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Senate Select Committee into the Abbott Government's Commission of Audit

Final report

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List of Recommendations

Recommendation 1

2.57 The committee recommends greater transparency and scrutiny be given to tax expenditure by including the *Tax Expenditure Statement* alongside direct expenditure measures in Budget Paper 2.

Recommendation 2

2.59 The committee recommends the government white paper on tax reform include a review of all government tax expenditures and concessions.

Recommendation 3

3.63 The committee recommends that the government release the costings and evidence base for each recommendation from the National Commission of Audit.

Recommendation 4

3.64 The committee recommends that by 31 December 2014, the government provide a response to each of the recommendations made by the National Commission of Audit. The response should indicate whether the recommendation has been accepted by government and when it will be implemented and where a recommendation has not been accepted, the government should provide reasons.

Chapter 1

Referral

1.1 On 11 December 2013 the Senate established a Select Committee into the Abbott Government's Commission of Audit to inquire into and report on the following matters by 13 May 2014:

(a) the nature and extent of any cuts or changes to government expenditure recommended by the Commission;

(b) the effect of any proposed cuts or changes on the provision of services, programs or benefits by the Government;

(c) the effect of any proposed cuts or changes on the ability of the public service to provide advice to government;

(d) the effect of any proposed changes to the current split of roles and responsibilities between the Commonwealth Government and state and territory governments on the current levels of government expenditure, taxation and service delivery;

(e) the potential impact of any proposed revenue measures on the Budget and on taxpayers, including access to services like health and education;

(f) the potential impact of any proposed cuts or changes to government expenditure or service provision on employment and the economy;

(g) the consistency of the Commission's recommendations with the Government's commitments on spending on health, medical research, education, and defence spending;

(h) the potential impact of any proposed cuts or changes on the structural budget balance over the forward estimates and the next 10 years;

(i) the potential impact that any proposed changes to Commonwealth budgeting arrangements might have in undermining public confidence in the provision of Commonwealth government accounts;

(j) the potential effects of any proposed cuts or changes on the Government's medium-to long-term fiscal position, such as reducing future productivity, reducing the tax base and government revenues, or increasing future demand for government programs or support;

(k) whether the Commission's terms of reference are appropriate, and, in particular, whether consideration ought be given to alternative means of:

(i) improving the efficiency and effectiveness of government expenditure,

(ii) improving the state of the Commonwealth's finances and addressing medium-term risks to the integrity of the budget position,

(iii) improving the fairness and efficiency of revenue raising, including that businesses cover the full cost of their activities, and that individuals with greater capacity contribute more to government revenue,

(iv) funding infrastructure and enhancing Australia's human, economic and natural capital, or

(v) improving the public service; and

(l) any other matters the committee considers relevant.

1.2 On 14 May 2014, the Senate agreed to an extension until 16 June 3014.[1] The terms of reference have been covered in the committee's interim and final reports.

First interim report

1.3 On 18 February 2014 the committee tabled its first interim report focussing on the following issues:

- the processes of the National Commission of Audit (the commission);
- assumptions in the commission's terms of reference, including the target of achieving a 1 per cent surplus before 2023-24.

Second interim report

1.4 On 24 April 2014, the committee tabled a second interim report focussing on the following issues:

- the Australian healthcare system – expenditure, access and outcomes;
- the funding and delivery of social services; and
- employment issues.

These reports are available from the committee website: www.aph.gov.au/senate_coa.

Final report

1.5 This final report examines tax expenditures and concessions, that is, revenue forgone by the government. It also summarises the committee's views on the commission's processes, assumptions and recommendations now that its final report has been released by the government.

1.6 The committee's three reports and recommendations should be reviewed together to build a complete picture of the committee's views.

Conduct of the inquiry

1.7 The committee has received 48 submissions, which are listed at Appendix 1.

1 *Journals of the Senate*, No. 28, 14 May 2014, p. 811. Note: Although the report was due to be tabled on 13 May 2014, activities in the chamber resulted in a delay in tabling until 14 May 2014.

1.8 The committee also received 62 form letters generated by an online form letter template. Of the 42 which did not request confidentiality, five examples were published on the committee website.

Public hearings

1.9 The committee held public hearings on 15 January and 5 February 2014 which informed the committee's first interim report tabled on 18 February 2014.

1.10 The committee held further hearings in Canberra on 18 February 2014 to discuss health and social services; Melbourne on 13 March 2014 to examine employment issues; and Perth on 1 April 2014 to focus on services in Western Australia. These hearings informed the committee's second interim report tabled on 24 April 2014.

1.11 The committee held further hearings in Canberra on 15 April to discuss tax expenditures, concessions and subsidies and on 2 May 2014 following the release of the commission's reports by the government on 1 May 2014. These hearings informed the committee's final report.

1.12 The Hansard transcripts of evidence may be accessed through the committee's website at www.aph.gov.au/senate_coa. A full list of witnesses who appeared at this public hearing is at Appendix 2.

Acknowledgement

1.13 The committee thanks all those who made submissions and appeared at hearings. The committee again thanks the commissioners and the secretariat for their cooperation with the inquiry.

Chapter 2

Government revenue loss from tax expenditures and concessions

2.1 In its first interim report, the committee noted that the National Commission of Audit (the commission) focused on cuts to government expenditure and did not examine raising revenue.[1] Given the substantial amount of revenue forgone through tax expenditures (amounting to around $115 billion in 2012-13),[2] and tax concessions, the committee has chosen to examine a number of tax concessions where changes could raise government revenue and improve policy outcomes, including:

- superannuation concessions;
- the interaction between concessionary treatment of capital gains and negative gearing of investment properties;
- the Fuel Tax Credits Scheme;
- private health insurance rebates; and
- elements of the Fringe Benefits Tax (FBT).

What are tax expenditures and concessions?

2.2 The Australian tax system has a range of concessions that can be used by individuals and businesses to reduce the amount of tax they pay. While these concessions benefit taxpayers and businesses, they represent a loss of potential income for the Commonwealth.

2.3 Some of these concessions are classed as tax expenditures,[3] while others are treated as spending programs in the budget or structural features of the tax system.

2.4 Treasury defines a tax expenditure as:

> …a provision of the tax law that provides a benefit to a specified activity or class of taxpayer that is concessional when compared to the 'standard' tax treatment that would apply….

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1 Senate Select Committee into the Abbott Government's Commission of Audit, *First Interim Report*, April 2014, pp 31-32.

2 Dr Anne Holmes and Hannah Gobbett, *Tax expenditures: costs to government that are not in the Budget* (2013), available at www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxExpenditures (accessed 16 April 2014). Note: The figure of $115 billion is the potential revenue loss from tax expenditures alone. Note: The term 'tax concessions' is used in this chapter to cover a number of features of the tax system, including tax expenditures, certain rebates and tax credits in the Budget, and negative gearing, which is a structural element of the tax system.

3 Note: Tax Expenditures are captured in the annual Tax Expenditures Statement published by the Treasury.

> Tax expenditures can be provided in many forms, including tax exemptions, tax deductions, tax offsets, concessional tax rates or deferrals of tax liability.[4]

2.5 Other tax concessions are treated as direct spending and included in the Commonwealth Budget, such as the Fuel Tax Credits Scheme and rebates for private health insurance. Negative gearing is regarded as a 'structural feature' of the Australian tax system, so out of scope for both the Tax Expenditures Statement (TES) and annual budget processes.[5]

2.6 The Parliamentary Library noted that:

> Tax expenditures are intended to achieve policy objectives of the Government. They are essentially the same as government spending programs.[6]

How much do tax expenditures and concessions cost the government?

2.7 The International Monetary Fund (IMF) recently found Australia has the highest level of tax expenditure in the world.[7] However, Treasury have urged caution about drawing conclusions from this working paper about the size of tax expenditures in Australia relative to other countries.[8]

2.8 In 2012-13 there were 363 tax expenditure measures estimated to total around $115 billion, or 7.5 per cent of GDP. To put this in context, total government spending in the same period was around 23.5 per cent of GDP.[9]

2.9 Some major components of tax expenditure are superannuation concessions ($31.8 billion)[10] and capital gains tax discount for individuals and trusts ($4.3 billion

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4 2012 *Tax Expenditures Statement*, January 2013, p. 13.

5 Dr Anne Holmes and Hannah Gobbett, *Tax expenditures: costs to government that are not in the Budget* (2013), available at www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxExpenditures (accessed 16 April 2014).

6 Dr Anne Holmes and Hannah Gobbett, *Tax expenditures: costs to government that are not in the Budget* (2013), available at www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxExpenditures (accessed 16 April 2014); See also ANAO, *Audit Report No.34 2012–13 Performance Audit: Preparation of the Tax Expenditures Statement* (May 2013), p. 12.

7 Justin Tyson, *Reforming Tax Expenditures in Italy: What, Why, and How?* IMF Working Paper January 2014, Figure 1.

8 Note: The Treasury have raised concerns that this evaluation is because of the more stringent benchmarking of the Australian tax system. See additional information, correspondence from Mr Rob Heferen, Executive Director, Revenue Group, Department of the Treasury, 28 April 2014.

9 Dr Anne Holmes and Hannah Gobbett, *Tax expenditures: costs to government that are not in the Budget* (2013), available at www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxExpenditures (accessed 16 April 2014).

10 Treasury, *A super charter: fewer changes, better outcomes* (May 2013) available at www.treasury.gov.au/Policy-Topics/SuperannuationAndRetirement/supercharter/Report (accessed 23 April 2014).

in 2012-13).[11] Professor John Hewson, Chair, Tax and Transfer Policy Institute, Australian National University, appearing in a private capacity, told the committee total Commonwealth tax expenditure is likely to increase to around $150 billion in 2016-17.[12]

2.10 The government also forgoes revenue from other tax concessions, including: the Fuel Tax Credits Scheme ($5.5 billion annually);[13] rebates for private health insurance ($4.7 billion annually);[14] and the negative gearing of property ($2.4 billion annually).[15]

2.11 Given how much the tax concessions cost the Commonwealth, Dr Richard Denniss, Executive Director, The Australia Institute, argued that reforming tax concessions would lift revenue without lifting the tax rate, while also improving policy outcomes. He said the Commonwealth should:

> …focus on achieving a simple and efficient tax system by removing the enormous and inequitable tax concessions and loopholes that currently exist in the system. This will allow the collection of tens of billions of dollars in additional revenue with no upward pressure on the rate of tax at all.[16]

The need for greater transparency and review of tax expenditures

2.12 The committee was told that tax expenditures lack transparency and should be more regularly reviewed to evaluate their cost and efficiency in delivering government policy. For example, the Parliamentary Library noted:

> A tax expenditure is the provision of a benefit by way of preferential treatment in the tax system. It has a similar effect on the budget to direct expenditure, but is subject to far less scrutiny. Transparency would be increased in many cases if tax expenditures were replaced with direct expenditure.[17]

2.13 The annual TES was introduced by the *Charter of Budget Honesty Act 1998*, to allow greater scrutiny of tax expenditures.[18] However, in 2009, the Henry Tax Review noted there was still not enough transparency and accountability in the system, despite the TES:

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11 *2013 Tax Expenditures Statement*, January 2014, p. 12.

12 Professor John Hewson, *Committee Hansard*, 15 April 2015, p. 48.

13 Mr James Sorahan, *Committee Hansard*, 15 April 2015, p. 3.

14 Australian Institute of Health and Welfare, *Health Expenditure 2011-12*, p. 37.

15 Mr Sam Crosby, *Committee Hansard*, 15 April 2015, p. 10.

16 *Committee Hansard*, 5 February 2014, p. 13.

17 Dr Anne Holmes and Hannah Gobbett, *Tax expenditures: costs to government that are not in the Budget* (2013), available at www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxExpenditures (accessed 16 April 2014).

18 *2013 Tax Expenditures Statement*, January 2014, p. 1.

> …despite their similarities, tax expenditures and spending programs are not created, maintained, reviewed or reported in the same way. This means that there is often less transparency and accountability in the use of tax expenditures.[19]

2.14 Professor John Hewson, suggested tax expenditures were such a significant part of Commonwealth budget that they should be examined alongside spending programs:

> The main point I wanted to make today is obviously to focus in on the need to look at tax expenditures pretty much as you look at normal government expenditure…You have to look at the lot. If you look at the numbers, assistance that is enshrined in the tax system is worth about $120 billion this year, on the budget estimates, rising to about $150 billion in 2016-17. That is approaching a third of aggregate government expenditure.[20]

2.15 This was also mentioned by the Business Council of Australia in their submission to the commission:

> All of the [tax] concessions should be treated in the same way as direct budget expenditures for the purposes of program evaluation and the merits of each concession should be periodically re-established.[21]

2.16 Professor John Quiggin, School of Economics, University of Queensland, appearing in a private capacity, proposed the TES be incorporated into *Budget Paper No. 2* to ensure greater integration between tax and program expenditure:

> …because the tax expenditures are obscure both in their operation and also in their presentation in the budget accounts they tend to be viewed less critically…[a] more integrated treatment of the tax expenditure [that] is promoted much higher up in the budget papers would be a helpful guide to the actual impact of the budget, rather than the accounting measures we currently use.[22]

Tax concessions and settings in need of review

2.17 The committee examined particular tax concessions in need of review because they are not achieving their policy goals and represent significant revenue losses to government. These are discussed in turn below.

Concessions for superannuation contributions

2.18 The government currently offers a concessional rate of tax to encourage individuals to make voluntary contributions to their superannuation savings. These

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19 *Australia's Future Tax System*, Part 1, p. 72.

20 *Committee Hansard*, 15 April 2014, p. 48.

21 Business Council of Australia, *Submission to the National Commission of Audit, Attachment 1, Report by Macroeconomics*, December 2013, p. 13.

22 *Committee Hansard*, 15 April 2014, p. 47.

contributions are taxed at 15 per cent, which is less than the marginal tax rate most contributors pay on their income.[23]

2.19 Superannuation concessions were designed to supplement retirement incomes of individuals and reduce the number of Australians solely reliant on age pensions.[24]

2.20 These concessions cost government $31.8 billion in 2012-13, and will increase to around $45 billion in 2015-16.[25]

2.21 Witnesses told the committee that government tax expenditure on superannuation concessions is costly for government, inequitable and does not achieve good policy outcomes.

2.22 Mr Matt Cowgill, Economic Policy Officer, Australian Council of Trade Unions, advised the committee superannuation concessions are a large and growing area of expenditure predominantly benefitting high income earners:

> We note [Treasury analysis] shows that the very highest-income earners receive more government support for their retirement in the form of superannuation tax concessions than low-income earners do in the form of the aged pension. We say that is inequitable, it is unsustainable and it has put a large and growing hole in the Commonwealth budget.[26]

2.23 Professor Hewson also referred to the disproportionate assistance given to high-income groups who make voluntary superannuation contributions:

> Treasury estimates, for example, that, from the combined support of superannuation tax concessions and the age pension, most people—that is a number around 80 per cent—receive around $270,000 of support over their lifetime. In contrast, the top one per cent of male income earners receives around $520,000 of support over their lifetime because of the significant superannuation tax concessions to higher-income earners.…There is a significant inequity in that system, particularly against the background of the focus on pension spending as a traditional government expenditure item.[27]

2.24 Dr Cassandra Goldie, CEO of the Australian Council of Social Service, noted these concessions were often used as tax minimisation strategies in the present rather than reducing reliance on the pension system in the future:

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23 Treasury, *A super charter: fewer changes, better outcomes* (May 2013) available at www.treasury.gov.au/Policy-Topics/SuperannuationAndRetirement/supercharter/Report (accessed 23 April 2014).

24 Treasury, *A super charter: fewer changes, better outcomes* (May 2013) available at www.treasury.gov.au/Policy-Topics/SuperannuationAndRetirement/supercharter/Report (accessed 23 April 2014).

25 Treasury, *A super charter: fewer changes, better outcomes* (May 2013) available at www.treasury.gov.au/Policy-Topics/SuperannuationAndRetirement/supercharter/Report (accessed 23 April 2014); 2012 TES, p. 4.

26 *Committee Hansard*, 5 February 2014, p. 9.

27 *Committee Hansard*, 15 April 2014, p. 49.

> When you look at the mix of where tax expenditures are benefiting different groups through superannuation you see that 50 per cent of the tax expenditure is benefiting people in the top 20 per cent….[This] is not delivering on the core outcome, because we have tax expenditure going towards benefiting people who are probably going to be able to secure their own retirement future, whether they use a superannuation investment vehicle or some other form of investment strategy.[28]

2.25 Dr Denniss argued the government needs to focus on the balance between the costs of the pension and superannuation concessions to see where current policy is failing:

> If you believe that superannuation tax concessions take pressure off the age pension, the Commission of Audit should recommend that there be a cap on the combined cost of the two. If one is taking pressure off the other, then the sum of them should not grow. The sum of them is going through the roof because the tax concessions for superannuation are going disproportionately to people who are not even eligible for the age pension.[29]

Concessions for capital gains tax and negative gearing

2.26 Capital gains tax concessions and the negative gearing of property are often combined by investors to minimise their tax bill.[30]

2.27 The government offers a capital gains exemption of 50 per cent of any capital gain made by a resident individual or trust, where the asset being sold has been owned for at least 12 months.[31] This was introduced in 1999 to stimulate capital investment made by individuals and trusts – both from Australia and overseas.[32] It is most frequently used in property investment, although it was originally designed to stimulate entrepreneurial activity, particularly in web-based businesses.[33]

2.28 Negative gearing is a strategy by which investors can reduce their taxable income by deducting losses incurred on particular investments from their main

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28 *Committee Hansard*, 18 February 2014, p. 55.

29 *Committee Hansard*, 5 February 2014, p. 14.

30 Note: the capital gains concession is classified as tax expenditure and itemised in the TES, whereas negative gearing is regarded as a structural element of the tax system and potential revenue losses to government are not regularly reported. Dr Anne Holmes and Hannah Gobbett, *Tax expenditures: costs to government that are not in the Budget* (2013), available at www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/TaxExpenditures, (accessed 16 April 2014).

31 *2013 Tax Expenditures Statement*, January 2014, p. 140.

32 Mr David Hetherington, *Committee Hansard*, 15 April 2014, p. 26; Mr Sam Crosby, *Committee Hansard*, 15 April 2014, p. 10. Note: foreign individuals and trusts have not been able to claim this concession from 2012. 2013, TES, p. 140.

33 Professor John Quiggin, *Committee Hansard*, 15 April 2014, p. 41. Note: it can also be used for shares and bonds.

income.[34] Negative gearing was introduced with the aim of increasing the availability of rental properties.

2.29 Taken together, capital gains tax concessions and negative gearing cost the government around $6.7 billion in lost revenues each year. The 2013 TES states the concessional treatment for capital gains tax cost $4.3 billion in 2013-14, rising to $7.6 billion in 2016-17.[35] Negative gearing of property costs government around $2.4 billion a year.[36]

2.30 Mr Sam Crosby, Executive Director of the McKell Institute explained to the committee that these two features of the tax system are used in combination by investors to minimise their tax liabilities:

> Negative gearing is really two things when people talk about it. The first is that it allows investors to deduct their losses made on rental properties from their other income and thereby lowering their overall tax burden. What is commonly looked at also incorporates their capital gains tax….That reduced the rate of capital gains to about 50 per cent. When you are looking at what the biggest impact on the budget is from negative gearing, we are not just talking about negative gearing. We are talking about capital gains.[37]

2.31 Dr John Daley, CEO of the Grattan Institute, appearing in a private capacity, saw good opportunities to improve government policy and revenue in these areas:

> The tax treatment of assets, including negative gearing and the capital gains discount, are pretty good places to start for tax reform. These tax exemptions primarily benefit older, richer Australians, and they significantly reduce housing affordability for younger generations.[38]

2.32 Supporters of negative gearing argue that it encourages investment in rental housing and acts to keep rents low, as well as stimulating the building and construction industry. However, the committee heard evidence that the intersection between negative gearing and concessional taxation of capital gains results in a significant loss for government revenues and acts as a significant distortion on the housing market.

2.33 Mr Andrew Mihno, Executive Director, International and Capital Markets Division, Property Council of Australia, suggested negative gearing and concessions for capital gains were positive measures that boosted supply of rental properties and acted as a brake on rising rent prices.[39]

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34 ATO, 'Negative Gearing' at www.ato.gov.au/Individuals/Income-and-deductions/In-detail/Investments,-including-rental-properties/ (accessed 23 April 2014).

35 *2013 Tax Expenditures Statement*, January 2014, p. 140.

36 Mr Sam Crosby, *Committee Hansard*, 15 April 2014, p. 10.

37 *Committee Hansard*, 15 April 2014, p. 10.

38 *Committee Hansard*, 5 February 2014, p. 2.

39 *Committee Hansard*, 15 April 2014, p. 30.

2.34 However, Mr David Hetherington of Per Capita, thought negative gearing had 'singularly failed to stimulate new housing stock', and had exacerbated problems with housing supply and affordability. He told the committee:

> It is now the case that, on a low-skilled or semiskilled income in any of our major cities, the notion that you can save over a working life for a deposit for a home in the inner or middle suburbs is no longer realistic. I would argue that housing affordability remains a chronic public policy challenge and that the existing settings on negative gearing have not significantly contributed to addressing that challenge.[40]

2.35 Mr Crosby supported this, saying negative gearing had not eased supply pressures by stimulating new build housing, as '95 per cent of investors are buying established dwellings'. He suggested the way forward might involve a cap, over the longer term, either on the number of properties or the value of the properties.[41]

2.36 Professor Quiggin emphasised the treatment of capital gains is the main issue:

> The problem is that in the case of housing everybody engaged understands that the idea is that you accumulate these losses during the period you own the property, you recoup them all and more when you sell the property, getting a capital gain which can be taken at a time of your own choosing to ensure that you have a low marginal tax rate, and it is then further downgraded by 50 per cent. So that is really the big problem in housing.[42]

2.37 However, witnesses urged caution in reforming tax concessions related to the housing market, given the rates of home ownership in Australia are so high and not limited to high income groups. For example, Mr Mihno told the committee most negatively geared property was owned by investors with reasonably modest incomes:

> You might find it interesting to note that about 72 per cent of all negatively geared properties are actually owned by middle Australia—that is, people earning $80,000 or less. It costs government, on the estimates that we have, an average of $33 to $40 per week per investor, which is not particularly high.[43]

The Fuel Tax Credits Scheme

2.38 The Fuel Tax Credits Scheme (the Scheme) was introduced in 2006 for fuel used in off-road heavy vehicles and other business uses.[44] It was expanded in 2008 to

40 *Committee Hansard*, 15 April 2014, p. 25.

41 *Committee Hansard*, 15 April 2014, p. 10. For other suggestions see also Mr Hetherington, *Committee Hansard*, 15 April 2014, p. 25.

42 *Committee Hansard*, 15 April 2014, p. 43.

43 *Committee Hansard*, 15 April 2014, p. 30.

44 Parliamentary Library, *Bills Digest no. 117 2005–06: Fuel Tax Bill 2006*, p. 1.

include fuel for power plants and machinery and again in 2012 to include the carbon price.[45]

2.39 The Scheme was designed to lower business costs for primary producers, particularly in agriculture and mining, and to reduce transport costs for regional and rural Australia. The Fuel Tax Credits Scheme cost the government $5.5 billion in 2012-13 and this is projected to rise to around $6.4 billion in 2016-17.[46]

2.40 The Minerals Council of Australia stated the mining sector received $2.3 billion in fuel tax credits for 2011-12.[47] However, it was argued that this is not a subsidy for the mining industry:

> This is a road user charge designed for the use of diesel used on roads. We do not use the diesel on roads, and nor do many of the other sectors that take advantage of this scheme.[48]

2.41 Mr Hetherington considered it odd that fuel tax credits were so costly for government and yet not subject to much public or parliamentary debate – especially in light of recent cuts to industry assistance programs:

> …I think it is striking that we have a public debate that views some subsidies as hugely damaging—so we can look at the automotive industry and say, 'Gee, it is terrible that we are propping up employment there with use of public funds,'—but the scale of fossil fuel subsidies is significant. It is very large in comparison to the subsidies in these other parts of the economy but generates very little attention or challenge in the public debate.[49]

2.42 Professor Hewson commented that all government industry assistance measures, including the Fuel Tax Credits Scheme, should be comprehensively reviewed together as part of a 'mature debate' on government expenditure:

> You do need to have a review in this process somewhere to say, 'This is how much the mining sector gets overall, this is how much the agricultural sector gets and this is how much other aspects of industry get like superannuation' and then have a mature review about that.[50]

Private health insurance rebates

2.43 The government provides a contribution to the costs of taking out private health insurance premiums of up to 30 per cent. This applies to policies covering

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45 ATO, *Fuel Tax Credits for Business* (October 2013) available at www.ato.gov.au/uploadedFiles/Content/ITX/downloads/BUS18875n14584.pdf (accessed 23 April 2014).

46 *Commonwealth Budget 2013-14*, Budget Paper 1, Statement 6, Table 3.1.

47 Mr James Sorahan, *Committee Hansard*, 15 April 2015, p. 3.

48 Mr Brendan Pearson, *Committee Hansard*, 15 April 2015, p. 4.

49 *Committee Hansard*, 15 April 2015, pp 26-27.

50 *Committee Hansard*, 15 April 2015, p. 55.

private hospital treatment, as well as policies covering ancillary health needs, such as dental care and physiotherapy.

2.44 Rebates are claimed as part of an individual's yearly tax return or paid directly to health insurers.[51] From 1 July 2012, rebates were means tested by individual or family income.[52]

2.45 In 2011-12, private health insurance rebates cost the government $5.5 billion, including $800 million for rebates on Medical Expenses. This is estimated to rise to $5.9 billion in 2016-17.[53] This has risen faster than any other component of government health spending, from $1.4 billion in 1999-2000[54] and is the second largest tax expenditure after superannuation.[55]

2.46 The original policy was designed to make private health insurance more affordable and accessible and to take pressure off the public system.[56] However, the committee was told private health insurance rebates for hospital and ancillary cover are not achieving intended policy outcomes.

2.47 Professor Jim Butler, Australian Centre for Economic Research on Health, appearing in a private capacity, told the committee there was some evidence the introduction of hospital cover had eased some pressure on the public system if measured in terms of public hospital queues and waiting lists:

> There was certainly an increase in private hospital admissions following the introduction of the private health insurance rebate….it is a complicated area to look at, but I think there is probably some prima facie evidence that it did reduce pressure in the sense that it probably resulted in a number of patients being cleared from the queue for public hospital treatment.[57]

51 Australian Institute of Health and Welfare, *Health Expenditure 2011-12*, p. 47.

52 ATO, 'How the private health insurance rebate works' available at www.ato.gov.au/Individuals/Medicare-levy/In-detail/Medicare-levy-surcharge/ (accessed 23 April 2014).

53 *Commonwealth Budget 2013-14,* Budget Paper 1, Statement 6, Table 3.1.

54 Michael Roff ,'Should the private health insurance rebate be means tested?' *Sydney Morning Herald*, 11 February 2014.

55 Professor James Butler, *Committee Hansard*, 15 April 2014, p. 17.

56 Department of Health, 'Private health insurance rebate frequently asked questions' available at www.health.gov.au/internet/main/publishing.nsf/Content/fairer-faq (accessed 24 April 2014).

57 *Committee Hansard*, 15 April 2014, p. 17.

2.48 However, Dr Stephen Duckett, Health Program Director, Grattan Institute, appearing in a private capacity, argued this rebate had not changed public hospital patterns of use:

> Even though 43 or 47 per cent of the population has general insurance, the subsidy there does not have any impact on public hospital utilisation of any kind whatsoever. It simply improves the access for people with insurance.[58]

2.49 Dr Cassandra Goldie, CEO for the Australian Council of Social Service, told the committee that the rebate for ancillaries was inefficient and should be removed:

> The 30 per cent to 50 per cent private health insurance rebate for ancillaries cover, we believe, should go. The main justification for that rebate was to reduce public expenditure on hospitals. There is not a direct link between ancillary benefits and those expenditures.[59]

2.50 Dr Anne-marie Boxall, the Deeble Institute, also commented on the inadequate definition between Australia's public and private health systems, which would not be redressed by private health insurance rebates:

> The problem has always been that we have had two competing systems, but the private health insurance does not necessarily add function as a top-up, an optional extra. In some ways it duplicates what Medicare does and in other ways it is a top-up. So the structure of the system is problematic compared with most other countries. That is really the reason for why rebates and tax subsidies are needed—because, on its own, many people do not take private health insurance out. Just focusing only on tax subsidies as the remedy for our problems in health insurance is not going to solve the problem.[60]

2.51 Professor Butler thought that there is insufficient clarity between public and private systems and the services they provide, which leads to the duplication of expenditure, both for government and individuals:

> [The current system] is leading people to have duplicate or two health insurance policies, so you are pouring a lot of money into insurance products that might otherwise be more usefully devoted to service provision.[61]

Other measures

2.52 The committee also heard evidence regarding other tax expenditures that are both costly for government and not achieving policy goals.

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58 *Committee Hansard*, 18 February 2014, p. 33.

59 *Committee Hansard*, 18 February 2014, p. 53.

60 *Committee Hansard*, 18 February 2014, p. 9.

61 *Committee Hansard*, 18 February 2014, p. 19.

2.53 Professor Hewson argued there is also a need to review costly and inefficient FBT concessions, including:

- uncapped meal and entertainment concessions for not-for-profit entities, including doctors and other professions ($600 million in 2016-17);
- concessions for motor vehicles ($800 million a year), now redundant given the cessation of government automotive industry assistance; and
- a concession for employers giving out safety award benefits of up to $200 per employee (estimated somewhere between $1 million-$10 million a year).[62]

2.54 Professor Quiggin agreed FBT concessions for vehicles should be rescinded since government had removed other assistance for the automotive industry.[63]

2.55 The committee discussed other concessions benefitting the mining sector that should be reviewed, especially in light of recent cuts to assistance for other industries. These include: the exploration and prospecting deduction ($550 million in 2012-13),[64] and research and development concessions (around $370 million in 2010-11).[65]

Committee view

2.56 The committee notes that there is a history of calling for tax expenditures to be more transparent and regularly reviewed to ensure they achieve the stated policy outcomes. The committee agrees that given the current and projected amounts of revenue forgone by government, as well as questions raised about whether the stated policy outcomes are being achieved, tax expenditures should be more regularly reviewed to ensure they remain effective. To facilitate this greater scrutiny, the committee agrees with the suggestion to consider tax expenditures alongside direct spending measures in the Budget.

Recommendation 1

2.57 The committee recommends greater transparency and scrutiny be given to tax expenditure by including the *Tax Expenditure Statement* alongside direct expenditure measures in Budget Paper 2.

2.58 In the committee's view, there is also a need for a full-scale review of government tax expenditures and concessions as part of the government's forthcoming white paper on tax reform.

Recommendation 2

2.59 The committee recommends the government white paper on tax reform include a review of all government tax expenditures and concessions.

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62 *Committee Hansard*, 18 February 2014, pp 49-50.

63 *Committee Hansard*, 18 February 2014, p. 41.

64 *2013 Tax Expenditures Statement*, January 2014, p. 86.

65 Productivity Commission, *Trade and assistance review 2011-12*, p. 140.

Chapter 3

Committee view and response to the commission's recommendations

3.1 This chapter will summarise the committee's concerns about the National Commission of Audit's (the commission) processes, assumptions and recommendations.

Commission's flawed processes

Composition of commission

3.2 In its first interim report the committee commented on the composition of the commission.[1] The commission was weighted with hand-picked individuals from the business community and former senior public servants from Treasury and the Department of Finance. In addition, the commission was supported by officials from only three departments, the Treasury, Department of Finance and the Department of Prime Minister and Cabinet.[2]

3.3 The committee reiterates its concerns that there was no representation on the commission by people from the community, health or welfare sector or the union movement to bring their expertise to the commission's deliberations. Further, secretariat support given to the commission was not drawn from a sufficiently broad cross-section of the public service. As pointed out by the Australia Institute:

> Proposals to increase the efficiency of service delivery need to be vetted by people who understand how systems work, not just what they cost.[3]

A predetermined outcome

3.4 The terms of reference for the commission were engineered by government and the commissioners were selected in order to achieve a pre-determined ideologically-driven outcome. The recommendations will benefit the business community and high income earners at the expense of hard working low and middle income Australians and the most vulnerable in the community. This outcome is certainly evident in the budget with analysis from the National Centre for Social and Economic Modelling showing:

> The poorest 20 per cent of Australian families will pay $1.1 billion more into government coffers than the richest households as a result of the

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1 Senate Select Committee into the Abbott Government's Commission of Audit, *Interim Report*, February 2014, p. 19.

2 David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, p. 5.

3 David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, p. 10.

> budget, highlighting the huge inequity in the government's four-year blueprint for fiscal repair.[4]

Conflicts of interest

3.5 The chair and secretariat head for the commission appear to have only considered the question of conflicts of interest with their previous positions at the Business Council Australia (BCA) in a superficial way. While a guide for how to address any conflicts was made available on the commission's website[5] none of the conflicts identified by the commissioners have been considered sufficient for commissioners to exclude themselves from discussions. When the handling of the BCA submission was discussed, Mr Peter Crone, head of the commission's secretariat, who was on leave from his position as Chief Economist and Director of Policy at the BCA, said he saw no conflict of interest in dealing with that submission.[6]

3.6 The committee considers that where a person refuses to see the potential for the conflict of interest it can't be adequately addressed. The committee called for the commission to make public the full declarations of conflict of interest signed by the commissioners and a list of any times when they have had to be excluded from discussions or receiving submissions due to conflicts of interest. This has not been provided with the commission arguing that it is not appropriate to make the declarations public.[7]

Lack of transparency

3.7 As highlighted in the committee's first interim report, the processes being used by the National Commission of Audit to gather and analyse information lacked transparency.

3.8 The committee is pleased to note, however, that public submissions are now available from the commission's website.[8] Prior to this, submissions were only available to the public in cases where a submitter took steps to make their submission public through publishing it on their own website. This process of leaving people to search for the information the commission was using in its deliberations was clearly inadequate.

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4 Tom Allard, Poorest families pay most in budget', *Canberra Times*, 22 May 2014. See also: Peter Martin, ''Missing' figures show poor are hit', *Canberra Times*, 19 May 2014 citing Peter Whiteford and Daniel Nethery, 'How the budget pain is unfairly shared' *Sydney Morning Herald*, 19 May 2014; Ross Gittins, 'What's inside Joe Hockey's head?', *Canberra Times*, 21 May 2014.

5 National Commission of Audit answers to questions on notice, 15 January 2014 (received 31 January 2014).

6 Senate Select Committee into the Abbott Government's Commission of Audit, *Interim Report*, February 2014, p. 16.

7 National Commission of Audit answers to questions on notice, 15 January 2014 (received 31 January 2014).

8 See http://www.ncoa.gov.au/submissions-received.html (accessed 5 May 2014).

3.9 The processes around meeting with the commission were ad hoc. The commission said it had over 100 meetings. Commissioners met with those who requested a meeting but not everyone who made a submission. The committee asked the commission to provide details of meetings with stakeholders but this was not provided as the commission considered it would be an 'inappropriate diversion of resources to compile this information for the committee by the deadline for responses'.[9]

3.10 While the committee is pleased to see the submissions to the commission were eventually made available on the commission's website, it is disappointed that information on the meetings with stakeholders has not been provided.

Timeframe too short

3.11 The committee considers that the rushed timeframe set for the commission by government was too ambitious for it to examine the size and scope of all Commonwealth expenditure and formulate advice to government that will encourage evidence-based policy decisions.

3.12 Mr Tony Shepherd, chair of the commission, suggested the commission's recommendations were all 'sensible' and should be adopted in full. However, Mr Shepherd admitted that the commission did not have time to work through each proposal in full with the relevant departments.[10] This is discussed in more detail below in relation to the lack of evidence for recommendations.

Secrecy

3.13 The committee agrees the work of the commission is important, if for the only reason that it has clearly informed the 2014-15 budget. The committee heard that 'everything is on the table'[11] but the timing of the release of the commission's report by the government occurred too late to provide proper scrutiny of the proposals before the budget was released.

3.14 The interim report was provided to the government two weeks late in mid-February and the final report was provided at the end of March. Neither report was released to the public until 1 May 2014 which was well after the South Australian and Tasmanian state elections and the Western Australian Senate election. Clearly the government wanted to keep the size and scope of the possible cuts from the public for as long as possible.

Disjointed reviews

3.15 The government has stated that tax expenditure will be the subject of a separate review which has not yet started. In the committee's second interim report it was noted there is also a welfare review being undertaken by Mr Patrick McClure,

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9 National Commission of Audit, answers to question on notice, 15 January 2014, received 31 January 2014.

10 Mr Tony Shepherd, *Proof Committee Hansard*, 2 May 2014, p. 18.

11 Mr Tony Shepherd, *Committee Hansard*, 15 January 2014, p. 6.

which is being conducted separately to the work of the commission and has not yet been released.[12]

3.16 The committee believes this fragmented approach to the review of government expenditure and revenue, with separate processes being conducted in isolation, will result in an approach which lacks cohesion and awareness of any possible unintended consequences.

Lack of costings

3.17 The committee requested the costings for each of the commission's recommendations. The commission admitted that it did not prepare costings for all of its recommendations and did not undertake detailed financial modelling:

> The Commission has prepared indicative savings from its Recommendations. However, without decisions on detailed programme design and timing of implementation – which are matters for government – it is not possible to be definitive.
>
> Detailed costings undertaken as part of the budget process would give greater clarity around the financial implications of the Recommendations.[13]

3.18 Instead, the commission provided advice on the 'broader order of magnitude of savings potentially arising from its Recommendations', emphasising that without detailed financial modelling, the estimates provided should be treated as indicative only.[14]

Lack of evidence

3.19 Not only was the committee concerned by the lack of costings for each recommendation, it was also concerned by the limited evidence base.

3.20 As noted by the Australia Institute:

> …an audit report, like any well researched report, usually contains extensive notes, clarifications and references to external sources of data. For a document of its length and breadth, the Commission of Audit is sparsely referenced, and, of greater concern for those interested in evidence-based policy, the references that are provided are overwhelmingly to publications by the government itself.[15]

3.21 The committee questions the lack of transparency and depth regarding the evidence base for the commission's recommendations. For example, when discussing the evidence which led the commission to recommend GP co-payments, Mr Shepherd

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12 Senate Select Committee into the Abbott Government's Commission of Audit, *Second Interim Repor*t, April 2014, p. 26.

13 National Commission of Audit, answers to questions on notice from the 1 May 2014 hearing, received 13 May 2014.

14 National Commission of Audit, answers to questions on notice from the 1 May 2014 hearing, received 13 May 2014.

15 David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, p. 10.

admitted the commission did not have the technical expertise for that analysis and ultimately recommended that the Minister for Health review the issue. He also admitted:

> The evidence that we have relied on was basically just the ever-increasing cost.[16]

3.22 The committee requested the evidence relied on for overservicing by GPs. The commission's response again emphasised the broad aim of improving the overall healthcare system but no specific evidence was provided.[17]

Terms of reference based on flawed assumptions

3.23 The terms of reference make a number of assumptions which the committee has proved incorrect. For example, the real picture of the economy and public service, discussed below, is at odds with what the commission and government have been saying.

Government spending

3.24 The committee heard that Commonwealth spending is not 'out of control' as assumed in the terms of reference for the commission. Government spending is reasonable, small and efficient, not only by historical Australian trends but also by international comparisons.[18]

Debt and deficit

3.25 The terms of reference assume there is a debt crisis which can only be achieved by cutting expenditure. In fact the committee heard that when compared with other OECD countries Australia's level of debt is reasonable and modest.[19] Mr Shepherd admitted there is no immediate crisis but he stressed the need to take action to avoid one in the future.[20]

3.26 The committee considers the case for a 'budget emergency' to be considerably overstated. The only budget emergency is one confected by the government.

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16 *Proof Committee Hansard*, 2 May 2014, p. 16.

17 National Commission of Audit, answers to questions on notice from the 1 May 2014 hearing, received 13 May 2014.

18 Senate Select Committee into the Abbott Government's Commission of Audit, *First Interim Repor*t, February 2014, p. 24. See also David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, pp 15-16.

19 Senate Select Committee into the Abbott Government's Commission of Audit, *First Interim Repor*t, February 2014, pp 24-25. See also David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, pp 12-13, 17-18.

20 Mr Tony Shepherd, *Proof Committee Hansard*, 2 May 2014, p. 11.

Targets

3.27 The commission was asked to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24. As discussed in the committee's first interim report, this was a target chosen by government and there was a lack of clarity around how it was chosen. Witnesses suggested that, if current growth trends continue, the economy may be in surplus before 2023-34 even without substantial cuts to government spending.[21]

Limitations

3.28 The commission's terms of reference are one-sided as the tax or revenue side of the equation is not included. The committee has previously noted the disjointed approach by the government with expenditure and revenue being reviewed separately.[22]

3.29 Given the government forgoes a considerable amount of revenue in tax expenditures and concessions, the committee decided to look into this area to examine possible savings. The committee found it is not an area which is regularly reviewed and lacks transparency. The committee believes that if the government is prepared to consider a co-payment fee to visit a GP, which would affect the health of the most disadvantaged, it should also be considering over $100 billion of tax concessions. However, the Treasurer has already moved to reassure the mining industry that there will be no cuts to the diesel fuel rebate which is expected to cost $2.4 billion over the next financial year.[23] Instead, breaking one of its own election promises not to increase taxes, the government has announced that the fuel excise will now increase in line with inflation twice a year.[24]

3.30 Even the commission admitted it was necessary to go outside its terms of reference to offer a view on some areas of taxation such as the GST (recommendation 9) and comment on superannuation tax concessions.[25] The committee also notes the following recommendations which are outside the commission's terms of reference:

- to ensure that taxation receipts remain below 24 per cent of GDP (recommendation 1); and

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21 Senate Select Committee into the Abbott Government's Commission of Audit, *First Interim Report*, February 2014, p. 36.

22 Senate Select Committee into the Abbott Government's Commission of Audit, *First Interim Report*, February 2014, p. 26, pp 31-32.

23 Andrew Greene, Budget 2014: Joe Hockey moves to assure miners over diesel fuel rebate, ABC News online, 5 May 2014.

24 'Budget 2014: Fuel Excise to increase twice a year in line with inflation', ABC online, 12 May 2014.

25 National Commission of Audit, Phase One, p. 87. See also Mr Tony Shepherd, *Proof Committee Hansard*, 2 May 2014, p. 8.

- the view that the level of the minimum wage is too high (recommendation 28).[26]

3.31 The committee notes the commission's report is silent on the government's Direct Action Policy to reduce greenhouse gas emissions. Mr Shepherd indicated that consideration was not included as no information or detail was available during the timeframe of the audit. Given the policy is expected to cost $3.2 billion,[27] and the statement by Mr Shepherd that 'everything is on the table', the committee finds this omission remarkable.

Employment

Public service

3.32 The terms of reference also assume the public service is too large and inefficient. In fact, the committee heard that the public service is very efficient by world standards.[28] The public service has already been subjected to efficiency dividends and one off increases to efficiency dividends so there is little left to cut without affecting front line services.

3.33 In the committee's view the public sector is efficient, reasonably sized and provides good value for money for the Commonwealth. No consideration has been given to the effect of further job cuts to the public servants, the loss of services provided to the community as well as the flow-on effects to the local economies such as the ACT. Signs of an economic downturn in the ACT are already evident.[29] The further cuts to the public service announced by the government in the budget will further compound this effect.[30]

Privatisation

3.34 The commission appears to accept uncritically that privatisation of government services leads to more efficient outcomes. This was certainly the view of Mr Shepherd:

> The results have been mixed, but I would say that overwhelmingly the privatisations have been successful. Some lessons learnt, I guess, would be that when you do privatise you should ensure that you retain the level of public service that is already being provided and you do not put in jeopardy the quality and competence of the services that have been provided. You can do that, and you can build that into a privatisation so that you can

26 Mr Tony Shepherd, *Proof Committee Hansard*, 2 May 2014, p. 9.

27 Lisa Cox, 'Audit not privy to multibillion dollar direct action plan to reduce emissions', *Sydney Morning Herald,* 23 April 2014.

28 Senate Select Committee into the Abbott Government's Commission of Audit, *Second Interim Report*, April 2014, pp 41-42.

29 Senate Select Committee into the Abbott Government's Commission of Audit, *Second Interim Report*, April 2014, pp 43-44.

30 Phillip Thomson, 'Federal budget puts Canberra on the razor's edge with 16,500 public service jobs cut', *Sydney Morning Herald*, 13 May 2014.

> protect the future. I have been involved in many infrastructure projects—PPP [public private partnerships] projects. The last major one I was involved in was a toll road in Melbourne, and we had instituted on us standards of customer service that had never been seen in a toll road in Australia before, and we met those standards. That is a private development, and the customer service is far superior to anything else being offered by the private sector or Public Service in Australia, because that is built into the contract. There is a price to pay for that, but you can do that. I think the trick with privatisations is not to throw the baby out with the bathwater, and not to do it for ideological reasons but to do it for sound economic and business efficiency reasons.[31]

3.35 However, there has been no consideration of examples of privatisation where increased efficiency has not been the outcome. The ACTU stressed to the committee:

> We also take issue with a number of the terms of reference which really are one way towards an in-principle view that matters such as outsourcing and contracting out are always more efficient. We detail in the submission that recent experience both here and in the UK has shown that privatisation and outsourcing have not always proven to be efficient and cost-effective means of delivering services.[32]

3.36 The Australia Institute indicated that the commission ignored a large body of research highlighting problems with privatisation and stated:

> Providing a list of assets that should be sold the Commission of Audit provides scant evidence that such privatisations would deliver lower costs to consumers or increase the efficiency of the markets they operate in. Of even greater concern the Commission of Audit provides no effective guidance about the kinds of assets that are most suited to privatisation and the kinds that are not, nor does it provide meaningful guidance about the best process by which different kinds of assets should be privatised. Despite empirical evidence to the contrary, the Commission of Audit simply seems to believe that any privatisation is good privatisation.[33]

3.37 The commission's assumption that privatisation will result in more efficient outcomes has not been the result in every case. The committee believes further work is required before making privatisation decisions. Relevant examples in other jurisdictions should be reviewed and each decision should be subject to a full cost-benefit analysis.

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31 *Committee Hansard*, 15 January 2014, p. 23.

32 Mr Tim Lyons, Assistant Secretary, ACTU, *Committee Hansard*, 18 February 2014, pp 8-9. See also also David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, pp 25-26.

33 David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, pp 25-26.

Welfare and support

Youth unemployment

3.38 The committee heard about high levels of youth unemployment.[34] The commission recommended that young people aged 22 to 30, who do not have dependants or special exemptions, should be required to relocate to higher employment areas or lose benefits (recommendation 27).

3.39 Requiring individuals to relocate is a blunt instrument which does not take account of practicalities such as transport and accommodation or loss of social support networks and is not supported by the committee.

3.40 As part of the budget the government has announced a package of reforms in this area. Job seekers applying for Newstart or Youth Allowance, who have not been previously employed, will be required to wait for six months before they are eligible for payments by participating in the Work for the Dole program. In addition, individuals under 25 will have to apply for Youth Allowance which is about $100 less per fortnight. Newstart and Youth Allowance will also be frozen for the next three years.[35]

3.41 The committee believes that in order for young Australians to find a job, government needs to provide good education, training and support. The budget seems based on a premise that young Australians don't want to work, rather than the reality faced by many that it is difficult for them to find employment. The committee fails to see how denying these young Australians support so they can pay for rent and food while they look for work is going to improve their situation. Indigenous Australians are likely to be particularly affected by changes to the welfare system.[36]

3.42 Given these budget measures and the negative effect they will have on many young people, the committee finds it of great concern that funding for the national peak body for youth affairs has been cut and the Australian Youth Affairs Coalition will be forced to close its doors at the end of June 2014. Four full-time and two part-time staff will be made redundant. Parliamentary Secretary to the Minister for Education, Senator the Hon Scott Ryan responded:

> This government does not believe that a single peak body is necessary for it to hear the views of Australian youth, nor that a single peak body is capable of representing the diverse interests, experiences and background of young Australians…The government is currently developing plans to consult with young Australians using a more focused and targeted approach.[37]

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34 Senate Select Committee into the Abbott Government's Commission of Audit, *Second Interim Repor*t, April 2014, p. 36.

35 Bridie Jabour, 'Young Australians to face six-month wait for unemployment benefits', *The Guardian*, 13 May 2014.

36 Mr Mick Goodna, 'This budget could devastate Indigenous Australians', *The Drum*, 20 May 2014.

37 Judith Ireland, 'Budget cuts force Australian Youth Affairs group to close', *Canberra Times*, 20 May 2014.

3.43 This move shows the government is treating the views of young Australians with complete disdain by forcing an organisation which provides a national voice for young people to close its doors.

Disability Support Pension

3.44 The commission recommended changes to the Disability Support Pension (recommendation 29). The committee notes the government has gone even further to include a review of the eligibility of those aged under 35 and participation in compulsory programs if they are deemed to be able to work more than eight hours a week.[38]

3.45 The committee notes that many Australians with a disability want the chance to work if they are able. Taking support away from people does not, as a consequence, create a job for that person. Real jobs and appropriate support for them at work are critical for a successful transition to work and the committee can see no evidence of these wider considerations by the government.

National Disability Insurance Scheme

3.46 While supporting the National Disability Insurance Scheme (NDIS), the commission recommended a slower phasing in of the scheme (recommendation 16). This is not supported by the committee. The NDIS will significantly improve the quality of life and services for those living with a disability who have already been waiting for assistance for too long.

Health

3.47 All Australians should have access to high-quality health care not just those who can pay for it. The recommendations from the commission's report for GP co-payments (recommendation 17) would result in the end of universal health care. As noted in its second interim report, the committee received no evidence to support the argument that there is overservicing by GPs and, as noted above, no evidence has been provided by the commission. People visit their GP for preventative measures including screening and vaccinations. They also visit the GP to manage chronic diseases such as diabetes or heart disease.

3.48 Evidence received by the committee indicated that putting a barrier in place to seeing a GP, such as a co-payment, has the potential to hurt the most vulnerable in our society and may cause people to delay treatment and tests, resulting in a need for more expensive hospital care.[39]

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38 Bridie Jabour, 'Some disabled Australians will have to join work programs or have benefits cut', *The Guardian*, 13 May 2014; See also Department of Human Services website: http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1415/measures/disability-and-carers/51-000737 (accessed 30 May 2014).

39 Senate Select Committee into the Abbott Government's Commission of Audit, *Second Interim Report*, April 2014, pp 14-20.

Co-payments

3.49 In a discussion with Mr Shepherd he stressed that the commission's recommendations had not been worked through with the relevant departments and the co-payment issue has been referred to the Minister for Health.[40]

3.50 The committee is very concerned that the recommendations made by the commission in this area do not have a sound evidence base. In addition, they do not appear to have been thoroughly reviewed and tested for unintended consequences.

3.51 It has also been pointed out that while the commission suggests people are visiting the doctor too often, it does not take account of regional circumstances 'where people visit the doctor less often, have less access to GPs and have poorer health outcomes as a result'.[41]

3.52 The committee was concerned that in the rush for savings, these recommendations would be accepted by the government with little or no further work. Unfortunately this is exactly what has occurred with the government announcing a $7 co-payment for GP visits and medical tests. Since the budget, medical professionals have already repeated the concerns expressed to the committee that some people, particularly those on low incomes, will defer care or go to hospital emergency department rather than pay the GP fee.[42]

3.53 Evidence reinforcing these concerns continues to emerge following the budget announcement:

> Data collected by researchers at the University of Sydney for the Bettering the Evaluation and Care of Health program shows almost a quarter of GP visits result in pathology or diagnostic imaging tests being ordered.
>
> Helena Britt, director of the family medicine research centre at the university's school of public health, said such tests were crucial to help doctors care for patients with multiple chronic conditions.
>
> "We've had people in our study with 16 diagnosed chronic conditions," she said. "You've got multiple pharmaceutical products and other treatments going on. They all have to be kept an eye on. But if the patient can't see really why they need to have the pathology tests done, and it's another $7 cost - that's $14 in all, then maybe they just won't go and have the tests".[43]

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40 Mr Tony Shepherd, *Proof Committee Hansard*, 2 May 2014, pp 17-18.

41 David Richardson, Richard Denniss and Matt Grudnoff, *'Auditing the auditors, The People's Commission of Audit*, The Australia Institute, Policy brief No. 61, May 2014, pp 21-22.

42 Julia Medew and Richard Willingham, 'Federal Budget 2014: Victorian doctors slam GP co-payment', *Sydney Morning Herald*, 14 May 2014. See also Senate Select Committee into the Abbott Government's Commission of Audit, *Second Interim Repor*t, April 2014, pp 16-19.

43 Dan Harrison and Lucy Carroll, 'Medicare fee could make many skip diagnostic tests', *Canberra Times*, 20 May 2014. See also Jessica Kaufman, 'Vaccination blow from a baffling budget', *The Drum*, 20 May 2014.

3.54 The effect on Indigenous Australians is also likely to be particularly severe. Mr Mick Gooda, the Aboriginal and Torres Strait Islander Social Justice Commissioner, has pointed out:

> Aboriginal and Torres Strait Islander people access Medicare services at a rate which is almost one third lower than what is required on a needs basis. Our people need encouragement to access medical services, not more barriers. Increasing out-of-pocket expenses for health care will further entrench barriers to equitable healthcare.[44]

3.55 The government is trying to sell the end of universal health care with the announcement that the money from the co-payment will go into a $20 billion Medical Research Future Fund. There is very little detail available about this proposed fund.[45] This proposal does nothing to address the looming crisis with the government taking billions out of the health budget which will result in fewer hospital beds, crowded emergency departments and longer waiting times for hospitals.

Other recommendations

3.56 The committee was concerned to see the recommendation to reform national disaster relief (recommendation 41). The government's test stated in the commission's terms of reference is 'government should do for people what they cannot do, or cannot do efficiently for themselves, but no more'.[46] The committee considers that a natural disaster is surely a text book example of such a situation.

Conclusion

3.57 The committee supports the regular review of government expenditure and the need to find sensible efficiencies. However, it considers the work of the commission has been a missed opportunity to have a conversation with the community concerning questions such as what kind of society Australia wishes to promote.

3.58 The committee does not agree with the direction and society envisaged by the commission. Rather than a compassionate society to assist the most vulnerable, the commission provides a blue print for a 'dog eat dog' world.

3.59 The recipe for an American-style health system is of particular concern. Instead of tearing down Medicare, the government should be building it up and extending it to dental care.

3.60 The committee process has shown that the government rhetoric about a budget emergency is not supported by the evidence. The recommendations are unfortunately entirely predictable: cuts to services for the most vulnerable.

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44 Mr Mick Gooda, 'This budget could devastate Indigenous Australians', *The Drum*, 20 May 2014.

45 Dan Harrison, 'New $20 billion medical research fund: wonky, wedge or miracle cure?, *Sydney Morning Herald*, 18 May 2014.

46 National Commission of Audit, terms of reference, p. 1.

3.61 The commission's recommendations are unbalanced. All the work to find savings is being done by cuts to government expenditure but revenue is not included. A complete and cohesive picture is needed rather than the disjointed approach being undertaken by the government.

3.62 The committee is fundamentally concerned with the lack of costings and evidence to support the commission's recommendations. Given many of the recommendations of the commission have already been translated into budget measures and others may be adopted in future budgets, the committee calls on the government to provide greater transparency for each recommendation.

Recommendation 3

3.63 The committee recommends that the government release the costings and evidence base for each recommendation from the National Commission of Audit.

Recommendation 4

3.64 The committee recommends that by 31 December 2014, the government provide a response to each of the recommendations made by the National Commission of Audit. The response should indicate whether the recommendation has been accepted by government and when it will be implemented and where a recommendation has not been accepted, the government should provide reasons.

Senator Richard Di Natale

Chair

Government senators' dissenting report

1.1 Government senators have provided dissenting reports for the committee's first, second and third interim reports. These dissenting reports should be reviewed together to build a complete picture of government senators' views.

1.2 The dissenting report for the committee's first interim report covered the following areas:

- the need for urgent action to address Labor's legacy of $123 billion of projected deficits and debt on a trajectory to reach $667 billion unless action is taken;
- how the committee contributed to delaying the important work of the National Commission of Audit (the commission);
- the misrepresentation of the nature of the commission's work as the commission was an independent panel with the specific task to review government expenditure and report to government with recommendations;
- emphasising that the commission would make recommendations to government but decisions will be made by government and not the commission; and
- the appropriateness of the commission's terms of reference including making recommendations to achieve savings sufficient to deliver a surplus of 1 per cent prior to 2023-24.[1]

1.3 The dissenting report for the second interim report covered:

- the challenge of fixing Labor's Budget mess,
- the need to address increasing health expenditure and drive efficiency to ensure the sustainability of the health system;
- the significant growth in income support payments;
- the need to create a strong employment market; and
- ensuring an efficient public sector.[2]

1.4 The dissenting report for the third interim report disagreed with the need for the committee to extend the final reporting date until 16 June 2014.[3]

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1 Senate Select Committee into the Abbott Government's Commission of Audit, *First Interim report*, February 2014, Government senators' dissenting report, pp 41-47.

2 Senate Select Committee into the Abbott Government's Commission of Audit, *Second Interim report*, February 2014, Government senators' dissenting report, pp 47-57.

3 Senate Select Committee into the Abbott Government's Commission of Audit, *Third Interim report*, February 2014, Government senators' dissenting report, p. 2.

Conclusion

1.5 Government senators are very concerned about the operation of this select committee which arises from the committee being established purely for political objectives. This is reflected in the quorum requirements for the committee which provides that three members of the committee constitute a quorum.[4] There is no requirement for a government member to be part of a committee meeting or hearing. This quorum provision does not reflect the normal quorum requirements which ensure appropriate consultation and representation of views, particularly at hearings. It is a subversion of established committee processes for political ends designed to ensure that meetings and hearings can go ahead without the participation of committee members with differing political viewpoints. This approach is disappointing and it brings the respected Senate committee processes into disrepute.

1.6 In relation to the final report, as they have been for the duration of the inquiry, Labor and the Greens continue to remain in denial about the serious budget issues they left behind that must be addressed so that future generations are not left with a huge debt to repay.

1.7 This denial flies in the face of economic reality, and is completely contrary to views expressed by respected independent experts.

1.8 During the Senate's recent Budget Estimates hearings, the head of the independent Parliamentary Budget Office, Mr Phil Bowen, confirmed that 'Australia's debt is increasing at the fastest rate of any OECD country'.[5]

1.9 Mr Bowen also advised that 'The Australian economy is an open economy and it is exposed to the international economy, and it does require a buffer against economic shocks'.[6]

1.10 He went on to say that 'The rate of increase, if allowed to go unchecked, would mean that net debt would increase quite rapidly—to the point where that fiscal buffer we talked about would not be available'.[7]

1.11 Mr Bowen also told *The Australian Financial Review* that 'It is time to start coming out [of debt and deficit], otherwise the longer you leave it the more exposed you become and the harder it is to wind it back'.[8]

1.12 Likewise, Treasury Secretary Dr Martin Parkinson PSM told a Budget Estimates hearing that there is a need to bring debt under control: 'I have been saying

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4 *Journals of the Senate*, No. 10 - 11 December 2013, p. 346.

5 Senate Estimates, Finance and Public Administration Legislation Committee, *Estimates Hansard*, 26 May 2014, p. 19.

6 Senate Estimates, Finance and Public Administration Legislation Committee, *Estimates Hansard*, 26 May 2014, p. 18.

7 Senate Estimates, Finance and Public Administration Legislation Committee, *Estimates Hansard*, 26 May 2014, p. 19.

8 Jacob Greber and Phillip Coorey, 'Budget crisis is real, says PBO', *Australian Financial Review*, 27 May 2014, p. 1.

this. The Governor of the Reserve Bank has been saying this. The head of the independent Parliamentary Budget Office has said this, most recently last week. If the two most senior economic bureaucrats in the country are saying, "People, we have a challenge, and it's about time we had a serious community discussion" and the independent head of the Parliamentary Budget Office says the same thing, it is actually in the hands of the political class'.[9]

1.13 The government's fiscal strategy has also received endorsement from the Secretary General of the OECD, Angel Gurria, who described the government's budget strategy as 'a sustainable, durable' solution that is 'dealing very directly and decisively with the budget deficit'.[10]

1.14 Yet despite this overwhelming opinion from respected, independent experts, Labor and Greens want to pretend there is no problem, and there is no need for decisive action.

1.15 Government senators reject this unrealistic and irresponsible approach from Labor and the Greens.

1.16 The government has taken the difficult but necessary step of reviewing government expenditure and making the hard decisions which will repair the budget and build a strong economy.

Senator David Bushby

Senator for Tasmania

Senator Dean Smith

Senator for Western Australia

Senator Sean Edwards

Senator for South Australia

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9 Senate Estimates, Economics Legislation Committee, *Estimates Hansard*, 4 June 2014, p. 85.

10 Emily Stewart, 'OECD boss praises Australian budget for gradual return to surplus', *ABC News*, www.abc.net.au/news/2014-06-10/oecd-boss-praises-australian-budget-for-gradual-return-to-surpl/5512418, (accessed 12 June 2014).

APPENDIX 1

Submissions and Additional Information received by the Committee

Submissions

1. Grattan Institute
2. National Welfare Rights Network
3. South Australian Government
4. Alcohol and other Drugs Council of Australia
5. Early Childhood Australia
6. Mr Ian McAuley, Ms Jennifer Doggett and Mr John Menadue
7. Community Employers WA
8. Federation of Ethnic Communities' Councils of Australia
9. Settlement Council of Australia
10. St Vincent de Paul National Council
11. National Tertiary Education Union
12. Australian National Audit Office
13. Hunter Community Legal Centre
14. Public Health Association of Australia
15. Professor Alan Rosen
16. COTA Australia
17. Ms Siouxsie Venning
18. Optometrists Association Australia
19. ACT Government
20. SANE Australia
21. Consumers Health Forum of Australia
22. National Rural Health Alliance
23. United Voice
24. Australian Council of Trade Unions
25. Australian Medical Students' Association
26. Butterfly Foundation
27. Carers Australia
28. Medicines Australia

29. Australian Council of Social Service
30. Australian Youth Affairs Coalition
31. WWF Australia
32. Green Building Council of Australia
33. Dr Tom Calma and Professor Pat Dudgeon
34. Mr Matt Mushalik
35. Mental Health Council of Australia
36. Maritime Union of Australia
37. Barwon Community Legal Service
38. Community and Public Sector Union (PSU Group)
39. Australian Services Union
40. Royal Australian and New Zealand College of Psychiatrists
41. Consumers E-Health Alliance
42. Tasmanian Government
43. The Australian Psychological Society Limited
44. Queensland Government
45. Youth Connections National Network
46. Australian Medical Association
47. Shelter WA
48. Professor John Quiggin

Form Letters received

1 Example of form letter 1, relating to maintaining Medicare's provision of universal access to healthcare. Received from 14 individuals (this number includes variations of the form letter)

2 Example of form letter 2, relating to concern about the potential severity of cuts to or privatisation of Commonwealth services and assets across the board. Received from 12 individuals (this number includes variations of the form letter)

3 Example of form letter 3, relating to keeping the ABC, SBS and Australia Post in public hands, received from 7 individuals (this number includes variations of the form letter)

4 Example of form letter 4, relating to continuing government funding for social services, including the NDIS, aged and disability support pensions, and the

aged care system, received from 6 individuals (this number includes variations of the form letter)

5 Example of form letter 5, relating to the importance of continuing funding for the new schools funding system (Gonski), received from 3 individuals (this number includes variations of the form letter)

Tabled Documents

1 Senator Dastyari, Australian Financial Review Article, tabled at public hearing, 15 January 2014

2 National Commission of Audit, Correspondence from the Treasurer and the Minister for Finance dated 21 November 2013, tabled at public hearing, 15 January 2014

3 National Commission of Audit, Opening statement, tabled at public hearing, 15 January 2014

4 Mr Terry Barnes, Opening statement, tabled at public hearing, 18 February 2014

5 Australian Solar Council, Additional information, tabled at public hearing, 13 March 2014

6 Mr Bernard Salt, Statement, tabled at public hearing, 13 March 2014

7 Aboriginal Family Law Services, Legal Assistance Policy and Advocacy Budget Breakdown, tabled at public hearing, 1 April 2014

8 Anglicare WA, Additional information, tabled at public hearing, 1 April 2014

9 Public Health Association of Australia, Assessing Cost-Effectiveness in Prevention (ACE Prevention) report, tabled at public hearing, 15 April 2014

Answers to Questions on Notice

1 Answer to Question on Notice, National Commission of Audit, 15 January 2014, received 31 January 2014

2 Answer to Question on Notice, Department of Finance, 15 January 2014, received 3 February 2014

3 Answer to Question on Notice, Australian Council of Social Service, 18 February 2014, received 28 February 2014

4 Answer to Question on Notice, Department of Finance, 15 January 2014, received 24 March 2014

5 Answer to Question on Notice, Community and Public Sector Union (PSU Group), 13 March 2014, received 31 March 2014

6 Answer to Question on Notice, Minerals Council of Australia, 15 April 2014, received 2 May 2014

Additional Information

1 Senate Select Committee into the Abbott Government's Commission of Audit, Correspondence between the committee and the commission regarding the public hearing on 15 January 2014, dated 13 and 14 January 2014

2 Australia Institute, Opening statement, received 5 February 2014

3 Mr Stephen Koukoulas, Opening statement, received 5 February 2014

4 Aboriginal Legal Services of Western Australia, Additional information, received 10 April 2014

5 The Treasury, Additional information relating to the public hearing on 15 April 2014, received 29 April 2014

APPENDIX 2

Public Hearings

Wednesday, 15 January 2014

Senate Committee Room 2S3

Parliament House, Canberra

Witnesses

National Commission of Audit

Mr Tony Shepherd AO, Chair
Dr Peter Boxall AO
Mr Tony Cole AO
Mr Robert Fisher AM
The Hon Amanda Vanstone

National Commission of Audit Secretariat

Mr Peter Crone, Head of Secretariat
Mr John Grant, First Assistant Secretary

Department of Finance

Ms Rosemary Huxtable, Deputy Secretary, Budget Group
Ms Teena Blewitt, First Assistant Secretary, Budget Policy Coordination Division
Ms Amanda Lee, Assistant Secretary, Budget Coordination Branch

Wednesday, 5 February 2014

Senate Committee Room 2S3

Parliament House, Canberra

Witnesses

Grattan Institute ***(via teleconference)***

Mr John Daley, Chief Executive Officer

Australian Council of Trade Unions ***(via teleconference)***

Mr Tim Lyons, Assistant Secretary
Mr Matt Cowgill, Economic Policy Officer

Australia Institute

Dr Richard Denniss, Executive Director
Mr David Richardson, Senior Research Fellow

Business Council of Australia ***(via teleconference)***

Ms Maria Tarrant, Deputy Chief Executive
Mr Jarrod Ball, Acting Chief Economist

Australian Industry Group ***(via teleconference)***

Dr Peter Burn, Director of Policy

Mr Ian McAuley, Fellow, Centre for Policy Development

Ms Jennifer Doggett, Fellow, Centre for Policy Development

Mr Stephen Koukoulas, Managing Director, Market Economics

Parliamentary Budget Office

Mr Phil Bowen, Parliamentary Budget Officer

The Treasury

Mr Nigel Ray, Executive Director, Fiscal Group

Ms Luise McCulloch, General Manager, Budget Policy Division

Mr Jason Allford, General Manager, Domestic Economy Division

Mr Robert Ewing, Manager, Assets Liabilities and Intergenerational Report Unit

Tuesday, 18 February 2014

Senate Committee Room 2S3

Parliament House, Canberra

Witnesses

Mental Health Council of Australia

Mr Frank Quinlan, Chief Executive Officer

Australian Health and Hospitals Association

Ms Alison Verhoeven, Chief Executive Officer

Dr Anne-marie Boxall, Director, Deeble Institute for Health Policy Research

Consumers Health Forum of Australia

Ms Rebecca Vassarotti, Director of Policy

Centre for Independent Studies

Ms Simon Cowan, Research Fellow, Target 30 Program Director

Grattan Institute ***(via teleconference)***

Dr Stephen Duckett

Australian Services Union

Mr Greg McLean, Assistant National Secretary

National Centre for Social and Economic Modelling, University of Canberra

Professor Laurie Brown, Research Director

Mr Ben Phillips, Principal Research Fellow

Australian Council of Social Services

Dr Cassandra Goldie, Chief Executive Officer

Dr Tessa Boyd-Caine, Deputy Chief Executive Officer

Mr Peter Davidson, Senior Advisor

Mr Terry Barnes, Principal, Cormorant Policy Advice

Catholic Social Services
Ms Jackie Brady, A/Executive Director

Thursday, 13 March 2014

Cliftons Melbourne

2/440 Collins Street, Melbourne

Witnesses

Committee for Geelong
Mr Dan Simmonds, Chairperson
Ms Rebecca Casson, Chief Executive Officer
Australian Council of Trade Unions
Mr Tim Lyons, Assistant Secretary
Mr Matt Cowgill, Economic Policy Officer
Australian Solar Council
Mr John Grimes, Chief Executive Officer
Community and Public Sector Union (PSU Group)
Ms Nadine Flood, National Secretary
Ms Karen Atherton, National Political Coordinator
Mr Bernard Salt
Australian Industry Group *(via teleconference)*
Dr Peter Burn, Director of Policy
Youth Connections National Network
Ms Rebekha Sharkie, National Executive Officer
Mr Danny Schwartz, Victorian Representative

Tuesday, 1 April 2014

Committee Room 1

Legislative Assembly Committee Office

Level 1, 11 Harvest Terrace, West Perth

Witnesses

Community and Public Sector Union (PSU Group)
Ms Sue Bowers, WA Secretary
Ms Toni Walkington, Branch Secretary, Community and SPSF Group, Western Australian Branch
Ms Karen Atherton, National Political Coordinator
West Australian Council of Social Service
Mr Chris Twomey, Director of Social Policy
Anglicare WA and Service Provider at Foyer Oxford
Mr Ian Carter, Chief Executive Officer

UnitingCare West

Ms Sue Ash, Chief Executive Officer

Rise

Ms Justine Colyer, Chief Executive Officer

Youth Affairs Council of Western Australia

Mr Craig Comrie, Chief Executive Officer

Community Legal Centres Association (WA)

Mr David Kernohan, Chair

Ms Sara Kane, Deputy Chair

Women's Law Centre WA

Ms Lesley Kirkwood, Managing Solicitor

Aboriginal Family Law Services

Ms Mary Cowley, Chief Executive Officer

Mr Eddie Oxenbridge, Chair

Mr James Segedin, Corporate Services Manager

Aboriginal Legal Services

Mr Dennis Eggington, Chief Executive Officer

Mr Peter Collins, Director of Legal Services

Tuesday, 15 April 2014

Senate Committee Room 2S1

Parliament House, Canberra

Witnesses

Minerals Council of Australia

Mr Brendan Pearson, Chief Executive Officer

Mr James Sorahan, Director Taxation

The McKell Institute

Mr Sam Crosby, Executive Director

Australian Centre for Economic Research on Health

Professor Jim Butler, Director and Professor

Public Health Association of Australia

Ms Melanie Walker, Deputy Chief Executive Officer

Per Capita

Mr David Hetherington, Executive Director

The Property Council

Ms Caryn Kakas, Head, External and Government Affairs

Professor John Quiggin, Professor/ARC Laureate Fellow, University of Queensland

Dr John Hewson, Professor/Chair, Tax and Transfer Policy Institute, Australian National University

The Treasury

Ms Leesa Croke, General Manager, Social Policy Division
Ms Laura Llewellyn, Principal Adviser, Social Policy Division
Mr Rob Heferen, Executive Director, Revenue Group
Mr Paul Tilley, General Manager, Personal and Retirement Income Division
Mr Roger Brake, General Manager, Tax Analysis Division

Friday, 2 May 2014

Senate Committee Room 2S1

Parliament House, Canberra

Witnesses

National Commission of Audit

Mr Tony Shepherd AO, Chair
Mr Peter Crone, Head of Secretariat