



## NSW Legislative Assembly Hansard

### Charter of Budget Honesty (Election Promises Costing) Bill

Extract from NSW Legislative Assembly Hansard and Papers Tuesday 17 October 2006.

#### Second Reading

**Mr MORRIS IEMMA** (Lakemba—Premier, Minister for State Development, and Minister for Citizenship) [4.04 p.m.]: I move:

That this bill be now read a second time.

The Charter of Budget Honesty (Election Promises Costing) Bill provides an impartial framework for costing election promises in the lead-up to New South Wales election. The bill ensures that the New South Wales Treasury will be made available to cost the election promises made by both the Government and the Opposition. Those costings will include a four-year forward projection encompassing both capital and recurrent commitments. The costings will be publicised, allowing the electorate and the media to judge each side's credibility and to see how its promises stack up.

With the bill in place, parties will no longer be able to promise the world, as the Opposition has done, while failing to say how they will pay for it. The onus will be on the Opposition to say how it will pay for its \$25 billion of unfunded promises. Election promises must be costed and they must be credible. The people of this State deserve and demand no less. The voters are more economically literate than ever before and they will not be conned by a fistful of dollars. That is why we need to rebuild the community's faith in the political process through this measure. We need to demonstrate that we can deliver what we promise. That is the fundamental principle behind the bill.

Another key purpose of the bill is to ensure the sound and prudent management of the State's finances. The New South Wales Government is, by any measure, a serious enterprise, with a \$43 billion budget and the largest work force in the nation. A key element of sound financial management is the robust costing of future funding commitments, providing greater certainty about what government can and cannot afford to do into the future. That means governments can plan in advance for future costs, such as rising school enrolments or an ageing population. It also means that governments can plan better for unexpected shocks without having to cut frontline services. A robust process for costing future commitments also allows governments to demonstrate fiscal responsibility to the business community, to the community and to the ratings agencies. Having been placed on credit watch in 1991, we must ensure that New South Wales's triple-A credit rating is never again put in peril.

The bill will also ensure the New South Wales Government's ability to adhere to the long-term plan laid out in the State Infrastructure Strategy, which is predicated on prudent and affordable levels of borrowing. The borrowings under the State Infrastructure Strategy have been supported by the international ratings agencies on the proviso that we restrain outlays and limit revenue growth. Reckless election promises could seriously undermine our ability to service the prudent debt levels planned for the next decade, and the people of New South Wales, the ratings agencies and our lenders are all entitled to know whether rash election promises will harm our ability to pay our way.

The other main principle underlying this bill relates to expertise. The bill proposes that the pre-election costings be undertaken by the body best equipped to do them: the oldest government agency in the State, the New South Wales Treasury. Costings must be done by those who are best qualified and informed to do them, and nobody has more expertise in costing election promises and managing the State's finances than the New South Wales Treasury. Costing of a road or a promise to hire extra police, for example, is the bread and butter of Treasury work—knowledge and expertise built up over 180 years.

In past years this job has often been farmed out to external consultants, very much a second-best option. That is not only because the Treasury has unrivalled specialist knowledge of public sector finance, but also because private sector consultancies have a direct financial interest in delivering the news a political party wants to hear, and also because the consultants must rely on the assumptions and documentation provided by that party which may be incomplete or one-sided. That hardly provides the community with overwhelming confidence in the integrity of the advice given. I would also add that using Treasury to provide the costings puts the Government and Opposition on an equal footing giving both a powerful incentive to be frank and transparent.

The costings process will operate in the following fashion. The bill requires the Secretary of the Treasury at the time of the last half-yearly budget review before an election to publicly identify the amount of money available to meet future spending commitments for the current budget year and the forward estimates, in other words, to establish the financial envelope available to the next Government to fund its policies. If the total cost of a party's

commitments exceeds that envelope the party must then explain how it will meet the difference, for example, through new revenue sources, adjusting priorities or expenditure cuts, all of which must themselves be properly costed.

The bill provides for the Premier or the Leader of the Opposition to request the Secretary of the Treasury to prepare costings of publicly announced or proposed policies. This arrangement will commence 60 days before an election. A request for a costing may be withdrawn at any time prior to its completion. A party that requested a costing may publicly release the costing at any time. Once the policy is released, the bill requires the parties to advise the Treasury that the policy has been released. And Treasury—on being so informed—must release the costing and the original request. Importantly, the bill provides that if the Secretary of the Treasury considers that the costing has been misrepresented in public the Secretary may issue a public statement to correct any misrepresentation.

The bill also provides that the overall impact on the budget of a party's promises is properly identified, in the form of a budget impact statement. This statement will include a summary of the financial impact of each costed policy and the net financial impact of all the costed policies. The statement for each party will be prepared in consultation with each relevant party. Treasury will provide the Premier and the Leader of the Opposition with a draft budget impact statement and a list of their policies as incorporated into the forward estimates 15 days before polling day. They will have 48 hours to confirm their list of policies. And after Treasury reviews the final lists the Secretary of the Treasury will publicly release the final budget impact statements five working days before the election.

A consolidated set of the Treasury costings will also be released with the statement. The bill empowers the Secretary of the Treasury to issue guidelines to govern the preparation of costing requests, Treasury costings and budget impact statements. To ensure confidentiality, the bill also makes it a punishable offence for the Secretary of the Treasury or any Treasury officer to disclose costing information or documents prior to their public release. The bill also includes explicit safeguards against political interference.

The provisions of this bill are largely similar to those contained in the Commonwealth Charter of Budget Honesty Act introduced by the Howard Government in 1998. However, it differs in two important respects. First, it allows the Leader of the Opposition to have access to the Treasury to cost a proposed policy prior to its announcement. This allows the Opposition to assess the financial impacts of a proposed policy and provides the opportunity to delete that policy or amend it prior to release. Secondly, it provides a mechanism to assess the overall financial impact of the policies presented by each of the major parties. This will enable the electorate to gauge the overall fiscal responsibility of the competing parties, not just their individual policy costings.

In the past the Opposition has called for independent costings of policies by the Treasury during an election campaign free from political interference. That call is spot-on. The legislation being introduced today does precisely that. The days when you can promise anything and put it on the taxpayers' credit cards are over. This bill marks a new era of prudence and accountability. It is time this process, and this legislation, were brought into practice. I commend the bill to the House.