



PARLIAMENT *of* AUSTRALIA
HOUSE *of* REPRESENTATIVES

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23 December 2010

Mr Russell Chafer
Secretary
Joint Select Committee on the Parliamentary Budget Office
Parliament House
CANBERRA ACT 2600

Dear Mr Chafer

SUBMISSION TO THE INQUIRY INTO THE PARLIAMENTARY BUDGET OFFICE

Thank you for the opportunity to comment on the proposed Parliamentary Budget Office. We support the creation of this Office in principle. We have no particular expertise in these matters, but are happy to make some general observations.

The Committee may wish to consider how the Office would relate to the current budgetary processes within government and which are formally reported to the Parliament through the various budget documents. Detailed program costings are developed by government and there may be limited value in the Office replicating this work. The benefit from the work of the Office might be to promote understanding on how the estimates are derived, including the assumptions involved and how sensitive the estimates are to these assumptions.

From our observation, the area in which individual program costings are most likely to be disputed occurs during elections. The experience of the Parliamentary Library in costing commitments during the recent election should be relevant here.

One of the major issues during each Budget is the overall performance of the economy and the government's proposed fiscal program as a whole. While these matters do receive some coverage in Budget debates, discussion may be more comprehensive if Members had access to some additional quantitative analysis on how government projections had been arrived at and their sensitivity to assumptions. The Office may also help Members address two of the criticisms that are often made of the Budget. Firstly, the Budget itself covers a limited proportion of the total spending made by government because many of these items are covered in standing appropriations. Although such additional information is available through budget-related papers, a Parliamentary Budget Office may be useful in collecting and disseminating information for Members on these important other spending areas.

Secondly, while successive governments have made efforts to improve the Budget Papers, we understand that concerns have still been expressed by Members that the documents are difficult to read and that they do not have the sort of information that Members want, especially in relation to individual programs. The Budget Papers tend to present changes to last year's arrangements, which we understand reflects how decisions are made within

government. While this is understandable from the government's viewpoint, it does not necessarily meet Members' needs.

In order to function well, the Office will need access to some government information. Oversight agencies such as the Auditor-General and the Ombudsman do have wide powers of accessing government information. However, these powers are granted for very specific purposes and it may not be appropriate to grant similar powers to an agency with a broader remit such as the Parliamentary Budget Office. A request system may work better, but it would be necessary to develop a sound and practical framework within which it could operate.

Finally, we recognise that the Parliamentary Budget Office may represent a significant increase in expenditure, at least in terms of the funding of the parliamentary departments. As this is a new initiative that has arisen from the various agreements for parliamentary reform, if it is proceeded with it should be funded in its own right. It would be unfortunate if a request for funding for a core function were to be questioned or rejected on the basis that '\$x million had been provided to Parliament to support the PBO, and here they are asking for additional funds'.

The ultimate creation of such an Office and its role will depend on a number of factors, including the outcome of your Committee's inquiry. If the Office is to be created, we would look forward to working with its staff in supporting the Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bernard Wright', written in a cursive style.

BERNARD WRIGHT
Clerk of the House