

INTRODUCTORY STATEMENT TO THE SENATE STANDING COMMITTEE

15 JANUARY 2015

Chair, thank you for inviting my fellow Commissioners and me to meet with you and the Standing Committee regarding the National Commission of Audit.

The Commission has a broad remit to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure,

And to make recommendations to achieve savings sufficient to deliver a sustainable budget surplus of 1 per cent of GDP prior to 2023- 24.

Australia faces the challenges of an ageing population, poor productivity performance, a persistently high Australian dollar, high energy costs, heavy reliance on the resources sector and a volatile global political and economic outlook.

We are facing the sixth year in a row of budget deficits. Without action, deficits are in prospect for many years to come.

The situation is not going to fix itself. The magic pudding is a fable. Unless we fix this problem now, we will consign to our children and their children a legacy of unsustainable largesse.

Former Prime Ministers Hawke and Keating understand this point and recently urged the government and the community to accept that hard decisions on the budget need to be made now in the national interest.

Tabled 15/1/14
Select Committee
into AG CoA
by Mr T. Shepherd AO

Consistent with its Terms of Reference, the Commission is examining the size and scope of Government, including the rationalisation of entities, and promoting the efficiency and the effectiveness of government expenditure.

We are a relatively small federation by population with three levels of government. It is imperative that we remove wasteful duplication and overlap between the levels of government and apply our scarce resources efficiently and coherently recognising we are a federation and will continue to be so.

The Commission is due to provide its Phase 1 report to the Prime Minister, Treasurer and Minister for Finance by the end of January 2014. The key focus of this report is the financial position of the Commonwealth and the sustainability of the budget.

In its second phase report, the Commission of Audit will examine and make recommendations on Commonwealth infrastructure and public sector performance and accountability. The final report is due by the end of March 2014.

Our Audit is timely and needed.

The last such audit was conducted in 1996 and there have been significant social and economic changes in Australia and the world since that time.

Furthermore, the financial imbalances between the Commonwealth and the states and territories are putting a significant strain on the federation.

We recognise that our fiscal situation, while deteriorating, is not bad by OECD standards and we have a relatively well educated, healthy and happy society.

However we should not compare ourselves only to OECD countries. In any event, recent experience of some of these countries shows why we need to be wary of deficits and too much debt.

As a business man I recognise that debt, when used imprudently and in excess, can lead to disaster.

We should remember the great line in Hemingway's book *The Sun Also Rises*

How did you go bankrupt? Two ways. Gradually then suddenly.

If we are prepared to make the necessary adjustments now on our approach to government, we will have time to re-adjust and remain on the path of prosperity and rising standards of living for all Australians.

Let me now outline the process the Commission is following to inform itself and to evaluate and develop options in the Report for the consideration of government.

Firstly, there are five Commissioners and 24 staff of the Secretariat, including Mr Peter Crone, who is the Head of the Secretariat.

The Commissioners chosen for this task have extensive and relevant experience in government and public policy and the delivery of government services.

The Secretariat is staffed by officers seconded from the Department of Finance, Treasury and Department of the Prime Minister and Cabinet.

The Commission first met on 1 November 2013 and we have met regularly since then.

As Chair of the Commission, I wrote to each Premier and Chief Minister, federal departmental secretaries and agency heads, as well as a number of other key stakeholders inviting submissions.

Advertisements were placed in national, metropolitan and regional newspapers in the week ending 8 November 2013, seeking submissions from stakeholders, including the general public.

I should note that we were pleased to receive over 300 submissions, including a number that were received after the closing date.

These submissions were received from a wide spectrum of the community including social welfare groups, unions, business associations, professional associations, research groups and individuals.

In addition, the other Commissioners, the Secretariat and I have met with a range of people.

Because of the tight timeframe, we have not sought to meet with everyone who provided a submission. That would have been impractical in the time available.

I have met with several Premiers and most Departmental Secretaries, among others. These discussions have, in all cases, been constructive.

Along with the material contained in submissions, these processes have provided a number of good ideas and suggestions for the Commission to consider.

As I said at the outset the National Commission of Audit process is an important exercise for the country.

In undertaking the Audit, and as we formulate our recommendations, Commissioners have been guided by the importance of fairness.

We appreciate that a sense of fairness is important for the country and for our ability to work effectively together.

I am sure that you will appreciate that it is all “hands to the pumps” and a critical time for the Commission and its secretariat, as we progress towards finalising our Report.

Thank you