

**Submission**

**No 7**

## **INQUIRY INTO THE PARLIAMENTARY BUDGET OFFICE**

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## **NSW Labor Submission – Joint Standing Committee on the Parliamentary Budget Office**

NSW Labor strongly supports the retention of the Parliamentary Budget Office (PBO) as an important step towards maintaining open and accountable Government in NSW.

### **Background**

In October 2010 the NSW Labor Government introduced the *Parliamentary Budget Office Act 2010* (the Act), which established an independent statutory office to provide costings of election promises and, outside pre-election periods, provide costings of proposed policies of Members of Parliament.

The Act also provides for the officer to present independent analysis, advice or briefings of a technical nature on financial, fiscal and economic matters to individual members of the NSW Parliament.

The bill was introduced as part of a bipartisan agreement to provide independent and unbiased costings of promises during election campaigns. However, after considered analysis and consultation it was determined that it was appropriate to extend the functions of the office across the electoral cycle to provide independent advice and analysis to all Members of Parliament.

Retaining the office will significantly contribute to transparency and accountability in the State budget process and help deliver higher quality fiscal policy outcomes for all NSW taxpayers.

Various models for the PBO have been developed around the world. The United States has had a Congressional Budget Office in place since 1975, and in more recent times we have seen the establishment of similar offices in Canada and the United Kingdom.

The Federal Parliament has recently completed their inquiry into the PBO and since the last federal election the establishment of a PBO has also been adopted as policy by all parties

in the Federal Parliament. Tony Abbott was categorical about his plans to establish a PBO, when he announced it as Coalition policy before the 2010 election, "*The next Coalition Government will establish a Parliamentary Budget Office*"<sup>1</sup>, and as recently as last month the Federal Coalition confirmed its support for the office, "*The Coalition considers the establishment of a PBO to be a key step in ensuring the integrity and sustainability of Commonwealth fiscal policy.*"<sup>2</sup>

The recent Federal Parliamentary inquiry, which reported in March 2011, unanimously recommended the establishment of a Parliamentary Budget Office<sup>3</sup>, and one of the direct recommendations of the review (below) was that the office should be set up to reflect the model in the NSW Act.

The federal committee recommended the PBO undertake the following functions<sup>4</sup>:

- *Prepare responses to the requests of individual Senators and Members, regardless of party or Government status, and parliamentary committees, including the preparation of costings in relation to proposed policies and bills outside the caretaker period;*
- *Make formal contributions to committee inquiries;*
- *Initiate its own work in anticipation of the interests of its clients; and*
- *Prepare costings of election commitments during the caretaker period.*

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<sup>1</sup> Tony Abbott Address to the CEDA 'State of the Nation 2010' Conference, Canberra 22/6/10  
<http://www.tonyabbott.com.au/LatestNews/Speeches/tabid/88/articleType/ArticleView/articleId/7436/Address-to-the-CEDA-State-of-the-Nation-2010-Conference-Canberra.aspx>

<sup>2</sup> Federal Liberal Party website 06/07/11 <http://www.liberal.org.au/Latest-News/2011/07/06/Swan-must-act-on-the-Parliamentary-Budget-Office.aspx>

<sup>3</sup> Federal Parliamentary Inquiry into the proposed Parliamentary Budget Office report - March 2011, pg. xv

<sup>4</sup> Ibid pg. xv

## **Role of the NSW Parliamentary Budget Office**

The role of the PBO is defined in the Act's explanatory notes as:

- a) Preparing costings of election policies for parliamentary leaders and independent members (including a budget impact statement for all their policies) in the period prior to a State general election;
- b) Preparing costings of proposed policies of members of Parliament at the request of the member at any time during the year; and
- c) Providing to members of Parliament analysis, advice and briefings of a technical nature on financial, fiscal and economic matters (including in relation to the costing of proposals included in the State budget).

The design of the committee was the result of significant deliberations of the 54<sup>th</sup> Parliament. It represents one of the best practice independent budget offices in the world, and improves the ability of Parliamentary Members from all political affiliations to represent their constituents.

In regards to the preparation of election costings the aim of the act is simple – to remove the "he said/she said" from debate on the cost of election commitments and provide an independent arbiter for members of the public during election campaigns.

Having access to accurate fiscal information is a significant obstacle for members of the public in assessing policies during an election campaign. Providing the public with high quality, independently verified information will improve the public's confidence in the political process in NSW.

During the non-campaign period of the electoral cycle there will inevitably be better outcomes for the people of NSW if there is a capacity for all Members of Parliament, particularly in the case of minor parties and independent Members, to have an objective and independent assessment of the costs associated with projects or programs they wish to implement.

The addition of the provision in the Act to provide advice on policy development outside of election campaigns is a significant improvement on existing legislation such as the Charter of Budget Honesty, and should be retained as a function of the Parliamentary Budget Office.

In relation to the provision of technical advice on fiscal and budgetary matters to Members of Parliament, NSW Labor strongly believes that these functions should be retained. For Members who do not have access to the expertise and resources of Treasury, there is no other objective source of analysis of the economic conditions surrounding NSW's \$50+ billion dollar Budget. Indeed, in their submission to the Federal Government inquiry, the OECD said: *"Parliaments need specialised resources in order to carry out their constitutional responsibilities vis-à-vis the budget."*<sup>5</sup>

This argument was also acknowledged by the Federal Parliamentary Committee in its final report from the inquiry, which stated: *"There is currently no independent body in Australia that specialises in high quality research and analysis on fiscal policy for the Parliament. The establishment of a specialised Office is warranted as the most practical means to fill this critical role."*<sup>6</sup>

This argument is even more important at a State level where there is less research and analysis prepared by the private sector on the fiscal and budgetary position of NSW than there is at the national level.

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<sup>5</sup> OECD submission to the Federal Parliamentary Inquiry into the proposed Parliamentary Budget Office, 20 Jan. 2011 pg. 1

<sup>6</sup> Federal Parliamentary Inquiry into the proposed Parliamentary Budget Office report - March 2011, pg. vii

## Resources of the Parliamentary Budget Office

While impossible to define the “perfect” level of resources needed by the office, if the PBO is to effectively deliver advice and services of the nature contained in the Act with the required level expertise, it will need ongoing and adequate resources in addition to sufficient funding. The Federal Parliamentary inquiry recommended a minimum budget of \$6 million per annum<sup>7</sup>, with scope to increase that allocation during election years.

It is appropriate that the office be resourced to a level that it could provide a similar level of service as the Federal inquiry recommended. As such, the existing budget of \$3 million per annum would appear to be the minimum required to allow the office to perform its legislated role to the level of quality required to gain a reputation, both publicly and within Parliament, as a reliable source of high quality financial information.

As there would also inevitably be an increased workload during the six to nine months preceding the election, there should also be scope within the budget for the expansion of services during that period.

It is worth noting the comments of the Federal Office of the Parliamentary Librarian in their submission to the Federal inquiry: *“Without a significant budget the Parliamentary Budget Office will be unable to effectively perform the role it is tasked to do. The initial limited funding of the Canadian PBO has led to significant political debate, aggrieved staff and aggrieved members of Parliament.”*<sup>8</sup>

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<sup>7</sup> Ibid pg. xix

<sup>8</sup> Federal Office of the Parliamentary Librarian, Submission to the Federal Parliamentary Inquiry into the proposed Parliamentary Budget Office, p. 11.

In conclusion, it is worth noting that there is a growing movement, both in Australia and around the world,<sup>9</sup> towards having an independent statutory office to provide unbiased financial and economic advice on the complex issues related to sovereign budgets.

For a number of years there have been calls from across the political spectrum for an independent Parliamentary Budget Office in NSW. In fact, during the debate on the current Act, Labor, the Coalition, the Greens and the Christian Democrats<sup>10</sup> all expressed support for an independent PBO. At a Federal level an independent PBO is supported by all Members of both houses of Parliament.

While the NSW Opposition urges the Committee to take on board the recommendations of the Federal inquiry, we also welcome the NSW inquiry. It is most likely that the Federal Parliament will adopt a PBO, and other State Parliaments may well follow suit. This inquiry provides an opportunity to consider the value of a PBO to improve democratic participation and informed debate, as well as to review the operation of the PBO in the most recent NSW election. In this regard, as the first PBO in Australia, the NSW example and the insights gained from this inquiry will aid not only the people of this State, but also the democratic process throughout Australia.

The retention of a well resourced PBO will benefit not just the 55<sup>th</sup> Parliament, but all future Parliaments. Importantly, the retention of the PBO will lead to better outcomes for the people of NSW and the provision of financial and economic information they can have confidence in. NSW Labor strongly supports the retention of the PBO with the necessary resources and funding as an important step towards enhanced transparency and openness in Government.



**John Robertson MP**  
**NSW Opposition Leader**

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<sup>9</sup> OECD submission to the Federal Parliamentary Inquiry into the proposed Parliamentary Budget Office, 20 Jan. 2011 pg. 1

<sup>10</sup> Legislative Council Hansard 26/10/10, The Hon. Greg Pearce, Dr John Kaye, The Hon Rev. Fred Nile  
[http://www.parliament.nsw.gov.au/Prod/parlament/hanstrans.nsf/V3ByKey/LC20101026?open&refNavID=HA2\\_1](http://www.parliament.nsw.gov.au/Prod/parlament/hanstrans.nsf/V3ByKey/LC20101026?open&refNavID=HA2_1)