
the Abbott Government's Commission of Audit
PO Box 6100
Parliament House
Canberra ACT 2600

31 January 2014

Dear Ms. Beverly

ACTU Submission to the Inquiry into the Abbott Government's Commission of Audit

Thank you for your recent invitation to provide a submission to this important inquiry.

The ACTU represents nearly 2 million working Australians, many of whom are employed by the Commonwealth government and related organisations. All have an interest in good quality public services that are efficient, effective and accountable to the citizens who pay for them.

We welcome the Committee's inquiry into the government's National Commission of Audit.

When the Commission was established the ACTU publically expressed serious concerns that it would not have sufficient resources to develop a rigorous set of evidence-based recommendations relating to all the matters raised by its Terms of Reference. The truncated time-frame meant the Commission would be unable to conduct a comprehensive, transparent and evidence-based inquiry, leading to rushed and badly-informed conclusions that may cost taxpayers more money if they were then implemented.

This would be a reckless and irresponsible way to conduct the development of public policy.

On 25 October 2013 the ACTU wrote to the Chair of the Commission, Mr. Tony Shepherd, expressing these concerns.

While the time frame had been determined by the government, we argued it was open to the Commission to implement a process that would promote public confidence in their work by, for example, conducting a series of face-to-face consultations with a range of relevant parties such as unions, welfare groups, academic experts as well as business.

To facilitate submissions that would inform its work, the Commission should also publish an 'issues paper' that provided clear guidance about what matters it intended to prioritise, what analytical frameworks it intended to deploy, and what evidence would be of particular value in the context of formulating recommendations.

Following receipt of public submissions, the Commission should then release a draft report for public comment prior to presenting its final report to government.

Unfortunately, such a process has not been adopted.

That the Commission recently requested an extension to its deadline for the first stage of its work reinforces our view that it is likely to make a series of rushed and badly-informed recommendations that will be unable to command public confidence and which may do serious damage to the quality and effectiveness of many public services.

That the government has granted only a two-week extension does little to alleviate our concerns.

In the absence of a transparent and rigorous process of consultation, evidence-gathering and dissemination of draft conclusions, it is difficult to escape the conclusion that the real role of the Commission is to provide political cover and legitimacy for the announcement of deep and indiscriminate cuts to vital public services in the next Federal budget. Such cuts may be accompanied by an equally indiscriminate sale of public assets and outsourcing of services.

In November 2013 the ACTU made a submission to the Commission. It is relevant to the Committee's Terms of Reference and a copy is included with this letter. Our submission includes the following key points:

- The size of Australian government, measured in terms of revenue or expenditure as a proportion of GDP, is small relative to other OECD countries. Our debt is modest, sustainable and is on-track to being repaid by 2023 on the basis of existing policy settings.
- To the extent we face a 'fiscal policy challenge' it is related to a problem of revenue, not expenditure. Such a challenge requires a long-term strategic vision about the future structure of the Australian economy, not short-term political fixes in the context of an impending budget.
- As much recent experience in Australia and the UK has shown, privatization and outsourcing has not always proven to be an efficient and cost-effective means of providing services.
- Factors such as 'vendor dependency', 'provider concentration' and 'gaming' can make private provision more expensive than the public provision, less flexible and more prone to perverse and unintended outcomes for service users. The assumption that private is superior to public is therefore misplaced.

In light of widespread public concern about how the Commission has been conducting its work, the Committee may think it appropriate in its report to recommend to government how an extensive inquiry relating to the funding and provision of public services should be conducted in the interests of good evidence-based public policy.

In our view such an inquiry should be conducted on the following lines. It should be:

- Conducted by persons appointed from a range of backgrounds, such as unions, welfare groups, policy experts, former senior public servants and business;
- Given a time-frame appropriate to the scale and complexity of its work, such as 12 to 18 months;
- Organised into a series of distinct and manageable topic areas to facilitate detailed and meaningful public engagement;
- Required to publish a series of issue papers which discuss priority topics, likely analytical approaches, and existing relevant research;
- Required to conduct face-to-face consultations with key stakeholders, representative organisations and members of the public in all the main urban and regional centres;
- Required to publish draft conclusions and recommendations, and then allow a reasonable time for further public comment prior to the publication of a final report.

Such an approach to making policy is hardly novel. The Henry Tax Review Panel followed many of these steps. The Productivity Commission routinely adopts a similar approach today.

The Committee may wish to take the opportunity of its current inquiry to remind the Federal government that when it is considering implementing wide and far-reaching reform, it should observe the conventions of transparent, inclusive and evidence-based policy development.

The ACTU is happy to comment further on any of these issues.

Yours sincerely

Tim Lyons
Assistant Secretary