

The Senate

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

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Interim report

February 2014

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# Membership of the Committee

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Senator the Hon Kate Lundy (Deputy Chair)	ALP, ACT
Senator Cory Bernardi (to 11 February 2014)	LP, SA
Senator David Bushby	LP, TAS
Senator Sam Dastyari	ALP, NSW
Senator Sean Edwards (from 11 February 2014)	LP, SA
Senator Sue Lines	ALP, WA
Senator Dean Smith	LP, WA



# Table of Contents

<b>Table of Contents .....</b>	<b>v</b>
<b>Membership of the Committee .....</b>	<b>iii</b>
<b>List of Recommendations .....</b>	<b>vii</b>
<b>Chapter 1.....</b>	<b>1</b>
<b>Introduction .....</b>	<b>1</b>
Referral .....	1
Background to the National Commission of Audit .....	2
Conduct of the inquiry .....	4
Acknowledgement .....	5
<b>Chapter 2.....</b>	<b>7</b>
<b>The National Commission of Audit's Processes .....</b>	<b>7</b>
Introduction .....	7
Lack of transparency .....	7
Acceptance of commission recommendations .....	18
Conclusion .....	19
<b>Chapter 3.....</b>	<b>23</b>
<b>Assumptions in the terms of reference given to the National Commission of Audit .....</b>	<b>23</b>
What is the truth about the level of government spending? .....	23
Debt and deficit .....	28
Is the real problem declining Commonwealth revenue? .....	31
Is 1 per cent of GDP by 2023-24 an appropriate target? .....	33
Conclusion .....	36
Future work of the committee .....	39
<b>Government senators' dissenting report.....</b>	<b>41</b>
Introduction .....	41
There is a need to act quickly .....	41
The committee has delayed the commission's important work .....	44

The commission is not an inquiry .....	45
A 1 per cent surplus of GDP by 2023-24 .....	46
Government is looking at tax through a separate process .....	46
Conclusion .....	47
<b>APPENDIX 1 .....</b>	<b>49</b>
<b>Submissions and Additional Information received by the Committee.....</b>	<b>49</b>
<b>APPENDIX 2 .....</b>	<b>53</b>
<b>Public Hearings and Witnesses .....</b>	<b>53</b>
<b>APPENDIX 3 .....</b>	<b>55</b>
<b>Correspondence from the Minister for Finance to the Chair of the National     Commission of Audit.....</b>	<b>55</b>
<b>APPENDIX 4 .....</b>	<b>57</b>
<b>Correspondence from the Minister for Health to the Chair of the National     Commission of Audit .....</b>	<b>57</b>
<b>APPENDIX 5 .....</b>	<b>59</b>
<b>List of public submissions to the National Commission of Audit as at 15     January 2014 .....</b>	<b>59</b>

# **List of Recommendations**

## **Recommendation 1**

**2.64 The committee recommends that the government include broader representation on the National Commission of Audit in order for a wider range of perspectives to be included in the process.**

## **Recommendation 2**

**2.68 The committee recommends that the National Commission of Audit make public all submissions it has received, with the exception of those where a request has been made for confidentiality.**

## **Recommendation 3**

**2.70 The committee recommends that the National Commission of Audit make public a full list of meetings that the commission or its secretariat has been involved in. The list of meetings should include the names of the attendees at the meeting, the date of the meeting and who requested the meeting.**

## **Recommendation 4**

**2.72 The committee recommends that the National Commission of Audit make public the full declarations of conflicts of interests signed by the commissioners, and the times when commissioners were excluded from discussions or receiving submissions due to conflicts of interest.**

## **Recommendation 5**

**2.76 The committee recommends that the government adopt a longer timeframe for the National Commission of Audit to complete its work, in the interests of comprehensive stakeholder consultation, more rigorous analysis, and so that the Australian community understands the commission's recommendations and the context in which they are made.**

## **Recommendation 6**

**3.61 The committee recommends that the government broaden the remit of the National Commission of Audit to include explicit consideration of government revenue.**

### **Recommendation 7**

**3.63** The committee recommends that the commission look at current tax expenditure to find possible areas of budgetary savings for the Commonwealth.

### **Recommendation 8**

**3.68** The committee recommends that in the event of savings measures being accepted by government, they should be appropriately timed so any unintended consequences can be addressed in a measured way and the government is better able to respond to any rapid changes in the domestic and international environments. These savings measures should also be examined by the appropriate Senate committees prior to their implementation.

### **Recommendation 9**

**3.71** The committee recommends that any recommendations made by the National Commission of Audit to privatise services be subject to a full cost-benefit analysis which examines the effect on services, costs to the public, and jobs.

### **Recommendation 10**

**3.76** The committee recommends that along with the publication of the commission's reports, the government provide detail on how the target in the terms of reference of a surplus of 1 per cent of GDP was selected, and detail of any alternative modelling that may have been used by the commission.



# **Chapter 1**

## **Introduction**

### **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.

### **Background to the National Commission of Audit**

1.2 On 22 October 2013, the National Commission of Audit (commission) was announced by the Treasurer, the Hon Joe Hockey MP, and the Minister for Finance, Senator the Hon Mathias Cormann.<sup>1</sup>

#### ***Terms of reference***

1.3 The commission was established as an independent body to review and report on the performance, functions and roles of the Commonwealth government.

1.4 The 22 October 2013 Media Release notes:

The Commission of Audit was a key election commitment of the Coalition. It will assess the role and scope of Government, as well as ensuring taxpayers' money is spent wisely and in an efficient manner.

The Commission's work will feed into the Government's work on the division of responsibilities between Local, State and Federal Governments.<sup>2</sup>

#### ***Commissioners and secretariat***

1.5 The government appointed Mr Tony Shepherd AO as chair of the commission. The other commissioners are: Dr Peter Boxall AO; Mr Tony Cole AO; Mr Robert Fisher AM; and The Hon Amanda Vanstone.<sup>3</sup>

1.6 Mr Peter Crone has been appointed as the head of the commission's secretariat. Mr Crone is on a leave of absence from his position as the Chief Economist and Director of Policy at the Business Council of Australia (BCA). The commission secretariat is staffed by officials seconded from the Department of Finance, The Treasury and the Department of Prime Minister and Cabinet who carry out the day to day administration of the commission.

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1 The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

2 The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

3 Information from: [www.ncoa.gov.au/faqs.html](http://www.ncoa.gov.au/faqs.html) (accessed 17 December 2013).

### *Conduct of the audit*

1.7 The terms of reference set out principles that should guide the commission's work, namely that:

- government should have respect for taxpayers in the care with which it spends every dollar of revenue;
- government should do for people what they cannot do, or cannot do efficiently, for themselves, but no more; and
- government should live within its means.

1.8 However, the commission's processes for the conduct of the audit have not been prescribed by the government.

1.9 In announcing the establishment of the commission, the Treasurer and Minister for Finance outlined options for the commission in carrying out its work:

Over coming months the Commission may hold public and private hearings, receive submissions from stakeholders including the public, and directly liaise with Government Departments.<sup>4</sup>

1.10 The commission's terms of reference also provide:

In carrying out its work, the Commission may wish to invite submissions, consult key stakeholders and seek information from persons or bodies, where this will assist its deliberations.<sup>5</sup>

1.11 At the public hearing on 15 January 2014, Mr Shepherd outlined the work of the commission to that point:

As chair of the commission, I wrote to each Premier and Chief Minister, federal department secretaries and agency heads, as well as a number of other key stakeholders, inviting submissions. We placed advertisements in national, metropolitan and regional newspapers in the week ending 8 November 2013 seeking submissions from stakeholders and the general public. I should note that we were very pleased to receive over 300 submissions, including a number that were received after the closing date...In addition, the other commissioners, the secretariat and I have met with a wide range of people.

Because of the tight timeframe, we have not sought to meet with everyone who provided a submission. That would have been, frankly, impractical in the time available. I have met with several premiers and most departmental secretaries, among others. These discussions, I have to say, in all cases, have been constructive.<sup>6</sup>

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4 The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

5 National Commission of Audit, Terms of Reference, p. 1, available at: [www.ncoa.gov.au/](http://www.ncoa.gov.au/) (accessed 20 January 2014).

6 *Proof Committee Hansard*, 15 January 2014, p. 2.

### **Timeframe**

1.12 The commission's terms of reference state that the commission is to provide an initial report to government at the end of January 2014. The final report is due at the end of March 2014 and will form part of the 2014-15 Budget process.<sup>7</sup>

1.13 Mr Shepherd explained the areas covered in each report:

The commission is due to provide its phase 1 report to the Prime Minister, the Treasurer and the Minister for Finance by the end of January 2014. The key focus of this report is the financial position of the Commonwealth and the sustainability of the budget. In its second phase report, the Commission of Audit will examine and make recommendations on Commonwealth infrastructure and public sector performance and accountability. This final report is due by the end of March.<sup>8</sup>

1.14 On 21 January 2014, the Treasurer announced that the government had granted the commission a two week extension to provide its Phase 1 report.<sup>9</sup>

1.15 The government has indicated it does not intend to release the interim or final reports from the commission prior to the release of the 2014-15 Budget in May 2014.<sup>10</sup> Mr Shepherd confirmed the decision to make the commission's reports public will be made by the government:

When I accepted this commission, I understood that this would be a report for government, to be used and assessed by government, and that they would make the decision if and when our report would be released.<sup>11</sup>

### **Conduct of the inquiry**

1.16 Details of the inquiry were placed on the committee's website. The committee also directly contacted a number of relevant organisations and individuals to notify them of the inquiry and invite submissions by 31 January 2014. Submissions received by the committee are listed at Appendix 1.

1.17 The committee held public hearings in Canberra on 15 January and 5 February 2014. A list of witnesses who gave evidence to the committee at these public hearings is provided at Appendix 2.

1.18 The Hansard transcripts of evidence may be accessed through the committee's website at: [www.aph.gov.au/senate\\_coa](http://www.aph.gov.au/senate_coa).

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7 See Information from: [www.ncoa.gov.au/faqs.html](http://www.ncoa.gov.au/faqs.html) (accessed 17 December 2013); The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

8 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 2.

9 The Hon Joe Hockey MP, Media Release, 'Commission of Audit's Phase 1 reporting date', 21 January 2014, available at: <http://jbh.ministers.treasury.gov.au/media-release/001-2014/> (accessed 22 January 2014).

10 Joanna Heath and Mathew Dunckley, 'Get audit in the open, Hockey told', *Australian Financial Review*, 16 January 2014.

11 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 9.

1.19 The committee has decided to present an interim report focused largely on the processes put in place by the commission and its secretariat to gather and analyse information and to test the assumptions underlying the commission's work.

### **Acknowledgement**

1.20 The committee thanks all those who made submissions and appeared at hearings. The committee also thanks the commissioners and the commission secretariat for making themselves available to appear at the public hearing at short notice and at a busy time, given the commission's reporting timeframe.



## Chapter 2

# The National Commission of Audit's Processes

### Introduction

2.1 The commission's terms of reference set out the following context for the establishment of the commission:

It is almost 20 years since there has been a thorough review of the scope, efficiency and functions of the Commonwealth government. During this time the size of the Commonwealth government has expanded significantly, as has the remit of some of its activities...

It is therefore timely that there should be another full-scale review of the activities of the Commonwealth government...<sup>1</sup>

2.2 Given the 'full-scale review' which the commission is undertaking, it is important that the commission's processes are transparent and that it has sufficient time to undertake its significant task.

### Lack of transparency

2.3 One of the major concerns which the committee has in regards to the operation of the commission is a lack of transparency about the focus of its work and its processes.

2.4 On the issue of transparency, Mr Shepherd informed the committee that 'transparency will come through the government and parliamentary process'.<sup>2</sup>

2.5 The committee questioned the commission on several aspects of its work, including:

- additional guidance or instructions, aside from the terms of reference, provided by the government to the commission;
- the commission's processes for analysing submissions and meeting with key stakeholders; and
- processes for identifying and addressing commissioner's conflicts of interest.

### *Guidance from government*

2.6 The committee sought to establish the parameters of the commission's work, and in particular, whether there was any other material, apart from the terms of reference that the government had provided to guide the work of the commission.

2.7 In response to questioning from the committee chair, Mr Shepherd emphasised that the commission is guided only by the terms of reference and there had been no other instructions, correspondence or guidance from the government:

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1 National Commission of Audit, Terms of Reference, p. 1.

2 *Proof Committee Hansard*, 15 January 2014, p. 5.

**CHAIR:**...[I]s it safe to say that the terms of reference is the central document guiding the work of the commission?

**Mr Shepherd:** Yes, that is our guide.

**CHAIR:** Do you have any other riding instructions from government?

**Mr Shepherd:** No, we have no other riding instructions from government. In fact, they have made it clear that we are to follow the terms of reference and there are no no-go areas.

**CHAIR:** Do you have any correspondence from government that may give effect to that?

**Mr Shepherd:** Other than the terms of reference, no.<sup>3</sup>

2.8 However, subsequent information provided by the commission during the hearing caused the committee to doubt these assurances. Members of the committee referred to a statement in a media article in which the Minister for Finance (Minister), Senator the Hon Mathias Cormann, indicated that the government's public sector jobs policy 'would now be handed to the Coalition's commission of audit',<sup>4</sup> and asked how this request was conveyed to the commission.

2.9 Mr Shepherd stated that the commission had 'not received a specific request' from the Finance Minister to review the public sector.<sup>5</sup> Mr Crone then drew the committee's attention to correspondence addressed to Mr Shepherd from the Minister and the Treasurer:

I will just jump in there to clarify. I believe that, around the time the Mid-Year Economic and Fiscal Outlook [MYEFO] was being prepared, material came to light about the job losses associated with previous government decisions about efficiencies, which established that there may be something like 14,000. Subsequent to that, the Treasurer and the Minister for Finance wrote to the commission, drawing that to our attention—<sup>6</sup>

2.10 A copy of the letter, dated 21 November 2013, was tabled by Mr Shepherd, and is included at Appendix 3 of this report.

2.11 Initially, Mr Shepherd stated that he was 'not aware of that [letter]'.<sup>7</sup> Subsequently, Mr Shepherd explained that he had not intentionally meant to mislead

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3 *Proof Committee Hansard*, 15 January 2014, p. 3.

4 *Proof Committee Hansard*, 15 January 2014, p. 11. See also Noel Towell and Hamish Boland-Rudder, 'Labor's public service job cuts could hamper Coalition's plan to slash', *Sydney Morning Herald*, 19 November 2013, available at: [www.smh.com.au/national/public-service/labors-public-service-job-cuts-could-hamper-coalitions-plan-to-slash-20131119-2xrxj.html](http://www.smh.com.au/national/public-service/labors-public-service-job-cuts-could-hamper-coalitions-plan-to-slash-20131119-2xrxj.html) (accessed 20 January 2014).

5 *Proof Committee Hansard*, 15 January 2014, p. 11.

6 *Proof Committee Hansard*, 15 January 2014, p. 11.

7 *Proof Committee Hansard*, 15 January 2014, p. 11.



the committee, but that he did not read the letter as a direction from the government but as guidance on the government's approach to public sector resourcing:

This was not a direction. It was drawing our attention to the statement that was made at the time of MYEFO.<sup>8</sup>

...

I am not aware of any other correspondence [from the government]. I did not regard that [letter] as a direction, but it had completely slipped my mind and, if I had recalled it, I would have mentioned it.<sup>9</sup>

...

It was about [the government's] approach rather than providing guidance as to the approach that [the government] wanted us to take. I saw that as providing guidance on their approach.<sup>10</sup>

2.12 On notice, the committee asked the commission to provide any other correspondence from ministers or other members of the government that could be read as instructions to the commission.

2.13 In its reply to questions on notice, the commission stated that it had only received two letters from Ministers and members of the government.

2.14 The first of these was the letter from Minister Cormann tabled at the 15 January 2014 hearing, which has already been discussed.

2.15 The second was a letter dated 27 November 2013 to the commission from the Minister for Health, the Hon Peter Dutton MP. This letter informed the commission of the discontinuation of funding to the Alcohol and Other Drugs Council of Australia, based on 'the duplication of roles of peak bodies in the drugs and alcohol sector'.<sup>11</sup> This letter was provided to the committee as part of the commission's answers to questions on notice, and can be found at Appendix 4.

### ***Commission processes***

2.16 The commission's processes to gather and analyse information is another area which lacks transparency. Therefore, the committee questioned the commission on this work from which its recommendations will be developed.

### ***Submissions***

2.17 As noted above, the commission has received over 300 submissions 'from a wide spectrum of the community'.<sup>12</sup> In terms of who is reading the submissions, Mr Crone provided the following information:

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8 *Proof Committee Hansard*, 15 January 2014, p. 11.

9 *Proof Committee Hansard*, 15 January 2014, p. 12.

10 *Proof Committee Hansard*, 15 January 2014, p. 13.

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

12 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 2.

Various members of the secretariat [read the submissions]. I read a large number myself. The five [Senior Executive Service] officers within the Commission of Audit looked at them, and they were also farmed down to individuals within the secretariat. They all went through them, so they have had a good look. Some of them were provided to commissioners. Commissioners asked for some of them. That has been the process.<sup>13</sup>

2.18 In terms of which submissions are provided to the commissioners, Mr Crone stated:

In some instances, the commissioners have requested them themselves; in others, a commissioner might have been oversighting a piece of work in this area and it was of relevance to them. It was really a matter of judgement for the senior officers involved.<sup>14</sup>

2.19 The committee also sought further information from the commission on its processes for considering submissions:

**Mr Shepherd:** Each submission is evaluated and reported on by the secretariat. We can then consider the ideas that come from that and their value in terms of what we are considering.

**CHAIR:** What is the process the secretariat uses for weighting particular submissions against others?

**Mr Shepherd:** They look at them carefully against our terms of reference.

**Mr Crone:** The submissions tend to stand on their own quality. There were some very, very good submissions, I would have to say... There are some which, not unexpectedly—I will not mention them—really seem to stress the self-interest or the particular interest. We appreciated that. Some good ideas came up in some submissions. In a couple of instances, Mr Shepherd and I had follow-up meetings directly—for example, with ACOSS [the Australian Council of Social Services].<sup>15</sup>

2.20 In response to questions from the committee on what make a 'good' submission, or what makes 'some submissions stand out from others', Mr Crone noted:

I think the predominant issue is that a submission is prepared to look at the national interest.<sup>16</sup>

2.21 Mr Crone referred to the fact that the commission has not published the submissions that it has received, although some submissions are publically available from other sources:

Some people who put their submissions in have subsequently chosen to publish them on their website, which is fine.<sup>17</sup>

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13 *Proof Committee Hansard*, 15 January 2014, p. 40.

14 *Proof Committee Hansard*, 15 January 2014, p. 40.

15 *Proof Committee Hansard*, 15 January 2014, p. 18.

16 *Proof Committee Hansard*, 15 January 2014, p. 23.

17 *Proof Committee Hansard*, 15 January 2014, p. 18.

2.22 Mr Shepherd confirmed that there is no prohibition on an individual or organisation releasing their submission and that it is 'entirely up to them'.<sup>18</sup>

2.23 The committee asked the commission whether it would consider listing all the submissions it had received, aside from those submitters requesting confidentiality, on the commission's website. Mr Shepherd conceded that this was 'a fair question' and took it on notice to consider whether it is possible.<sup>19</sup>

2.24 In its answers to questions on notice, the commission provided a list to the committee of 274 public submissions received, which included a note that a small number of organisations had made more than one submission. This list is at Appendix 5. However, the commission did not address the question on notice to consider placing public submissions on its website.<sup>20</sup>

2.25 Criticisms of the commission's processes were raised in evidence to the committee. The Australian Council of Trade Unions (ACTU) was concerned about the lack of openness and transparency:

Commonwealth finances are a matter of concern to us all. How we raise money and how we spend it is important to us all. If you are going to have a process which involves setting policy for the future in a way that the public has confidence in, you need to have not only an open and transparent process but one in which more voices than just big business are heard. We have been critical that, in essence, this commission of audit has involved an outsourcing of public policy to very big business. They are important, but they are not the only people who are entitled to a voice in these matters.<sup>21</sup>

2.26 The ACTU compared the lack of transparency of the commission's work to other government processes such as the Henry Tax Review or inquiries undertaken by the Productivity Commission where issues papers were put out for public comment, resulting in 'feedback, comment and genuine debate about individual proposals'. Mr Tim Lyons, Assistant Secretary, stressed that the processes adopted by the commission do not involve the views of the community.<sup>22</sup>

2.27 This was supported by evidence given by Mr Ian McAuley, Adjunct Lecturer, University of Canberra, who also referred to the processes of the Productivity Commission and drew out not only what a good, consultative process might look like, but also the dangers of a process that was too opaque:

...My observations of good process come from observing bodies like the Productivity Commission, which will issue a discussion paper, call for submissions and will have public inquiries. Those public inquiries are

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18 *Proof Committee Hansard*, 15 January 2014, p. 25.

19 *Proof Committee Hansard*, 15 January 2014, p. 18.

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

21 Mr Tim Lyons, *Proof Committee Hansard*, 5 February 2014, p. 12.

22 Mr Tim Lyons, *Proof Committee Hansard*, 5 February 2014, p. 10.

extremely valuable because you will often hear that what looks like a good idea at the time—say, the transfer of funding of health care to private health insurance—until someone says, 'Hey, here are the unintended consequences.' The [productivity] commission then issues a draft report which is public, and then a final report, which is confidential, goes to government. Then it all gets released. Not everyone is happy with the process, but at least people realise that they have had their day in court; they have had their time to present their case. It has credibility because it is seen to be apolitical. Some people criticise the [productivity] commission, but it does outline its economic philosophy quite plainly. That is what I would call good process, and it is likely to result in the enduring change because it is seen to be legitimate.<sup>23</sup>

### *Committee view*

2.28 The committee is concerned that this lack of transparency makes it difficult for the public to find the information the commission is using in its deliberations. The committee believes that the commission should publish all submissions on the commission's website, unless confidentiality has been requested.

2.29 Moreover, the committee notes that the commission's website has no contact details for enquiries. This is a further obstacle to the public accessing information on the commission and its processes.

### *Meetings*

2.30 As noted in Chapter 1, Mr Shepherd told the committee he had met with 'several premiers and most departmental secretaries, among others'.<sup>24</sup> Due to the commission's timeframes, the commission has not been able to meet with everyone who has made a submission,<sup>25</sup> however Mr Shepherd stated that, between the commissioners and the secretariat, there have 'probably' been over 100 meetings.<sup>26</sup>

2.31 Mr Shepherd advised that he has met with Australian Council of Social Services (ACOSS), ACTU,<sup>27</sup> Australia Post and SBS.<sup>28</sup> Mr Shepherd informed the committee that meetings had not been held with Medibank Private, the Defence Housing Authority or the ABC.<sup>29</sup>

2.32 The ACTU told the committee about its meeting with Mr Shepherd:

Yes, we did meet with Mr Shepherd, and we did have a broad-ranging discussion. But I do not think that absolves the process of the criticisms that we mount. What we had was an at-large, in-principle discussion about the

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23 *Proof Committee Hansard*, 5 February 2014, p. 40.

24 *Proof Committee Hansard*, 15 January 2014, p. 2.

25 *Proof Committee Hansard*, 15 January 2014, p. 2.

26 *Proof Committee Hansard*, 15 January 2014, p. 15.

27 *Proof Committee Hansard*, 15 January 2014, p. 18.

28 *Proof Committee Hansard*, 15 January 2014, p. 15.

29 *Proof Committee Hansard*, 15 January 2014, p. 15.

circumstances of Commonwealth finances, but that is a very long way from a process that robustly considers individual significant changes to either revenue or expenditure. And the criticism we make is that if you are going to have a real process you have one whereby not only in-principle views, if you like, about the state of Commonwealth finances are considered but changes themselves that might be proposed are debated and considered against the evidence.<sup>30</sup>

2.33 The committee sought clarity on the commission's process for determining which organisations or individuals it would meet with. Mr Shepherd informed the committee that the process was 'not [a] mystery or a secret':

Firstly, agencies approach us and request a meeting. Generally speaking, we do not reject that...

...

They ask for the meeting and we meet with them. That is fine.<sup>31</sup>

2.34 Mr Shepherd took on notice to provide details of meetings with stakeholders. However, a full list of these meetings was not provided to the committee, as requested. The reason provided by the commission was:

The Commissioners and members of the Secretariat have met with a range of stakeholders. In light of its reporting deadlines, the Commission considers that it would currently be an inappropriate diversion of resources to compile this information for the Committee by the deadline for responses.<sup>32</sup>

### *Reporting deadlines and timeframes*

2.35 The commission of audit was announced on 22 October 2013. Its terms of reference stipulate that it must hand an interim report to government 'by the end of January 2014' and its final report 'no later than the end of March 2014'.<sup>33</sup> This gives the commission just over five months in total to complete a 'full scale review of the activities of the Commonwealth government'.<sup>34</sup>

2.36 Mr Shepherd acknowledged the difficulties of meeting committee requests to appear at hearings, especially considering the tight timeframes the commission has been given and the significance and size of its work:

There is a risk. There is a twofold risk there, with due respect to the committee and its request; the task that we have is very significant and the time that we have is tight. We have indicated to the Treasurer and the Minister for Finance that we may seek an extension, but we are not looking

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30 Mr Tim Lyons, Assistant Secretary, ACTU, *Proof Committee Hansard*, 5 February 2013, p.10.

31 *Proof Committee Hansard*, 15 January 2014, p. 17.

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

33 National Commission of Audit, Terms of Reference.

34 National Commission of Audit, Terms of Reference.

for a substantial one. We are still targeting the end of the month and we are working towards that, but we would rather get it right then get it in on time, I will put it that way.<sup>35</sup>

2.37 Some submissions received by the committee see the commission's timeframes as too ambitious.<sup>36</sup> The ACTU suggested the commission should be given between 12 and 18 months to do its work, as five months is insufficient to examine the size and scope of all of Commonwealth expenditure.<sup>37</sup> The Australian Services Union noted that the 1996 Commission of Audit was also hampered by a short timeframe in formulating its recommendations.<sup>38</sup>

2.38 The ACTU, as well as Ms Jennifer Doggett, Mr Ian McAuley and Mr John Menadue AO, suggested that the work of the commission was too important to rush – especially as its recommendation will affect the future health of the Australian economy, as well as the economic security and wellbeing of all Australians.<sup>39</sup>

2.39 Moreover, Ms Jennifer Doggett, Mr Ian McAuley and Mr John Menadue AO suggested that the short time given for the commission to do its work opens up the possibility for the commission's recommendations to be misunderstood or perceived as illegitimate by the wider Australian community.<sup>40</sup>

### *Committee view*

2.40 The committee believes the five months given to the commission to complete its work is simply not sufficient to review the totality of Commonwealth's expenditure, as well as to formulate advice to government that will encourage solid, evidence-based policy decisions.

### *Dealing with possible conflicts of interest*

2.41 Another aspect of the commission's work in which the committee believes that there should be transparency is the declaration of any conflicts of interest that the commissioners, or the secretariat, may have and how those conflicts are dealt with.

### *Conflict of interest processes*

2.42 The committee questioned the commission on its processes for dealing with conflicts of interest. Mr Shepherd noted that the commission's process for dealing with conflicts is outlined on its website. The process involves each commissioner declaring

35 *Proof Committee Hansard*, 15 January 2014, p. 26.

36 Ms Jennifer Doggett, Mr Ian McAuley and Mr John Menadue AO, *Submission 6*, p. 4-5; National Tertiary Education Union, *Submission 11*, p. 7; United Voice, *Submission 23*, p. 2; Australian Council of Trade Unions, *Submission 24*, pp 1-3; Australian Services Union, *Submission 39*, p. 7;

37 Australian Council of Trade Unions, *Submission 24*, pp 1-3.

38 Australian Services Union, *Submission 23*, p. 7.

39 Australian Council of Trade Unions, *Submission 24*, pp 1-3; Ms Jennifer Doggett, Mr Ian McAuley and Mr John Menadue AO, *Submission 6*, p. 4-5.

40 Ms Jennifer Doggett, Mr Ian McAuley and Mr John Menadue AO, *Submission 6*, pp 4-5, 6-7.

the interests, in writing, to the Department of Finance, as part of accepting the position with the commission.<sup>41</sup> Further, Mr Shepherd stated:

That was one of the first things that I insisted that we do: develop a process for dealing with conflicts of interest and make it public so it is there for everybody to see.

...

The process is very much similar to what would be used in the corporate world and in the public sector.<sup>42</sup>

2.43 Mr Shepherd took on notice whether the conflict declarations that the commissioners have made will be made public.

2.44 In its reply to questions on notice, the commission stated once more that its processes were in-line with corporate practice, although declining to make these declarations public:

Declarations of Commissioners' interests are handled according to the protocol set out on the National Commission of Audit website.

It is not appropriate to make these declarations public. Members of the Commission are not elected officials or holders of public office. The Commission has been tasked with providing a report to the Prime Minister, Treasurer and Minister for Finance. Its handling of potential conflict of interest matters is consistent with good practice.<sup>43</sup>

2.45 In terms of dealing with any actual or potential conflicts, Mr Shepherd explained:

So you have identified a conflict, a matter comes up which is in your stated area of potential conflict of interest—I should say these are potential conflicts of interest—and then that is drawn to the attention of the meeting. Of course, we are aware of each other's potential [conflicts]. Then the commission decides whether that particular person can participate in the discussion on that particular issue or should excuse themselves.<sup>44</sup>

2.46 Mr Shepherd took on notice whether there have been any instances where members of the commission needed to exclude themselves because of conflicts of interest.

2.47 The commission stated in its answer to questions on notice that to date there had not been any instances of commissioners needing to be excluded because of potential conflicts of interest. The commission indicated that:

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41 *Proof Committee Hansard*, 15 January 2014, p. 27.

42 *Proof Committee Hansard*, 15 January 2014, p. 27.

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

44 *Proof Committee Hansard*, 15 January 2014, pp 27-28.

Where potential conflicts of interest have been raised, they have not been considered sufficient to require the respective Commissioners to exclude themselves from discussions. Commissioners may exclude themselves from decisions where a potential conflict of interest is identified.<sup>45</sup>

2.48 In particular, given that Mr Shepherd is currently the President of the Business Council of Australia (BCA) and Mr Crone is currently on a leave of absence from the BCA, the committee was interested in how any potential conflict of interest would be dealt with. In terms of the handling of the BCA's submission, Mr Crone stated:

I [have] not read it in detail. I had a quick flick through it, and I suppose it does not surprise me that in some regards it lines up with [the BCA's *Action plan for enduring prosperity*]. But that is immaterial. That is just one of many submissions. And, as I said...the commissioners have their views. This is the commission's report—

...

Submissions came in. I do not recall the particular details, but what typically happens is that a submission comes in and someone within the secretariat lodges that a submission had been received. I do not recall how [the BCA submission] made its way to me—whether someone printed it off and said, 'Here's a submission'; it may have been, 'Here's five submissions that have come in today.' As I said, the [BCA] was not precluded from making a submission. But to tell you the truth, it was really a matter of: I do not need to look at it; I have a sense of where they are coming from; that is one view. I had probably been focusing on meeting with ACOSS or something around that time.<sup>46</sup>

2.49 Mr Crone argued he did not see any need to exempt himself from consideration of the BCA submission because 'personally I do not see there being a conflict of interest'.<sup>47</sup> Evidence to the committee was that at that point Mr Shepherd had not seen the BCA submission.<sup>48</sup>

2.50 Mr John Grant, First Assistant Secretary, National Commission of Audit Secretariat, emphasised the role of the public servants in the secretariat in this situation:

Mr Crone heads up the secretariat. Five senior executive service officers work there. If we thought that Mr Crone was giving favouritism or something like that, it would be our responsibility to raise that with him and none of us have done that.<sup>49</sup>

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

46 *Proof Committee Hansard*, 15 January 2014, p. 44.

47 *Proof Committee Hansard*, 15 January 2014, p. 45.

48 Mr Peter Crone, Head of the National Commission of Audit Secretariat, *Proof Committee Hansard*, 15 January 2014, p. 44.

49 *Proof Committee Hansard*, 15 January 2014, p. 46.



2.51 When speaking with officers from the Department of Finance about this issue, Ms Rosemary Huxtable, Deputy Secretary Budget Group, explained:

I guess conflicts of interest can arise in a range of situations. Within the Commonwealth there is a fairly standard approach to dealing with conflicts of interest that includes the declaration of those conflicts. It is the declaring of the conflict. It is about being mindful of the conflict.<sup>50</sup>

2.52 Ms Huxtable noted that, in her experience, when dealing with issues that impact on future policy directions 'generally you are dealing with almost everyone around the table having some direct interest in the outcome of that process' because those people have 'experience, skills and something to offer'.<sup>51</sup>

*Addressing perceived bias*

2.53 The committee sought an explanation from Mr Shepherd as to how his personal views would impact the commission's report. Mr Shepherd emphasised that although he has previously expressed publicly his personal views on issues, such as raising the rate and broadening the base of GST, he came to the commission's process with an open mind and the report would be from the five commissioners:

I have said that [that consideration should be given to raising the rate of the GST] in the past, but that does not mean that this commission will recommend that.

...

This is five independent people coming together, looking at the evidence and making their minds up.

...

I have come with an open mind.<sup>52</sup>

2.54 Mr Shepherd added:

We are taking advice and seeking advice, to the extent that we think we need it to arrive at a conclusion on any issue, and we are constantly testing our assumptions. We have five independent commissioners, all with very strong characters and points of view which they bring to the table.<sup>53</sup>

2.55 The other commissioners confirmed that Mr Shepherd does not have undue influence on the decision-making of the commission:

**Senator BUSHBY:** Is there any evidence to justify conspiracy theories that the BCA is shaping or filtering the work of the commission?

**Mr Fisher:** I think we can all say that, if there is a secret agenda, it is secret from us.

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50 *Proof Committee Hansard*, 15 January 2014, pp 46-47.

51 *Proof Committee Hansard*, 15 January 2014, pp 46-47.

52 *Proof Committee Hansard*, 15 January 2014, p. 6.

53 *Proof Committee Hansard*, 15 January 2014, p. 16.

**Senator BUSHBY:** In the end, the report that is delivered to government will have input from all five of you?

**Mr Shepherd:** Absolutely.

**Mrs Vanstone:** Absolutely.<sup>54</sup>

### **Acceptance of commission recommendations**

2.56 In his opening statement, Mr Shepherd referred to the commission's 'broad remit to examine the scope, efficiency and productivity improvements across all areas of Commonwealth expenditure and to make recommendations'<sup>55</sup> and that there are 'no no-go areas'.<sup>56</sup>

2.57 However, in press conferences and media interviews on the day the commission was announced, the Treasurer, the Hon Joe Hockey MP, indicated that the government would be keeping its election promises and that the government's election promises were 'insulated' from the work of the commission.<sup>57</sup>

2.58 More recently, Mr Hockey stated that although the government intended to adopt 'the great majority' of the commission's recommendations:

Not everything they recommend we will accept, but we want to be in a position where we are able to proceed with, hopefully, the great majority of recommendations.<sup>58</sup>

2.59 The committee infers from the Treasurer's statements that although the commission may have 'no no-go areas', the government is committed to disregarding any of the commission's recommendations which may be contrary to the government's election promises.

2.60 Mr Shepherd indicated that the commission will focus on the terms of reference and make 'whatever' recommendations are suitable regardless of the fact that the government has made clear it will not be accepting any recommendations which are contrary to its election promises.<sup>59</sup>

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54 *Proof Committee Hansard*, 15 January 2014, p. 21.

55 *Proof Committee Hansard*, 15 January 2014, p. 1.

56 *Proof Committee Hansard*, 15 January 2014, p. 3.

57 Media conference 22 October 2013, available at <http://jbh.ministers.treasury.gov.au/transcript/008-2013/> (accessed 20 January 2013) and a 7.30 Report interview on 22 October 2013, available at: <http://jbh.ministers.treasury.gov.au/transcript/013-2013/> (accessed 20 January 2014). See also Lauren Wilson, 'Tony Abbott dismisses fresh push to re-examine the GST', *The Australian*, 20 September 2013; Emma Griffiths, 'Tony Abbott says paid parental scheme may face changes to get passed by the Senate', ABC news online, 19 December 2013.

58 Phillip Coorey, 'Hockey lays ground for cuts', *Australian Financial Review*, 5 February 2014.

59 *Proof Committee Hansard*, 15 January 2014, p. 7.

2.61 When questioned by the committee on the apparent contradiction of the commission making recommendations it believes to be in the national interest, only to have the government not consider those recommendations, Mr Shepherd stated:

That is entirely up to the government. That is what we are doing. We have been asked to report—to conduct an audit, an audit that is complete and across the board. It is what areas we think we need to look at and to report on to government. It is up to government what they do with the report.<sup>60</sup>

## **Conclusion**

2.62 The work of the National Commission of Audit has the potential to result in significant savings and benefits for the Australian community, as well as the potential to do great harm to ordinary Australians.

### ***Representation***

2.63 The committee's first concern is representation on the National Commission of Audit. It believes that additional commissioners from a broader range of backgrounds, such as health and welfare groups, are necessary to reflect a much wider range of perspectives in the process.<sup>61</sup>

## **Recommendation 1**

**2.64 The committee recommends that the government include broader representation on the National Commission of Audit in order for a wider range of perspectives to be included in the process.**

2.65 While the committee acknowledges that the commission is motivated by a sense of fairness and is mindful of the consequences of its recommendations,<sup>62</sup> the committee also believes that because of the importance of the commission's work it should be open to scrutiny in relation to the terms of reference setting out the framework of the audit and the commission's processes for the conduct of the audit.

### ***Transparency of commission processes***

2.66 The committee believes that the information provided by the commission during the public hearing, and in response to questions on notice, has provided greater transparency on the commission's processes.

### ***Submissions***

2.67 Although there is no prohibition on people and organisations making their submissions available, submissions received by the commission are not available in one place, as they are for Senate inquiry submissions. The committee believes that the commission should make submissions available on their website unless confidentiality has been requested.

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60 *Proof Committee Hansard*, 15 January 2014, p. 7.

61 See for example, ACTU, *Submission 24*, p. 3; CPSU, *Submission 38*, p. 2 (of the submission to the National Commission of Audit).

62 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 16.

## **Recommendation 2**

**2.68 The committee recommends that the National Commission of Audit make public all submissions it has received, with the exception of those where a request has been made for confidentiality.**

### *Meetings*

2.69 The commission's process around meetings with stakeholders to receive further information appears to be ad hoc, with meetings being held if one is requested. As the committee is not aware of any public hearings, in the interest of transparency the committee believes a list of these meetings should be made public.

## **Recommendation 3**

**2.70 The committee recommends that the National Commission of Audit make public a full list of meetings that the commission or its secretariat has been involved in. The list of meetings should include the names of the attendees at the meeting, the date of the meeting and who requested the meeting.**

### *Conflict of interest*

2.71 The committee believes that the commission should make public the full declarations of conflicts of interests signed by the commissioners, and also a full list of the times the commissioners have had to be excluded from discussions or receiving submissions due to conflicts of interest.

## **Recommendation 4**

**2.72 The committee recommends that the National Commission of Audit make public the full declarations of conflicts of interests signed by the commissioners, and the times when commissioners were excluded from discussions or receiving submissions due to conflicts of interest.**

### *Reporting deadlines and timeframes*

2.73 The committee is very concerned that the commission is working to reporting dates that are too tight to make appropriate, meaningful and well-considered recommendations on the whole of Commonwealth expenditure.

2.74 The committee is critical of the timelines stipulated by the government in the commission's terms of reference. Government should realise that it is important not to rush such a significant undertaking, but to take the time to get it right. This is important, as the commission's recommendations will have far-reaching consequences, both for the future economic prosperity of Australia as a nation, and for the wellbeing and security of all members of the public.

2.75 The committee believes that the short time given to the commission prevents it undertaking its task while observing due process. It does not have time for appropriately rigorous analysis of the size and scope of all current government expenditure. Its ability to formulate good advice for government to use for solid, evidence-based policy decisions is compromised. The inadequacy of these processes may affect the community's understanding of the commission's task and ultimately undermine the legitimacy of its recommendations.

**Recommendation 5**

**2.76** The committee recommends that the government adopt a longer timeframe for the National Commission of Audit to complete its work, in the interests of comprehensive stakeholder consultation, more rigorous analysis, and so that the Australian community understands the commission's recommendations and the context in which they are made.



## Chapter 3

### Assumptions in the terms of reference given to the National Commission of Audit

3.1 This chapter will examine the assumptions that are implicit in the terms of reference guiding the commission's work. These assumptions around government spending and the current and projected economic environment are:

- government spending is too high, poorly targeted and inefficient – often referred to by members of the government as government spending being 'out of control' or the government 'living beyond its means';
- there is a structural deficit which must be turned into a surplus by cutting government expenditure;
- the commission should focus on recommending cuts to Commonwealth expenditure, including privatisation of government assets, rather than ways of raising government revenue; and
- the commission should make recommendations for government to achieve a 1 per cent of GDP surplus to be delivered prior to 2023-24.

3.2 The assumptions underlying the commission's terms of reference have been challenged through the committee's inquiry.

#### **What is the truth about the level of government spending?**

3.3 The terms of reference state that there is a need for all current Commonwealth government expenditure to be reviewed and consolidated. The terms of reference suggest this is necessary as Commonwealth expenditure has increased significantly over the last two decades, compounded by an expansion in the size and scope of government programs.<sup>1</sup> The terms of reference also suggest that government spending has been wasteful and inefficient resulting in the government 'living beyond its means' and accumulating debt.<sup>2</sup>

#### ***Is government spending is too high?***

3.4 The committee heard evidence from the Business Council of Australia (BCA), regarding its submission to the commission, which stated '[e]xcessive government administration and bureaucracy can no longer be sustained'.<sup>3</sup> The submission contains the BCA's view of government spending and the current state of the Australian economy:

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1 National Commission of Audit, Terms of Reference, p. 1.

2 National Commission of Audit, Terms of Reference, p. 1.

3 Business Council of Australia, *Submission to the National Commission of Audit* (December 2013) at [www.bca.com.au/publications/submission-to-the-national-commission-of-audit](http://www.bca.com.au/publications/submission-to-the-national-commission-of-audit)

After 22 consecutive years of economic growth, Australia's fiscal position is weaker than it should be.

- The most recent budget figures suggest that Australia will have an underlying deficit of around \$30 billion in the current financial year or around 2 per cent of GDP.
- The most recent estimates also suggest cumulative consecutive deficits of almost 18 per cent of GDP by 2015-16, making it effectively impossible to achieve the Commonwealth Government commitment to run budget surpluses on average over the medium term.
- Over the same period, government debt is expected to reach a peak of \$370 billion while net debt will pass \$200 billion.
- Despite this, the Commonwealth Government's expenditure remains above historical levels at 25.3 per cent of GDP this financial year, or about one percentage point higher than historical levels.<sup>4</sup>

3.5 The committee explored the level of government expenditure with the BCA, given that expenditure appeared to be stable, with expenditure at 25.1 per cent of GDP in 1996 and 25.3 per cent of GDP in 2013. The BCA emphasised they were 'looking at a historical 10-year average of expenditure.'<sup>5</sup>

3.6 The committee also heard evidence from Mr Phil Bowen, Parliamentary Budget Officer of the Parliamentary Budget Office (PBO), about the level of government spending. He stated that '[a]s a proportion of nominal GDP, expenditure has tended to be reasonably stable over the longer term, as real growth in spending has tended to track real growth in GDP. However, over the last decade real growth in spending has well and truly outstripped real growth in GDP.'<sup>6</sup>

### ***Is government spending modest?***

3.7 A number of witnesses disagreed that Commonwealth spending was 'out of control', suggesting that government spending was reasonably small and efficient not only by historical Australian trends but also looking at international comparisons.

3.8 Mr Tim Lyons of the ACTU, referred to evidence from the OECD<sup>7</sup> that Australian expenditure on government and levels of debt was modest by international standards:

It is important to note that the size of Australian government, whether measured in terms of revenue or expenditure as a proportion of GDP, is modest and small relative to other OECD countries, and that our debt is

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4 Business Council of Australia, *Submission to the National Commission of Audit*, p. 25

5 Mr Jarrod Ball, Acting Chief Economist, Business Council of Australia, *Proof Committee Hansard*, 5 February 2014, pp 26-27.

6 *Proof Committee Hansard*, 5 February 2014, p. 55.

7 OECD, *Economic Outlook 2013 Volume 2* (November) at [www.oecd.org/eco/economicoutlook.htm](http://www.oecd.org/eco/economicoutlook.htm)



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modest and sustainable and remains on track to be repaid by 2023 even on the basis of existing policy settings...<sup>8</sup>

3.9 Dr Richard Denniss, Executive Director of The Australia Institute, supported looking at the efficiency of government spending but suggested that government expenditure was not out of control:

I am very interested in the efficiency with which government money is spent, but there is no evidence in international law or historically to suggest that Australia is spending too much money. Indeed, to the extent that we have any problem with our public finances at all, it is quite clear—again from both historical and international points of view—that we have a fundamental problem with collecting revenue.<sup>9</sup>

3.10 Mr Stephen Koukoulas, Managing Director of Market Economics, stated that current rates of spending are broadly comparable to historical trends of Australian government expenditure:

The latest numbers, the budget outcome for 2012-13—the one that was handed down by the current Treasurer and finance minister at the end of September—confirm that government spending as a share of GDP was 24.1 per cent. Going back over history that is, within a few decimal points, the average of the last 30 or 40 years. It is not higher; it is not lower. When we look at the 2013-14 numbers, which have that bouncing up to almost 26 per cent, there are a couple of things in there that account for that and I think you have already heard a lot about the Reserve Bank payment, which is about [0.6] or [0.7] per cent of GDP, and it does start to incorporate a few of the policy measures as well on infrastructure spending and those sorts of things. So it is probably a little above average.

...I think the more important discussion is where that money is being spent.<sup>10</sup>

3.11 Mr Koukoulas also gave some examples of what would happen if a government was not 'living within its means' that contrast sharply with the current state of the Australian economy:

[i]f a country is living beyond its means you get a jump in government bond yields that are unsustainable. You get a currency crisis where your currency is falling and the central bank cannot really control it. They are the sort of dynamics that, in an open, floating exchange rate such as Australia has, with very open and deep capital markets, will provide the punishment for an economy that is mismanaged. Australia actually has the opposite of that at the moment.<sup>11</sup>

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8 *Proof Committee Hansard*, 5 February 2014, p. 8.

9 *Proof Committee Hansard*, 5 February 2014, p. 13.

10 *Proof Committee Hansard*, 5 February 2014, p. 48.

11 *Proof Committee Hansard*, 5 February 2014, pp 49-50.

*Long term pressures*

3.12 Mr Ian McAuley noted that increasing Australian government expenditure had been responding to demographic shifts and the subsequent pressures this placed on government services:

Again we have heard allegations that Australia is high-spending. We do not see that evidence. In fact, as far as we can see, there is something of a long-term downward trend in Australia, certainly in Commonwealth spending. And there has been quite a significant squeeze in what we call the government's own-purpose revenue. Public revenue splits two ways—into transfers and own-purpose revenues. Own-purpose revenues cover services such as education, health care, infrastructure. Naturally, in an ageing population you tend to get increases in transfers—particularly the age pension—and that has tended to crowd out other areas of public expenditure. It does not do that greatly but it is a worrying trend in that those vital economic services are [bearing] the brunt of the squeeze.<sup>12</sup>

3.13 The significance of demographic trends, such as the ageing of population, driving government expenditure was also noted Mr Bowen of the PBO:

[T]he latest [Intergenerational] report showed quite clearly that the ageing of the population would have a major impact on fiscal sustainability. We are seeing it impacting in the areas of the age pension and age care, obviously, but also health care, where expenditure is growing significantly faster than the real economy. I will not comment too much on this; I think it is an area that Treasury may well be able to comment on more than I can today. But it is clearly a fundamental structural shift that will have to be addressed one way or another.<sup>13</sup>

*Tax expenditures*

3.14 The committee heard evidence suggesting that Australia's budgetary position could be improved substantially by removing or recalibrating Commonwealth expenditure on tax exemptions and concessions. Moreover, some witnesses noted Australia's tax expenditure is high by international standards. Dr Denniss referred to a recent International Monetary Fund (IMF) report recommending that governments around the world roll back tax expenditures to support fiscal consolidation programs. According to this report Australia has the highest tax expenditure to GDP in the world.<sup>14</sup>

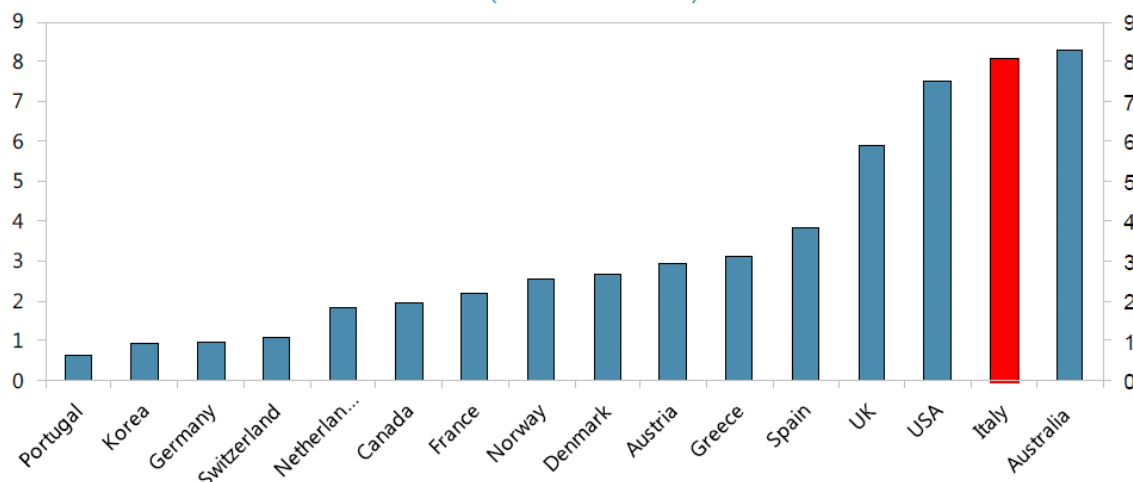
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12 *Proof Committee Hansard*, 5 February 2014, p. 37.

13 *Proof Committee Hansard*, 5 February 2014, p. 60.

14 Dr Richard Denniss, *Proof Committee Hansard*, 5 February 2014, p. 21; Justin Tyson, *Reforming Tax Expenditures in Italy: What, Why, and How?* IMF Working Paper January 2014, Figure 1.

**Figure 1. Tax Expenditures in Selected Advanced Economies**  
(Percent of GDP)



Sources: OECD (2010); United States, National Commission on Fiscal Responsibility and Reform (2010).

Note: Higher values may arise from more comprehensive reporting (recent estimates for Italy are higher due to change in benchmark).

3.15 Witnesses particularly focused on superannuation concessions. Mr Cowgill from the ACTU stated:

Another [avenue to address the decline in revenue] that we note is the large, growing and highly inequitable superannuation tax concessions that overwhelmingly benefit high-income earners. We note that some Treasury analysis that was released last year 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.<sup>15</sup>

3.16 Dr Denniss focused on removing tax concessions as a way of lifting Commonwealth revenues by 'tens of billions of dollars additional revenue with no upward pressure on the rate of tax at all.'<sup>16</sup> He stated that the superannuation concession was a large and growing expense for the Commonwealth:

The biggest one, the elephant in the room, is of course tax concessions for superannuation, which are now tipped to hit \$60 billion—sixty thousand million dollars—by 2016. Let me be clear, this is the fastest-growing area of expense in the Commonwealth. This is it. This is the main game. You can have inquiries into the DSP [Disability Support Pension], you can have inquiries into the dole, the thing that is growing the fastest in the dollar terms is the tax concession system for superannuation.<sup>17</sup>

3.17 Mr McAuley agreed with this position, and went on to highlight some other areas that should be looked at, including energy taxes, comprehensive road charging

<sup>15</sup> *Proof Committee Hansard*, 5 February 2014, p. 9.

<sup>16</sup> *Proof Committee Hansard*, 5 February 2014, p. 13.

<sup>17</sup> *Proof Committee Hansard*, 5 February 2014, p. 9.

and increasing or restoring gasoline indexation – all of which were covered by the Henry Tax Review of 2010.<sup>18</sup>

### Debt and deficit

3.18 Also underlying the terms of reference for the commission is the view that there is a structural deficit which must be turned into a surplus.

3.19 Mr Shepherd told the committee that action is required to address the amount of debt Australia has:

We are facing the sixth year in a row of budget deficits. Without action, deficits are in prospect for many years to come. This situation is not going to fix itself. *The Magic Pudding* is a fable. Unless we fix this problem now, we will consign to our children and their children a legacy of unsustainable largesse. Former Prime Ministers Hawke and Keating understand this point and recently urged the government and the community to accept that hard decisions on the budget need to be made now, in the national interest.<sup>19</sup>

3.20 Mr Shepherd added:

If we are prepared to make the necessary adjustments now in our approach to government, we will have time to readjust and remain on the path of prosperity and rising living standards for all Australians.<sup>20</sup>

3.21 However, several witnesses stated that Australia's deficit is a small one and that, if managed well, government borrowing can have a positive effect on the broader economy.

3.22 Dr Dennis argued that a reasonable amount of government debt was a not a negative thing in itself. Rather, he suggested responsible government spending could be seen in a more positive light, as government investing in future assets:

Living within your means does not mean borrowing as much as you want and wasting it on things, but, if you are borrowing money to build assets that are going to return value for you over the life of those assets, then that is economically a good thing...[I]t might be hard to politically agree what is a good investment and what is a bad investment, but directors of companies argue about those things as well.<sup>21</sup>

3.23 Other witnesses were even more positive about the state of the Australian economy, with some pointing to the possibility of the Commonwealth being in a much better position in 2023-24, even without significant spending cuts.

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18 *Proof Committee Hansard*, 5 February 2014, p. 44, referring to *Australia's future tax system* (2010).

19 *Proof Committee Hansard*, 15 January 2014, pp 1-2.

20 *Proof Committee Hansard*, 15 January 2014, p. 2.

21 *Proof Committee Hansard*, 5 February 2014, p. 16.

3.24 For instance, Mr Cowgill, ACTU, spoke of the possibility that the Australian economy would be in surplus by the early 2020s if the current rates of growth continued, referencing three sets of projections:

In our submission...we show three different projections by three different organisations of the fiscal outlook. The first is by the Business Council in its *Action plan for enduring prosperity*. The second is from a Treasury working paper of 2013 on the structural budget balance. The third is by the International Monetary Fund [IMF]. All of those projections anticipate Australia having a surplus or, in the case of the IMF, a structural surplus of somewhere in the vicinity of one per cent by 2023.<sup>22</sup>

3.25 However, Mr Cowgill also conceded that this outlook differs from the Mid-Year Economic and Fiscal Outlook (MYEFO) delivered in December 2013:

The MYEFO outlook is different. My understanding is that the difference in MYEFO arises from a change in the assumptions that underpin the projection of the fiscal outlook. My understanding is that previously it had been the norm for projections to be done on the assumption that over the long run the economy would be around its trend pace and that the unemployment rate would be equal to what the Treasury estimates to be its lowest sustainable rate. My understanding is that in MYEFO that has now changed and the projection methodology now involves saying, 'If the anticipated rate of economic growth at the end of the forecast period is below trend then we will just assume that it will remain below trend by the same amount over the whole projection period.' If you put that assumption in, you come out with a substantially worse fiscal outlook.<sup>23</sup>

3.26 This perspective was also drawn out by Mr Koukoulas, who argued that the 2013-14 MYEFO was too pessimistic and the fundamentals of the Australian economy were in better shape than it suggested:

Perhaps the best assessment of the state of public finances in Australia is given from the international credit rating agencies. All three major rating agencies—Standard and Poor's, Moody's and Fitch Ratings—assess Australia as AAA risk with a stable outlook. They held this assessment even after seeing the seemingly pessimistic view presented in the MYEFO in December.<sup>24</sup>

3.27 Mr Koukoulas emphasised the need for more context to be taken into account when looking at the positive or negative value of budget surpluses for the Australian economy:

The government, opposition, and economics profession need to work hard to change this misconception that surpluses are always good and deficits are always bad. There should be no value judgement that suggests budget deficits are good or bad without context being placed around the economic

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22 *Proof Committee Hansard*, 5 February 2014, pp 10-11.

23 *Proof Committee Hansard*, 5 February 2014, pp 10-11.

24 *Proof Committee Hansard*, 5 February 2014, p.47.

and fiscal position...It would be an economic policy failure in the extreme for any government to be aiming to run a budget surplus if the economy was in recession and the unemployment rate was rising. Here a budget surplus is unquestionably bad, while a deficit would be good, even if it was merely the result of the government allowing the automatic stabilisers on revenue and expenditure to kick in. Similarly, if the economy was in a well-established period of trend growth with low unemployment and evident inflation pressures, a budget surplus would be good and a deficit would be bad.<sup>25</sup>

### ***Public versus private delivery of current government services***

3.28 The terms of reference include direction to the commission to look at areas in which services currently delivered by the Commonwealth or state governments may be more efficiently and cost-effectively delivered by private enterprise.

3.29 Evidence received by the committee questioned whether private delivery of services would be beneficial, both for the Australian economy in general and for social policy outcomes. For instance, ACTU stated that:

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.

We note and go through in some detail that factors such as vendor dependency, provider concentration and gaming can in fact make private provision more expensive, less flexible and more prone to perverse and unintended outcomes for service users than public provision. In other words, the assumption that private is superior to public in all cases is, in our view, misplaced.<sup>26</sup>

3.30 Mr McAuley told the committee that he was concerned about potential government privatisation, especially as in many areas the public sector delivered services more effectively and efficiently than private enterprise:

So, yes, it is possible to cut further in Australia, but it is economically inefficient to do so if we start getting into those areas where, intrinsically, the public sector does a better job. There is not a great deal of recognition, in the terms of reference of the Commission of Audit, that there are areas of market failure, where public funding or provision is a clearly superior area.<sup>27</sup>

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25 *Proof Committee Hansard*, 5 February 2014, p.46.

26 Mr Tim Lyons, Assistant Secretary, ACTU, *Proof Committee Hansard*, 5 February 2014, p. 8.

27 *Proof Committee Hansard*, 5 February 2014, p. 37.

## Is the real problem declining Commonwealth revenue?

3.31 The committee heard evidence suggesting that the commission should be concentrating not only on potential cuts that could be made in the Commonwealth budget, but also on improving government revenues. However, the commission's terms of reference focus on the review of government expenditure and are largely silent on matters of government revenue.

3.32 When questioned on whether there is scope for the commission to consider government revenue as part of its review, Mr Shepherd informed the committee:

We will deal, in some cases, with revenue issues, but we are cognisant of the fact that the government is intending to issue a white paper on taxation. So, obviously, that would be a far better process for dealing with the revenue side of the equation.<sup>28</sup>

3.33 Mr Peter Crone, head of the commission secretariat, disagreed with the proposition that the terms of reference and its focus on government expenditure mean that the commission is being asked to operate with 'one arm tied behind [its] back':

I would not say that tax is completely absent. For example, the commission has been asked to comment on the current architecture of Commonwealth-state financial relations, and obviously a very big part of that is related to tax. The revenue from the goods and services tax all goes to the states. The states do not have enough of their own source revenue to provide the services that their citizens require. We have been asked to have a look at that, and we will.<sup>29</sup>

3.34 The importance of looking at both revenue and expenditure was emphasised by Dr John Daley, CEO of the Grattan Institute, appearing in a private capacity:

Although the National Commission of Audit's terms of reference are focused on government expenditure, it is important that any budget reform looks at both sides, profit and loss.<sup>30</sup>

3.35 Dr Daley explained the need to look at revenue and expenditure together:

[I]f you look at the history of governments that have successfully substantially improved their budget positions, almost always that reform involves both spending cuts and tax increases, and I think there is a real political economy reason for that.

...

Obviously the Commission of Audit is not the only thing that the government will use in thinking about what it will do in order to repair its budget, but if you were trying to find a comprehensive package to improve

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28 *Proof Committee Hansard*, 15 January 2014, p. 4.

29 *Proof Committee Hansard*, 15 January 2014, p. 24.

30 *Proof Committee Hansard*, 5 February 2014, p. 2.

the Commonwealth budget position, I absolutely think that the revenue side of the budget needs to be part of the story.<sup>31</sup>

3.36 Mr Lyons agreed that revenue should be a focus for the government and the commission:

[T]o the extent that we face a fiscal policy challenge we say it is related to a problem of revenue and not expenditure and that such a challenge requires a longer term strategic vision about the future structure of the Australian economy and how we raise revenue, not short-term political fixes in the context of one year's budget.<sup>32</sup>

3.37 Dr Denniss also stressed the need to look at revenue, particularly simplifying the current tax arrangements to close down loopholes in the system:

Indeed, to the extent that we have any problem with our public finances at all, it is quite clear—again from both historical and international points of view—that we have a fundamental problem with collecting revenue. My submission to you is to 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. An enormous amount of legal and accounting time goes into the exploitation of those loopholes. That is an opportunity cost for the economy, and again economics would suggest that a simple system would be one that has fewer, not more of those.<sup>33</sup>

3.38 Mr Phil Bowen, Parliamentary Budget Officer, commented that the current diverging trajectories of Australian government expenditure and revenue should be looked at:

**Senator BUSHBY:** We have heard that the overall relative position of Australia's debt position is not too bad compared to other countries but that it is the trajectory that is the issue here rather than our absolute position. Is that correct?

**Mr Bowen:** I think I could agree with that. At the moment we have two divergent trends. Revenue is going one way and expenditure is going another. That, in the long term, is not a sustainable position. Really, it is a matter to be considered now, and into the medium term, before we get to the long term.

3.39 However, Mr Bowen also told the committee that it was too simplistic to blame deficits on decreasing revenues alone.<sup>34</sup>

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31 *Proof Committee Hansard*, 5 February 2014, p. 3.

32 *Proof Committee Hansard*, 5 February 2014, p. 8.

33 *Proof Committee Hansard*, 5 February 2014, p. 13; see also Mr McAuley, *Proof Committee Hansard*, 5 February 2014, p. 37.

34 Mr Phil Bowen, *Proof Committee Hansard*, 5 February 2014, p. 58.



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***The possible effect of spending cuts on the economy***

3.40 Witnesses cautioned that cuts in expenditure at the wrong time and in the wrong places could harm the economy.

3.41 Dr Peter Burn, Director of Public Policy for the Australian Industry Group, also drew out the consequences of poorly targeted cuts to capital expenditure:

I would say that—with the first round in particular and as a temptation generally—there can be an emphasis, when you are cutting expenditure, on capital expenditure, the impacts of which do not show up for some time. So, in a fiscal consolidation, I think you have to be very wary of making cuts in your capital program where the costs of that will be transmitted further down the line to a poor state of national infrastructure, for example, that you then have to make up in some way.<sup>35</sup>

3.42 Dr Burn advised the committee that the government should stagger fiscal consolidation:

Our concern about the fiscal consolidation and the impact on the macro economy really relates to the coming financial year, 2014-15. We think that cuts could be announced, that consolidation could be announced, over the period of the forward estimates, for example, with the emphasis on later years if the economy is thought to be capable of picking up over that period, and that cuts announced with the measures implemented—in the sense that the savings would accumulate over time—could all be done this year.<sup>36</sup>

3.43 Dr Denniss advised that harsh cuts to government expenditure would lead to higher unemployment, shrinking government revenue and, perversely, a larger deficit:

There is absolutely no doubt that massive expenditure cuts by the government at this point in the economic cycle will lead to higher unemployment. There is actually no doubt that massive spending cuts now will also lead to a significant reduction in government revenue, as the economy slows faster than it otherwise would. In turn, the deficit will likely get bigger the faster and the harder they cut. I was asked the question before: should governments ever try to cut their spending? My response was yes, but when? There are better times to do it and there are worse times to do it.

As the economy is beginning to slow and as unemployment is already beginning to rise, I would put to this committee that about the dumbest time to make big cuts to government spending would be right now.<sup>37</sup>

**Is 1 per cent of GDP by 2023-24 an appropriate target?**

3.44 The terms of reference for the commission state:

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35 *Proof Committee Hansard*, 5 February 2014, p. 35.

36 *Proof Committee Hansard*, 5 February 2014, p. 35.

37 *Proof Committee Hansard*, 5 February 2014, p. 20; See also Mr McAuley, *Proof Committee Hansard*, 5 February 2014, p. 41.

[T]he Commission of Audit has a broad remit to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure, and to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24.<sup>38</sup>

### ***How was the target chosen?***

3.45 Mr Shepherd advised that the commissioners were not consulted and did not have any input in the terms of reference.<sup>39</sup> However, Mr Shepherd expressed the following view on achieving a surplus of 1 per cent of GDP by 2023-24:

Personally, and I think the other commissioners would agree with me on this, that seems to be a sensible target that would in fact get the budget to a sustainable level. It is not over-reaching or under-reaching. I suppose one could argue whether it is 1 per cent, two per cent or half a per cent, but we would think it is a fair and sensible target.<sup>40</sup>

3.46 When pressed as to whether a surplus of 1 per cent of GDP by 2023-24 is appropriate, Mr Shepherd stated:

[I]t is a question for government. Our report will go to the government. It will consider it, it will decide whether or not to accept any or all of our recommendations and then, if it does decide to accept our recommendations, it will take it to the parliament. That is the process.<sup>41</sup>

### ***Modelling***

3.47 The committee explored the modelling being used by the commission to achieve the 1 per cent of GDP figure that underpins its recommendations. Mr Shepherd was non-committal as to whether the commission would rely on modelling by Treasury or the Department of Finance (Finance):

We will decide when we put in our final report, which we have not done yet—it is still in preparation—what modelling we will rely on. We have modelling, certainly, from Treasury, and we have modelling from Finance, but as independent auditors we have to apply our own judgements to those.<sup>42</sup>

3.48 Aside from Treasury and Finance modelling, Mr Shepherd indicated that commission would rely on the 'experience and knowledge of each of the members of the commission' as well as the submissions received as recommendations are developed.<sup>43</sup>

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38 National Commission of Audit, Terms of Reference.

39 *Proof Committee Hansard*, 15 January 2014, p. 3.

40 *Proof Committee Hansard*, 15 January 2014, p. 3. See also *Committee Hansard*, 15 January 2014, p. 25.

41 *Proof Committee Hansard*, 15 January 2014, p. 3.

42 *Proof Committee Hansard*, 15 January 2014, p. 4.

43 *Proof Committee Hansard*, 15 January 2014, p. 4.

***What is the target in a dollar figure?***

3.49 When questioned by members of the committee on whether the commission had a dollar figure for the 1 per cent of GDP for 2023-24 which it was using for the purposes of its recommendations, Mr Shepherd stated:

We will certainly have in our report to the government an indication of what we see that means by then, but we have not finalised our report yet. That will of course be contained in our report.<sup>44</sup>

3.50 Mr Crone noted that the current dollar figure for 1 per cent of GDP is \$15 billion.<sup>45</sup> Mr Shepherd agreed with the suggestion that the figure in 2023-24 would be 'significantly higher than \$15 billion', adding '[w]e would hope that the economy does grow by then'.<sup>46</sup>

3.51 Evidence to the committee from Mr Crone appears to suggest that the commission is using a dollar figure for the purposes of its recommendations. However, according to Mr Crone, that figure is not yet finalised and Mr Crone was not prepared to disclose any figure under consideration by the commission:

I do not have the number in my head to the nearest decimal point [for 1 per cent of GDP in 2023-24]. We have got an idea of what the size of the economy is in 2023-24, and 1 per cent of that would obviously drop out.

...

I think it is part of the internal workings of the commission. This will be included in our report. We will make assessments and judgements about how the economy is growing, factors that will increase, factors that will impact on that...

...

...That figure has not been bedded down finally. We are still doing our deliberations, and I do not think it is appropriate for me to share that at this stage.<sup>47</sup>

3.52 Later, in response to further questioning by members of the committee, Mr Crone indicated that '[i]t is possible' that the commission is not working with a fixed dollar figure, but rather a range of figures based on various assumptions.<sup>48</sup>

3.53 At a later hearing of the committee, evidence from the Treasury suggested that their modelling indicated that the Australian GDP in nominal terms would be \$2.6 trillion in 2023-24, meaning 1 per cent of GDP would be \$26 billion.<sup>49</sup>

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44 *Proof Committee Hansard*, 15 January 2014, p. 4.

45 *Proof Committee Hansard*, 15 January 2014, p. 4.

46 *Proof Committee Hansard*, 15 January 2014, p. 4.

47 *Proof Committee Hansard*, 15 January 2014, p. 33.

48 *Proof Committee Hansard*, 15 January 2013, p. 33.

49 Mr Nigel Ray, *Proof Committee Hansard*, 15 January 2013, p. 69. See also Department of Finance, answers to question on notice, 15 January 2014 (received 3 February 2014).

***Is this target appropriate?***

3.54 Witnesses suggested that the Australian economy may be in surplus before 2023-24 if current growth trends continue – even without substantial cuts to government spending.

3.55 As noted above, Mr Cowgill's referred to BCA, Treasury and IMF projections which all suggest that the Australian economy will be in surplus in the early 2020s.<sup>50</sup>

3.56 Mr Koukoulas also suggested that the target of 1 per cent surplus by 2023-24 was not necessarily an overly ambitious one – especially as the last MYEFO was too pessimistic about the state of the Australian economy.<sup>51</sup>

**Conclusion**

3.57 The committee supports the general principle that government spending should be responsible, well-targeted and efficient. During the course of the inquiry, concerns and evidence have emerged which call into question the key assumptions underlying the terms of reference given to the commission. This evidence means the committee has serious reservations that the terms of reference provided to the commission by the government are flawed and misleading.

3.58 It is possible that short sighted cost cutting recommendations based on these terms of reference will have the potential to harm the Australian economy and negatively affect the lives of many Australians.

3.59 Regarding the assumption that government spending is 'out of control', the committee heard that Commonwealth expenditure is actually at a reasonable and modest level – both by Australian historical and international standards. The committee also heard that the current level of debt and state of the economy is not a reason for hasty cuts.

3.60 In the committee's view, leaving the consideration of government revenue for a separate review process conducted in isolation is not likely to provide a holistic evidence base for effective decisions.

**Recommendation 6**

**3.61 The committee recommends that the government broaden the remit of the National Commission of Audit to include explicit consideration of government revenue.**

3.62 The committee understands that Australia's budgetary position could be improved substantially by removing or recalibrating Commonwealth expenditure on tax exemptions and concessions, such as industry and superannuation, and believes this should be included in the work of the commission.

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50 *Proof Committee Hansard*, 5 February 2014, pp 10-11.

51 *Proof Committee Hansard*, 5 February 2014, p. 47.

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## **Recommendation 7**

**3.63 The committee recommends that the commission look at current tax expenditure to find possible areas of budgetary savings for the Commonwealth.**

3.64 The committee recognises that, over the long term, demographic changes such as the ageing of the population will require considered measures to be put in place. However, the committee is concerned that there is a real danger that the commission will recommend cuts that are poorly timed and targeted which could result in lasting harm to the economy and the community.

3.65 It also supports the principle that government expenditure should be reviewed regularly to make sure programs are relevant, well-targeted and to ensure emerging issues are quickly addressed.

3.66 The committee believes that in the event savings measures are accepted by the government, they should be appropriately timed to provide sufficient time for government to consider any unintended consequences and take into account any improvement in the economy which is outside current expectations. This would also allow the government the time and fiscal space to appropriately respond to any rapid and/or unforeseen changes in the domestic and international environments.

3.67 The committee further believes that prior to their implementation, all the savings measures that are accepted by the government should be examined by the appropriate Senate committees. This would allow for a thorough examination of each measure and for proper consultation with affected stakeholders.

## **Recommendation 8**

**3.68 The committee recommends that in the event of savings measures being accepted by government, they should be appropriately timed so any unintended consequences can be addressed in a measured way and the government is better able to respond to any rapid changes in the domestic and international environments. These savings measures should also be examined by the appropriate Senate committees prior to their implementation.**

3.69 The committee is particularly concerned that any recommendations for privatisation of services currently delivered by the Commonwealth should ensure no degradation of services.

3.70 The committee is further concerned that any recommendation for privatisation of services currently delivered by the Commonwealth should not lead to an increase in costs to the public to access these services, or to the loss of jobs in those privatised services.

## **Recommendation 9**

**3.71 The committee recommends that any recommendations made by the National Commission of Audit to privatise services be subject to a full cost-benefit analysis which examines the effect on services, costs to the public, and jobs.**

3.72 The commission's terms of reference specify that it is to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24. This is the only figure in the terms of reference to guide its work, so how this target was derived, whether it is an appropriate and reasonable target, and the associated assumptions which underlie that figure as a target are very important.

3.73 The committee examined the rationale for the 1 per cent figure with the commission who indicated the figure was presented to it by the government but in the commission's view it seemed to be a reasonable target. The committee believes the government should provide clarity on how the 1 per cent figure was selected and what assumptions it is based on.

3.74 The committee also believes that the government should provide clarity on the pathway to bringing the budget back into surplus and state when the budget would first get back into surplus prior to reaching the 1 per cent target by 2023-24. This information would show what level of budget consolidation would be required in order to reach the desired surplus target.

3.75 The committee further believes that if the commission uses a different set of modelling to that provided by the Treasury, that the government should release the full modelling assumptions and methodology as well as a statement as to why the Treasury modelling was unsatisfactory.

### **Recommendation 10**

**3.76 The committee recommends that along with the publication of the commission's reports, the government provide detail on how the target in the terms of reference of a surplus of 1 per cent of GDP was selected, and detail of any alternative modelling that may have been used by the commission.**

**Future work of the committee**

3.77 The commission's terms of reference provide a broad remit to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure. In future hearings and reports the committee will focus on key areas of the commission's work and the substantive issues of concern raised in submissions.

**Senator Richard Di Natale**

**Chair**





# **Government senators' dissenting report**

## **Introduction**

1.1 The Coalition government was elected with a mandate to bring the budget under control and end Labor's reckless spending. The government is committed to living within its means and the National Commission of Audit (commission) is a key element of this election commitment.

1.2 The commission is charged with conducting an important and urgent review of the scope, efficiency and functions of the Commonwealth government. The work of the commission will form a critical part of the 2014-15 budget process.

1.3 Government senators further believe that the committee majority has, for its own political reasons, wilfully misrepresented the nature of the National Commission of Audit's work. It is important to recognise from the outset that while the commission will make recommendations to government, decisions will ultimately be made by government, not the commission.

1.4 Further, all of the government's decisions will be subject to the full range of mechanisms for parliamentary scrutiny and, ultimately, democratic accountability through the ballot box.

1.5 Additionally, Government Senators are concerned that the majority report implies that the Abbott Government's Commission of Audit is unusual or unprecedented. This is not the case. There are precedents at both state and federal level for this type of body to be used to provide advice to governments.

1.6 Government senators believe that the committee majority fail to appreciate the importance of the commission's task and the necessity of the time constraints on the commission. Government senators strongly reject the assertions, conclusions and recommendations in the majority report.

## **There is a need to act quickly**

1.7 The majority report recommends that the government adopt a longer timeframe for the commission to complete its work. Government senators strongly disagree with this recommendation. The government must live within its means, so addressing the budget deficit is a matter of urgency.

1.8 Witnesses highlighted the importance of the work of the commission. For example, Dr Peter Burn, Director of Public Policy at the Australian Industry Group, stated:

[The work of the commission] is a very important task, and it is worth emphasising that it would be important regardless of the current position of the budget. It is perhaps most important in the context of longer term public finances in view of the accumulated impacts that demographic forces and

rising health expenditures could have on Australia's public finances over coming decades.<sup>1</sup>

1.9 Ms Maria Tarrant, Deputy Chief Executive of the Business Council of Australia (BCA), noted:

From the perspective of the BCA, one of the important first steps to ensuring the right fiscal settings for the long-term growth and prosperity of all Australians is the undertaking of a commission of audit...

The National Commission of Audit has the potential to provide government with the advice it needs to put Australia on fiscal footings which can help restore growth and build community and business confidence.<sup>2</sup>

1.10 Government senators disagree with the observation that allowing the Commonwealth budget to continue in deficit has only 'political', as opposed to 'economic', consequences.<sup>3</sup> As the chair of the commission, Mr Tony Shepherd AO, pointed out:

Australia faces the challenges of an ageing population, poor productivity performance, a persistently high Australian dollar, high energy costs, heavy reliance on the resource sector, and a volatile global political and economic outlook. We are facing the sixth year in a row of budget deficits. Without action, deficits are in prospect for many years to come. This situation is not going to fix itself. *The Magic Pudding* is a fable. Unless we fix this problem now, we will consign to our children and their children a legacy of unsustainable largesse.<sup>4</sup>

1.11 Dr John Daley, a public policy expert, echoed Mr Shepherd's call for action on the structural budget deficit:

Australian governments need to make tough choices to balance their budgets. They have run structural deficits for the last seven years and now face a decade of deficits the result of big-ticket spending initiatives, rising health costs, pressure on welfare budgets and an inevitable fall in the terms of trade. On current trends, we estimate that these will lead to deficits of four per cent of GDP—that is about \$60 billion in today's terms—within a decade. So we cannot put off tough choices indefinitely. Deficits mean that the next generation must pay interest and repay the debt for today's spending. Government budgets cannot simply grow out of trouble; solving the problem requires the hard work of structural budget reform.<sup>5</sup>

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1 *Proof Committee Hansard*, 5 February 2014, p. 32.

2 Ms Maria Tarrant, Deputy Chief Executive, Business Council of Australia, *Proof Committee Hansard*, 5 February 2014, p. 21.

3 Dr Richard Denniss, Executive Director of The Australia Institute, *Proof Committee Hansard*, 5 February 2014, p. 17.

4 *Proof Committee Hansard*, 15 January 2014, pp 1-2.

5 *Proof Committee Hansard*, 5 February 2014, p. 1.

1.12 Dr Daley argued that Australia has been 'running a very substantial budget deficit that is clearly not sustainable in the long run'.<sup>6</sup> He went on to explain the effect of budget deficits:

[R]unning budget deficits is in effect a form of borrowing from the future. What you are essentially saying is that future generations will pay more tax to pay for our spending today. There are obviously real issues in saying that we are happy as the current generation to say that the next generation is going to pay for what we are doing.<sup>7</sup>

1.13 Mr Jarrod Ball, Acting Chief Economist of the BCA, noted any decisions on fiscal consolidation in the short term are a matter of 'fiscal credibility':

In terms of fiscal credibility you can tend to make savings progressively over a period of time...but you also need to start to take those steps in the short term if you want to have credibility.<sup>8</sup>

1.14 Government senators are also alert to the importance of the Commonwealth budget being in a position of fiscal readiness to deal with external economic impacts, such as the global financial crisis in 2008. Dr Daley informed the committee that in the event of another significant financial crisis Australia is not in the strong position it was seven or eight years ago:

Obviously, we have got a material debt level and, obviously, we have a budget which is currently in deficit. You would much rather be going into a crisis with the reverse. I think we are in a position where we could deal with it. I think one of the arguments for dealing with our budget position now when, to be blunt, we do not face a crisis is precisely so that we will be in a better position if a crisis comes around. I think that is an important argument.<sup>9</sup>

1.15 Government senators note a recent International Monetary Fund (IMF) report has also referred to the need for timely decisions on cuts to government spending:

The government's aim to return the budget to surplus in the coming years will help rebuild fiscal buffers and increase the policy scope to deal with adverse shocks, but will be challenging in light of current social spending commitments. Cuts in projected spending and/or increased revenues are likely to be needed, and early decisions on policy changes required would help preserve policy flexibility.<sup>10</sup>

1.16 The IMF also referred to the importance of the work of the commission in this context:

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6 *Proof Committee Hansard*, 5 February 2014, p. 5.

7 *Proof Committee Hansard*, 5 February 2014, p. 6.

8 *Proof Committee Hansard*, 5 February 2014, p. 29.

9 *Proof Committee Hansard*, 5 February 2014, p. 6.

10 International Monetary Fund, *Australia: 2013 Article IV Consultation – Staff Report; Press Release and Statement by the Executive Director for Australia*, IMF Country Report No. 14/51, February 2014, p. 17.

To achieve the aim of returning to and maintaining a budget surplus, sizeable cuts in projected spending would be required. Important for this would be the recommendations of the National Commission of Audit's Review of the efficiency and effectiveness of expenditure and of spending pressures over the medium term.<sup>11</sup>

1.17 Government senators further note that former Labor Prime Ministers Bob Hawke and Paul Keating have urged speedy action be taken to address Australia's fiscal challenges.

1.18 Mr Hawke has said "You've got to have a prime minister and treasurer, and a competent ministry which understands the issue and is prepared to make hard decisions."<sup>12</sup>

1.19 For his part, Mr. Keating noted the imperative to "inform the public of the problem and then earnestly pursue the remedies."<sup>13</sup>

1.20 Despite the importance of the commission's work, the majority report argues that this work should be slowed down and drawn out. Government senators strongly disagree with that recommendation. The commission's work is a matter of urgency and that is reflected in the reporting timeframes.

### **The committee has delayed the commission's important work**

1.21 The establishment of this committee represents yet another deal between the Greens and Labor, with the aim of disrupting the important and urgent work of the commission. Unfortunately, the committee has indeed managed to affect the work of the commission and contributed to the two week delay for its interim report.

1.22 While condemning the tight reporting timeframe of the commission, the committee has disregarded a reasonable request from the chair of the commission, Mr Shepherd, to delay the first hearing held on 15 January 2014 until the first week of February. In correspondence to the committee, Mr Shepherd indicated the willingness of the commission to work constructively with the committee. However, the proposed hearing date of mid-January was at a time of peak workload for the commission, which was working towards the finalisation of its Phase 1 report by the end of January.<sup>14</sup> Despite this, the majority of the committee insisted that the hearing proceed on 15 January.

1.23 In addition, when Mr Shepherd noted he was willing to appear before the committee on 15 January, supported by the head of the commission secretariat, Mr Peter Crone, and a First Assistant Secretary from the commission secretariat,

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11 International Monetary Fund, *Australia: 2013 Article IV Consultation – Staff Report; Press Release and Statement by the Executive Director for Australia*, IMF Country Report No. 14/51, February 2014, p. 8.

<sup>12</sup> *The Australian*, 'Hawke, Keating tell PM to slash spending', January 1 2014, p.1

<sup>13</sup> *The Australian*, 'Hawke, Keating tell PM to slash spending', January 1 2014, p.1

<sup>14</sup> See letter from Mr Tony Shepherd AO, commission chair, to Senator Richard Di Natale, committee chair, dated 14 January 2014.

Mr John Grant, the majority of the committee proceeded to call for the attendance of all the commissioners, despite the fact that the hearing was, by this stage, less than 48 hours away. As Mr Shepherd pointed out in his correspondence to the committee:

[A]ccount should be taken of the fact that Commissioners are not working on the Audit on a full time basis with many also having their own day-jobs. This, along with the fact that no Commissioners reside in Canberra and the relatively short notice period provided, will make it difficult to guarantee that all Commissioners will be available to attend.<sup>15</sup>

1.24 To this end, Government senators would like to extend their appreciation to all commissioners for making themselves available to attend the hearing on 15 January. Government senators believe that rather than preparing for, travelling to and attending the hearing the commissioner's should have been able to use that time to finalise the Phase 1 report. The proposal by Mr Shepherd, for the commission to appear in early February, would have made no difference to the committee's initial hearing which focussed on the commission's processes.

### **The commission is not an inquiry**

1.25 The majority report argues that the commission's processes lack transparency and that the audit is being conducted in secret. This characterisation fails to understand the nature of the commission's work, or the purpose for which it is established. As Mr Shepherd clearly reiterated during the hearing, the commission has been engaged by the government to produce a report and make recommendations to the government.<sup>16</sup>

1.26 The commission is not undertaking an inquiry.<sup>17</sup> The commission is not obliged to carry out its work through public consultation and debate on government spending. The commission is an independent panel with the specific task of reviewing government expenditure and reporting back to government with recommendations. It is for the government to decide which recommendations to adopt and when they have to be legislated.

1.27 While the commission is under no obligations to make any of its processes or consultations public, the Government senators commend the commission on its willingness to provide the committee with information about its processes and work. Government senators note that the commission has invited submissions from Premiers, Chief Ministers, federal department secretaries and heads of government agencies and other key stakeholders. The commission has received over 300 submissions from a wide spectrum of the community.<sup>18</sup> The commission has provided the committee with a list of those individuals and organisations which have made

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15 See letter from Mr Tony Shepherd AO, commission chair, to Senator Richard Di Natale, committee chair, dated 14 January 2014.

16 *Proof Committee Hansard*, 15 January 2014, pp 5, 9.

17 National Commission of Audit, Answers to questions on notice, received 31 January 2014, number 8.

18 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 2.

public submissions.<sup>19</sup> The commissioners and members of the secretariat have also held meetings with a wide range of people.<sup>20</sup>

### **A 1 per cent surplus of GDP by 2023-24**

1.28 The committee spent considerable time in the hearings questioning the inclusion in the commission's terms of reference to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24.

1.29 The committee heard evidence that a 1 per cent surplus of GDP has been achieved in the past.<sup>21</sup> Further, the commission and its secretariat, which includes a number of eminent economists, believe that a target of 1 per cent of GDP is and achievable and fair target.<sup>22</sup>

1.30 A number of witnesses also indicated that a 1 per cent surplus of GDP by 2023-24 is reasonable. Mr Ball, Acting Chief Economist of the BCA, told the committee, at this point in time, the target of a surplus of 1 per cent of GDP in 10 years' time seems reasonable.<sup>23</sup> Dr Burn agreed that, a surplus of 1 per cent of GDP in 10 years is achievable '[i]f it is done carefully and strategically'.<sup>24</sup>

1.31 Government senators note that the Commonwealth budget has had surpluses of 1 per cent, or more, of GDP previously, and evidence to the committee was that such a target was achievable. On this basis, Government senators believe that it is appropriate that the commission's terms of reference includes developing recommendations to deliver savings of a 1 per cent surplus of GDP by 2023-24.

### **Government is looking at tax through a separate process**

1.32 The majority report criticises the commission's terms of reference for focusing on government spending and not taking into account revenue. However, this argument ignores the government's broader policy agenda. The government has clearly set out its plans to develop a White Paper on tax reform during the first two years of government and seek a mandate for reform at the next election.<sup>25</sup>

1.33 Further, as Mr Shepherd explained:

[The commission] will deal, in some cases, with revenue issues, but we are cognisant of the fact that the government is intending to issue a white paper

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19 National Commission of Audit, Answers to questions on notice, received 31 January 2014, number 2.

20 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 2.

21 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 20.

22 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 25.

23 Mr Jarrod Ball, Acting Chief Economist, Business Council of Australia, *Proof Committee Hansard*, 5 February 2014, p. 29.

24 *Proof Committee Hansard*, 5 February 2014, p. 35.

25 See [www.liberal.org.au/lowering-company-tax](http://www.liberal.org.au/lowering-company-tax) (accessed 10 February 2014).

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on taxation. So, obviously, that would be a far better process for dealing with the revenue side of the equation.<sup>26</sup>

1.34 The government is committed to stabilising the budget in a methodical and measured manner. That work will start with the report and recommendations by the commission and will continue with the White Paper on tax reform.

### **Conclusion**

1.35 The Coalition government is committed to bringing the budget under control and stopping the wasteful government spending that was the hallmark of the Rudd/Gillard Labor governments. The government has tasked the commission with the job of reviewing government expenditure and identifying savings to bring the budget back to a 1 per cent surplus of GDP by 2023-24.

1.36 Government senators would urge the committee, in future, to allow the commission to continue with its important work without the committee placing unreasonable demands on its time or resources.

1.37 Government senators strongly support the establishment of the commission and believe that the commission's terms of reference are entirely appropriate.

**Senator David Bushby**  
**Senator for Tasmania**

**Senator Dean Smith**  
**Senator for Western Australia**

**Senator Sean Edwards**  
**Senator for South Australia**

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26 *Proof Committee Hansard*, 5 February 2014, p. 4.





# **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 AO
- 7 Community Employers WA
- 8 Federation of Ethnic Communities' Councils of Australia
- 9 Settlement Council of Australia
- 10 St Vincent de Paul
- 11 National Tertiary Education Union
- 12 Australian National Audit Office
- 13 Hunter Community Legal Centre
- 14 Public Health Association Australia
- 15 Prof Alan Rosen
- 16 Councils on the Ageing 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
- 32 Green Building Council of Australia
- 33 Dr Tom Calma and Prof Pat Dudgeon
- 34 Mr Matt Mushalik
- 35 Mental Health Council of Australia
- 36 Maritime Union of Australia
- 37 Barwon Community Legal Service
- 38 CPSU
- 39 Australian Municipal, Administrative, Clerical and Services Union, trading as the 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

### **Additional Information**

1. Document tabled by Senator Dastyari at the public hearing on 15/1/14: Australian Financial Review article
2. Document tabled by Mr Tony Shepherd AO, Chair, National Commission of Audit, at the public hearing on 15/1/14: Correspondence from the Treasurer and the Minister for Finance dated 21 November 2013
3. Document tabled by Mr Tony Shepherd AO, Chair, National Commission of Audit, at the public hearing on 15/1/14: Opening statement
4. Correspondence between the committee and the commission regarding the 15 January 2014 hearing
5. Document provided to the Committee at the public hearing on 5/2/14: Australia Institute Opening Statement
6. Document provided to the Committee at the public hearing on 5/2/14: Stephen Koukoulas Opening Statement

**Answers to questions on notice**

1. National Commission of Audit, Answers to questions taken on notice at 15 January hearing and written questions on notice
2. Department of Finance, Answers to questions taken on notice at 15 January hearing



## **APPENDIX 2**

### **Public Hearings and Witnesses**

***Wednesday 15 January 2014***  
***Committee Room 2S3, Parliament House, Canberra***

#### **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 NCOA Secretariat

#### **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***  
***Parliament House, Canberra***

#### **Grattan Institute**

Mr John Daley, Chief Executive Officer

#### **Australian Council of Trade Unions**

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**

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

**Australian Industry Group**

Dr Peter Burn, Director of Policy

**Centre for Policy Development**

Mr Ian McAuley, Fellow

Ms Jennifer Doggett, Fellow

**Market Economics**

Mr Stephen Koukoulas, Managing Director

**Parliamentary Budget Office**

Mr Phil Bowen, Parliamentary Budget Officer

**The Treasury**

Mr Nigel Ray, Executive Director, Fiscal Group

## **APPENDIX 3**

### **Correspondence from the Minister for Finance to the Chair of the National Commission of Audit**



**Treasurer  
Minister for Finance**

21 NOV 2013

Mr Tony Shepherd AO  
Chair  
National Commission of Audit  
c/o Department of Finance  
John Gorton Building  
King Edward Terrace  
PARKES ACT 2600

Dear Mr Shepherd *Tom*

Further to the Terms of Reference for the National Commission of Audit ("The Commission") I am writing to provide guidance to the Commission on the Government's approach to public sector resourcing.

As you may be aware, recent advice from the Department of Finance has shown that the former Government's policy settings and savings measures were expected to result in around 14,500 total job cuts across the public service.

These reductions were largely untargeted, making no distinction between higher or lower priority areas of spending and having no regard to the financial health of different parts of government.

In contrast, our Government will ensure that any staffing reductions we implement will match the reforms we make to the size and shape of government flowing from the Government's consideration of the Commission's work.

Accordingly, I request that all of the Commission's proposed reforms are based on effective staffing and that these are linked to efficient services.

The Government's approach is that public sector reductions must be done responsibly through deliberate choices about priority areas, the proper functions of government and the opportunities to reform the way we can deliver services.

Yours sincerely

HON. J. B. HOCKEY MP

SEN. THE HON. MATHIAS CORMANN

Parliament House Canberra ACT 2600  
Australia

Telephone: 02 6277 7340 Facsimile: 02 6273 3420

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



## **APPENDIX 4**

### **Correspondence from the Minister for Health to the Chair of the National Commission of Audit**

27 NOV 2013



**THE HON PETER DUTTON MP  
MINISTER FOR HEALTH  
MINISTER FOR SPORT**

Mr Tony Shepherd AO  
Chair, National Commission of Audit  
John Gorton Building  
King Edward Terrace  
PARKES ACT 2600

*Tony,*  
Dear Mr Shepherd

I write to you with regard to the discontinuation of funding to the Alcohol and other Drugs Council of Australia (ADCA), of which the Department of Health will notify the Council's board on 26 November 2013.

The decision to discontinue this funding was based on the duplication of roles of peak bodies in the drug and alcohol sector.

Should the ADCA be unable to find alternative funding streams it may lead to the wind-up of operations and the Australian Government will seek to assist with outstanding liabilities.

The Australian Government will undertake a rapid review of national alcohol and drug peak bodies in coming months to inform a more cost effective and focussed approach to funding arrangements for the sector. The review will deliver its recommendations in time to inform funding options for 2014-15.

Yours sincerely

*Peter Dutton*  
26/11/13

PETER DUTTON

## **APPENDIX 5**

### **List of public submissions to the National Commission of Audit as at 15 January 2014**

**ATTACHMENT****List of public submissions to the National Commission of Audit as at 15 January 2014**

Please note that a small number of individuals and organisations provided more than one submission.

**Individuals**

Glenn Appleyard	Rona Goold	Dean McCrae
Chris Baulman	Martin Gordon	James McGrory
Bob Beadman	Graham Gourlay	Bernie McKay
William Boyd	Eric Gribble	David Norman
Neil Brown QC	Loris Hemlof	Frank Ondrus
Jane Carrigan	Geoff Henkel	Ben Pook
Barry Catchlove	Tim Holland	Julian Rait
Richard Court AC	Roger Jennings	Leonie Ramsay
Bob Dollery	Eva Johansson	Grace Samuel
James Eagles	Peter Katsambanis MLC	Gavin Scrimgeour
Christina Faulk	Stuart Kelly	Rose Spear
Leon Francis	Robert Ludlow	Wilson Tuckey
Brijesh Ghodasara	John McAuley	Garry White

**Organisations and business**

Abbott Australasia Pty Ltd	Australian Business Roundtable for Disaster Resilience and Safer Communities
Accenture Australia	Australian Chamber of Commerce and Industry
Accord Australasia Limited	Australian Conservation foundation
ADJ Consultancy Services	Australian Council for International Development
Aged and Community Services Australia	Australian Council for Private Education and Training
AgriFood Skills Australia	Australian Council of Social Service
Allygroup	Australian Council of Trade Unions
Alzheimer's Australia	Australian Diagnostic Imaging Association
AMES	Australian Food and Grocery Council
Anglicare Australia	Australian Healthcare & Hospitals Association
Argos Consulting	Australian Hearing
Asciano, Aurizon, Australian Rail Track Corporation, Australasian Railway Association (group submission)	Australian Hotels Association
Association of Australian Medical Research Institutes	Australian Industry Group
Association of Independent Retirees	Australian Information Industry Association
Aurizon	Australian Local Government Association
Australian Academy of Science	Australian Logistics Council

Australian Major Performing Arts Group	Civil Contractors Federation
Australian Medical Association	Clarius Group Limited
Australian Medicare Local Alliance	CollabIT ACT
Australian Osteopathic Association	Commonwealth and Public Sector Union
Australian Parents Council	Community Council for Australia
Australian Petroleum Production & Exploration Association Ltd	Community Employers WA
Australian Private Equity & Venture Capital Association Limited	Community Services and Health Industry Skills Council
Australian Private Hospitals Association	Concerned Citizens of Geelong Society
Australian Psychological Society	Consult Australia
Australian Renewable Fuels Limited	Consumers Health Forum of Australia
Australian Self-Medication Industry	COTA Australia
Australian Services Union	Council of Capital City Lord Mayors
Australian Strategic Policy Institute	Council of Small Business Australia
Australian Subscription Television and Radio Association	CPA Australia
Australian Technology Network of Universities	CropLife Australia Limited
Banyer and Associates	DataFlex
Benetas	Dietitians Association of Australia
Bond University	Distilled Spirits Industry Council of Australia
Brewers Association	Early Childhood Australia
Bupa Australia Pty Limited	EARtrak Pty Ltd
Business Council of Australia	Electrical Trades Union of Australia
Business Council of Co-operatives and Mutuals	Emantra
BusinessSA	Energy Australia
CA Technologies	Engineers Australia
Canberra Airport Pty Ltd	Exercise & Sports Science Australia
Capital Markets and Cooperative Research Centre	Families Australia
Carers Australia	Family & Relationship Services Australia
Carlton & United Breweries	Financial Counsellors' Association of Queensland
Catholic Health Australia	Financial Services Council
Catholic Social Services Australia	First Peoples Disability Network
Central Australian Aboriginal Legal Aid Service	ForestWorks Industry Skills Council
Centre for Independent Studies	Free TV Australia
Certain Planning Pty Ltd	Friendly Societies of Australia
CGI Australia	Future Asset Services Pty Ltd
Challenger Limited	Generic Medicines Industry Association
Citizens Against Fluoridation Inc	Good Technology
City of Sydney	Google Australia, PwC, Cisco Australia (group submission)

Governance Institute of Australia Ltd	Mission Australia
Grattan Institute	Moorebank Intermodal Company
Grattan Institute Health Program	Murdoch University
Grattan Institute Higher Education Program	National Alcohol Beverage Industries Council
Griffith University	National Catholic Education Commission
Harness Racing Australia Inc	National Congress of Australia's First Peoples
hirmaa	National Council of Single Mothers and Their Children Inc
Homelessness Australia	National Employment Services Association
Housing Industry Association	National English Language Training Accreditation Scheme
IBM Australia and New Zealand	National Famers' Federation
Imperial Tobacco Australia	National Heart Foundation
Independent Schools Council of Australia	National Industry Skills Council (Skills DMC)
Indue Ltd	National Retail Association
Industry Skills Councils	National Rural Health Alliance
Industry Super Australia	National Tertiary Education Union
Innovative Research Universities	National Tourism Alliance
Institute of Chartered Accountants Australia	National Welfare Rights Network
Institute of Internal Auditors - Australia	Navitas Limited
Insurance Australia Group	NEXA
International Education Peak Bodies	nib Health Funds Limited
iWebGate technology Ltd	NPS MedicineWise
Jobs Australia Ltd	NRAS Providers Ltd
Kidney Health Australia	NSW Secondary Principals' Council
La Trobe University	Oakton Services Pty Ltd
Large Law Firm Group	Organic Waste Management
Leading Age Services Australia	Our HR Company Pty Ltd
Leukaemia Foundation of Australia	Palliative Care Australia
Lion Pty Ltd	PC JAK Consulting
Logan: City of Choice Leadership Team	Pernod Ricard Winemakers Pty Ltd
Macular Disease Foundation Australia	Pharmaceutical Society of Australia
Master Builders Australia	Pharmacy Guild of Australia
McMillan Shakespeare Ltd	Plastics and Chemicals Industries Association
Medibank	Productivity Now Pty Ltd
Medicines Australia	Professionals Australia
Mental Health Council of Australia	Property Council of Australia
Merck Sharp & Dohme	PSInnovation Pty Ltd
MIG Group	Public Health Association of Australia
Migration Council	Qube Holdings Pty Ltd
Minerals Council of Australia	

Queensland Youth Housing Coalition Inc	Universities Australia
Random Computing Services Pty Ltd	Universities Australia - Health Professions Education Standing Group
ReachOut.com / Inspire Foundation	University of Adelaide
Real Estate Institute of Australia	University of Melbourne
Real Health Care Reform Pty Ltd	University of New South Wales
Recoveries Corporation Group Limited	University of Sydney
Regional Australia Institute	Urban Development Institute of Australia (National)
Regional Development Australia (RDA) Hunter Incorporated	Urbis Pty Ltd
Regional Universities Network	Veda
Research Australia	Vedelem Pty Ltd
Richmond Fellowship of Western Australia	Victorian Healthcare Association
Rural Health Workforce	Vision Australia
Salini Australia Pty Ltd	Volunteering Australia Inc
SAP Australia Pty Ltd	Yarris Pty Ltd
Service Skills Australia	
Service to Young Council Inc.	
Services for Australia Rural and Remote Allied Health	
SmarterKnowledge	
Society of Hospital Pharmacists of Australia	
St Vincent de Paul Society	
Standards Australia	
Suicide Prevention Australia	
Suncorp	
Sydney Airport Corporation Ltd	
TAFE Directors Australia	
Telstra	
Tenants' Union of Queensland Inc	
The Australian Industry Group Defence Council National Executive	
The Butterfly Foundation	
The Services Union	
The Smith Family	
Toll Group	
Tomorrow's Agenda Research Institute	
Tourism Shopping Reform Group	
Transport and Logistics Industry Skills Council	
United Voice	
UnitingCare Australia	

