

**SENATE STANDING COMMITTEE ON
FINANCE AND PUBLIC
ADMINISTRATION**

LEGISLATION COMMITTEE

Parliamentary Budget Office Bill 2010

SUBMISSION

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SUBMITTER

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Inquiry into Parliamentary Budget Office Bill 2010

Submission by Brett Goodin.

Overview

I thank the Committee for the opportunity to make this submission on the “Parliamentary Budget Office Bill 2010”.

Almost forty years after the popular “open government” movement swept Western democracies, reforming campaign finance law, government spending and political ethics as it went, Australia still lacks one of the hallmarks of accountability. Whether it is due to Australia’s comparatively strong executive, party discipline, or tradition of an impartial public service, the legislature has been silent on the need for a nonpartisan Parliamentary Budget Office (PBO) to provide the legislature with its own costings of government policy.

The establishment of an independent Australian PBO has become a necessity since the Parliament and public have lost faith in the Treasury’s financial costings and projections. The Treasury’s reluctance to make public its underlying assumptions in economic modeling has further heightened the need for an inherently *transparent* and apolitical agency to provide Parliament with costings of the budget and other major policy announcements.

A Vital Resource for the Legislature

Answerable to the legislature rather than the executive, the PBO would possess unparalleled autonomy to exercise its functions, granting it the ability to expose, question, and confirm or reject the financial implications of proposed government policy. Under the existing Bill, the Office holds the authority to:

- “request information from government departments and agencies”;
- “inform himself or herself on any matter in any way he or she thinks fit”;
- “consult with anyone he or she thinks fit”.

The merits of this level of transparency have recently been demonstrated in testimony by Treasury secretary Ken Henry before the Senate select committee on fuel and energy. When accused of altering the Treasury’s underlying economic modeling assumptions to artificially inflate the government’s projected revenues from the resource super-profits

tax, Dr. Henry was unable to defend himself. Dr. Henry himself admitted that only when this information is released, will it be possible to “allow the reader to determine how much of the net revenue impact of the July 2 announcement is due to parameter variations, including commodity prices, and how much is due to policy decisions”. It is both a violation of public trust and exercise in poor governance when officials are not in the position to honestly inform the public or parliament of the impact of policy decisions.

Such questioning of the integrity of Dr. Henry and the Treasury has become commonplace in recent years, but would cease if an autonomous PBO were available to request Treasury documents and independently trial forecasting.

Proposed Amendments to the Bill in the Context of International Experience

The United States Congressional Budget Office (CBO) possesses many of the powers detailed in the present Bill, and since its inception in 1974 has garnered the utmost respect from the American public-policy community.

There are but two amendments it is advisable to make to enhance the current Bill. Both are drawn from the successes of Budget Offices in other nations. The first is that the PBO be barred from making policy recommendations, just as CBO tradition has prevented it from doing so. Staunch support for the CBO’s tradition of impartiality led Henry Aaron, a senior economics fellow at the Brookings Institution to remark that "In [Washington], it's not infrequent to hear people say it doesn't make any difference what it really costs. It only matters what CBO says it costs." The CBO are so respected for their impartiality that both Democrats and Republicans made figures produced by the CBO the focal point of the recent American health care debate. In fact, the CBO’s estimate of the financial impact of the health care reform was such a sought-after document that the Office’s website was unable to handle the increased internet traffic.

The second desirable amendment regards the selection of the Parliamentary Budget Officer. As the role of the PBO is to act independently from the Treasury, and not be subject to influence from the executive branch of government, it is inappropriate for the Secretary of the Treasury *and* two other executive-nominated officers to sit on the Parliamentary Budget Officer selection panel. To minimize the undue influence of the executive branch on the selection process, and retain independence from the Treasury, the Secretary of the Treasury should be removed from the selection panel and substituted with the Secretary of the Department of Parliamentary Services.

Replies to Criticism of a PBO

Critics of an Australian Parliamentary Budget Office, such as former New South Wales Treasurer, Michael Costa, have claimed that such an office does not readily “translate” to an Australian political context. Unlike the United States Congress, the Australian parliament does not so fiercely negotiate the budget with the executive branch, and Senate budget estimates hearings provide the legislature with the opportunity to scrutinize bills. However, the Senate estimates process has degenerated to political point-scoring, and budget hearings are no substitute for a fully-staffed and apolitical PBO. The need for a nonpartisan agency is acutely demonstrated by the natural disinclination of Senate

committees which are dominated by government Senators to fully scrutinize government-supported bills.

Transparency

Where any conflict of interest exists in political affairs, the public lose faith in the ability of their representatives to hold the elector's interests at heart. The creation of a PBO would not merely enhance governmental transparency and alleviate public skepticism of the independence of the Treasury and Senate committees, but the PBO would also be a vital tool in fully informing the legislature of alternate economic estimates of government policy. The minimal costs associated with establishing such an Office would be more than repaid in increased public confidence and a legislature which is better equipped to challenge and amend legislation as required.