

Introduction

Background

- 1.1 The need for a Parliamentary Budget Office (PBO) for Australia has been raised at various times since the 1980s, usually with reference to a PBO that would be similar to the Congressional Budget Office (CBO) of the United States of America.¹
- 1.2 In 2005, the debate about establishing a PBO was highlighted following concerns raised in the Parliament about fiscal accountability and transparency and its connection to the costing of election policy processes included under the *Charter of Budget Honesty*.²
- 1.3 The need for a PBO was again raised in April 2008, at the 2020 Summit, where it was identified that there was a 'need for a well-resourced and financed parliamentary budget office and research office.'³ In its response to the 2020 Summit, the Australian Government put the view that a PBO

1 Eg. Senator Lewis, 'Financial impact statements', Senate, *Debates*, 11 March 1982, p. 753; Senator Gibson, 'Questions without notice', Senate, *Debates*, 9 May 1995, p. 27; J Gillard, 'Parliamentary Service Amendment Bill Second reading', House of Representatives, *Debates*, 16 March 2005, p.57.

2 L Tanner, 'Health Insurance Amendment (Medicare Safety-nets) Bill 2005, Second reading', House of Representatives, *Debates*, 5 September 2005, pp 114-119, Ms Bird, , 'Health Insurance Amendment (Medicare Safety-nets) Bill 2005, Second reading', House of Representatives, *Debates*, 13 September 2005, p. 73.

3 Department of the Prime Minister and Cabinet, *Australia 2020 Summit: Final Report*, DPMC, Canberra, 2008, p. 330.

was not needed and that a service to advise Members of Parliament was already available through the Parliamentary Library.⁴

- 1.4 In May 2009, in his Budget reply speech, the then Leader of the Opposition, the Hon Malcolm Turnbull MP, called for the establishment of a PBO which was to be modelled on the CBO. The PBO would be responsible to the Parliament, 'and chartered to provide ... independent, objective analysis of fiscal policy, including long-term projections of the impact of various measures on the economy'.⁵
- 1.5 In June 2010, the Leader of the Opposition, the Hon Tony Abbott MP, renewed the call for the creation of a PBO. Establishment of a PBO formed part of the Federal Coalition's 2010 election policy platform.⁶
- 1.6 On 24 June 2010, a private senator's bill was introduced into the Senate proposing to establish a PBO.⁷ Similarly to previous such initiatives, the PBO would be modelled on the CBO. The bill was subsequently referred for inquiry, to the Senate's Finance and Public Administration Legislation Committee. In August 2010, the committee presented an interim report to the Senate. However, the committee was not able to present a final report, as the inquiry lapsed on prorogation of the 42nd Parliament.
- 1.7 Following the 2010 federal election, a commitment to establish a PBO formed part of the minority government agreements signed by the Australian Labor Party with the Australian Greens and with three independent Members of Parliament.⁸
- 1.8 There is currently no PBO-type body to support the Australian Parliament. However, recently⁹, through the passage of the *Parliamentary Budget Officer Act 2010* (NSW) a New South Wales (NSW) PBO was established.¹⁰

4 Department of the Prime Minister and Cabinet, *Responding to the 2020 Summit*, DPMC, Canberra, 2009, p. 234.

5 M Turnbull, 'Appropriation Bill (No. 1) 2009-2010, Second reading', House of Representatives, *Debates*, 14 May 2009, p. 3975.

6 T Abbott, 'Real Action to End the Waste & Deliver Lower, Fairer & Simpler Taxes', 12 August 2010, <http://www.tonyabbott.com.au/LatestNews/PressReleases/tabid/86/articleType/ArticleView/articleId/7588/Real-Action-to-End-the-Waste-Deliver-Lower-Fairer-Simpler-Taxes.aspx>, viewed 2 March 2011.

7 Senator Guy Barnett introduced the Parliamentary Office Bill 2010.

8 The Australian Greens and the Australian Labor Party ('The Parties') - Agreement, 1 September 2010; The Australian Labor Party and the Independent Members (Mr Tony Windsor MP and Mr Rob Oakeshott MP) ('The Parties') - Agreement, 7 September 2010; Hon Julia Gillard MP and Mr Andrew Wilkie MP ('The Parties') - Agreement, 2 September 2010.

9 The New South Wales Parliamentary Budget Office was established on 3 February 2011.

- 1.9 The NSW Parliamentary Budget Officer is an independent officer of the Parliament whose primary role is to prepare costings of election policies for parliamentary leaders and independent members prior to state general elections. The NSW PBO has also been tasked with responding to requests for research and analysis from individual Members of Parliament.

Role of the committee

- 1.10 The Joint Select Committee on the Parliamentary Budget Office (the committee) was established by a resolution passed by the House of Representatives on 18 November 2010¹¹ and by the Senate on 22 November 2010.¹²
- 1.11 The committee was appointed to broadly examine the proposal arising from the *Agreement for a Better Parliament*¹³ which among a number of proposals for parliamentary reform also advocated for the establishment of a Parliamentary Budget Office (PBO).
- 1.12 In relation to improving the resources available to the Parliament through establishment of a PBO, the *Agreement for a Better Parliament* states:

A Parliamentary Budget Office be established, based in the Parliamentary Library, to provide independent costings, fiscal analysis and research to all members of Parliament, especially non-government members.

The structure, resourcing and protocols for such an Office [would] be [the] subject of a decision by a special committee of the Parliament which is truly representative of the Parliament.¹⁴

10 Parliament of New South Wales, Parliamentary Budget Office, www.parliament.nsw.gov.au, viewed 25 February 2011.

11 Australia, House of Representatives 2010, *Votes and Proceedings*, No. 15, 18 November 2010, p. 211.

12 Australia, Senate 2010, *Journals*, No. 12, 22 November 2010, p. 372.

13 The *Agreement for a Better Parliament* was jointly agreed by the Australian Labor Party, the Coalition Parties and the Country Independents after the 2010 Federal election. The aim of the Agreement was to increase the authority of and improve participation opportunities for all Members of Parliament, thereby increasing the authority of the Parliament in relation to the Executive and in this way strengthening the Australian system of democracy. Parliament of the Commonwealth of Australia, 6 September 2010, *Agreement for a Better Parliament: Parliamentary Reform*, Preamble, p. 1.

14 Parliament of the Commonwealth of Australia, 6 September 2010, *Agreement for a Better Parliament: Parliamentary Reform*, para. 16.1, p. 8.

- 1.13 The committee's resolution of appointment provided broad direction on the type of roles envisaged of the proposed PBO and the subsequent areas for examination by the committee. The preamble to the committee's resolution of appointment states:

It is proposed that the PBO will provide information to assist the Parliament in its consideration of matters related to the budget, by undertaking fiscal analysis and other relevant research by providing policy costings advice. The PBO will also promote greater public awareness of key budget and fiscal policy issues.

- 1.14 Taking into consideration the *Agreement for a Better Parliament* and the committee's resolution of appointment, the committee undertook its inquiry with the aim of examining whether a PBO is required and how it could best serve the needs of the Parliament.

Objectives and scope of the inquiry

- 1.15 The committee received evidence about a range of international PBO models and the possible application of their various elements in the Australian context. In respect to a PBO, the committee examined: a possible mandate, functions, governance structure, level of funding and oversight mechanisms.
- 1.16 In terms of possible institutional characteristics which could form PBO governance arrangements, the committee examined: the implications associated with the different types of institutional authority that may be applied to the office of the Parliamentary Budget Officer, associated access to information powers, the PBO's relationship with the Parliament and other agencies, appointment, dismissal, remuneration arrangements, and term of office for the Parliamentary Budget Officer, institutional reporting requirements and operational evaluation.
- 1.17 These arrangements were also considered in terms of how they could enhance transparency and accountability in the scrutiny of fiscal policy.
- 1.18 In forming a PBO framework relevant for Australia, the committee, in addition to considering various elements of existing PBOs, also considered various aspects of the Auditor-General's role as an independent officer of the Parliament. Through this inquiry, the committee has also taken into consideration the contribution of the Departments of the Treasury and of Finance and Deregulation in undertaking policy costings through the *Charter of Budget Honesty*.

Conduct of the inquiry

- 1.19 On 26 November 2010, the committee issued a media release announcing the inquiry and invited submissions to be received by 21 January 2011. The inquiry was also advertised in *The Australian* on 1 December 2010 and *The Canberra Times* on 4 December 2010.
- 1.20 The committee invited submissions from: Leaders of major and minor political parties and Independent Members of Parliament, the Treasurer, the Minister for Finance and Deregulation, the Department of Parliamentary Services, the Department of the House of Representatives, the Department of the Senate, the Clerks of the New South Wales Parliaments and a number of international Parliamentary Budget Offices.
- 1.21 The committee received 25 submissions and 1 exhibit to the inquiry. These are listed at Appendix A.
- 1.22 Three public hearings were held in Canberra on 1, 8 and 28 February 2011. Witnesses who appeared before the committee at these hearings are listed at Appendix B. Transcripts of evidence received at these hearings are available at: www.aph.gov.au/house/committee/jscpbo.

Report structure

- 1.23 Chapter 2 outlines the rationale for a PBO in the context of examining and improving the assistance available to the Australian Parliament in exercising its role in scrutinising fiscal policy. Chapter 2 also outlines how a PBO could contribute to and enhance the scrutiny function of the Parliament.
- 1.24 Chapter 3 provides an overview of the possible mandate, functions and clients of a PBO including its possible role in producing research, analysis and costings of policy proposals.
- 1.25 Chapter 4 examines the PBO's: authority-type, access to information powers, information disclosure and confidentiality considerations, appointment, dismissal, remuneration and term of office arrangements for a parliamentary budget officer, oversight and accountability mechanisms, and operational evaluation.
- 1.26 Chapter 5 provides an overview of the issues associated with staffing, funding and location of the proposed PBO.