


Pre-election Policy Costing Mechanisms in Australia

Whitehall in Year Five of the Coalition: Lessons from Elsewhere

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Summary

This report examines two systems that enable political parties in Australia to have policy plans independently assessed and costed. These facilities help ensure that both governing and non-government parties can access necessary expertise to test and improve policy ideas, particularly in the pre-election period.

From a public interest perspective, these systems are designed to improve the quality of policies put to the electorate, and to increase the chance of an affordable and implementable policy programme, whatever government is subsequently formed.

From a British point of view, the Australian experience offers a set of lessons about how the Civil Service and other official bodies could support and inform the development of policies in the run-up to future general elections, particularly in a context where further hung parliaments and coalitions appear likely.

Two policy costings systems

Since 1998 Australia's Charter of Budget Honesty has allowed the governing and main opposition parties to submit their policies to be costed by officials in the departments of the Treasury and Finance prior to an election. The charter was designed to improve transparency around political manifestos. However, this system has suffered from a number of weaknesses:

- Policy costings are automatically published, which can deter parties from submitting policies to be costed for fear of their proposals being publicly discredited.
- The facility is available only in the four to six weeks immediately preceding an election, leaving little time for parties to refine flawed policies.
- The facility was initially available only to the two major parties, excluding minor parties and independents.

The 2010 election created the conditions for reform. The election returned a hung parliament, and in order to form a stable minority government, the Labor Party signed a confidence-and-supply agreement with the Australian Greens and three independent MPs.

The terms of this agreement committed the Government to establishing a new Parliamentary Budget Office (a reform that had been mooted by various parties for some time). Subsequently, all parties committed to support the establishment of a Parliamentary Budget Office (PBO) 'to provide independent costings, fiscal analysis and research to all members of parliament, especially non-government members'.

In response to the weaknesses in the existing costing system highlighted above, the PBO was established with the following aims:

- to level the playing field between governing and non-governing parties (particularly minor parties and independents) in terms of access to information and expertise
- to encourage transparency around the policy costing process and encourage parties to release their costings, to better inform public debate

- to allow for an iterative process of policy development.

The PBO went beyond the pre-existing costing facility in several ways. First, it is open to all parties with parliamentary representation. Second, it can offer confidential costings throughout the parliamentary cycle – to enable parties to improve draft policies – except during the caretaker period before an election, when costings must be made public. And finally, the PBO plays an important post-election role, publishing full costings of all parties' spending commitments within a month of the election.

The Parliamentary Budget Office in operation

The PBO is funded for 40 permanent staff and is able to access official information to complete its policy costings on the basis of a Memorandum of Understanding with the heads of departments.

It has been extensively used by non-government parties, but predominantly outside of the caretaker period – meaning that only a limited number of policy costings were published before the election. The main opposition party (the Coalition) submitted no requests for policy costings in the caretaker period.

There is considerable scope for dialogue between the PBO and the parties. Parties can have different options costed, and can discuss with the PBO how to change the parameters of a policy to improve the costing implications. Parties and officials reported that PBO scrutiny and assessments had lent greater public credibility to their policy plans.

However, the impact of the PBO on the quality of the policy ideas themselves is less clear. The PBO can only provide costing information – it cannot advise parties on implementation challenges, or whether a proposed policy would achieve a specified outcome.

Lessons from the Parliamentary Budget Office's first two years

We found that the effective operation of the PBO costings system rests upon these key features:

- **Confidentiality:** Parties use the system to refine draft policies only if they are confident that the content of their interactions will not be shared with other parties or the media.
- **Clear terms of access to government information:** The PBO is reliant on information from government departments being provided on a confidential and timely basis.
- **Independence from political control:** For the PBO to carry out its role as a resource for non-governing parties, and a source of analysis of the Government's own budgetary plans, independence from ministerial control is essential.
- **Party discipline in managing interaction with the PBO:** The PBO is in principle open to requests from all MPs and Senators, with no limits on the number of requests. Given its finite resources, it functions most effectively if parties coordinate their requests.

But the system faces a number of limitations:

- **A limited impact on transparency:** As noted, parties make the most of the confidential support the PBO offers for most of the parliamentary cycle, but limit use of the PBO during the caretaker period when costings are published, detracting from the impact on transparency.
- **Use of the costings system to score political points:** Parties have, on a small number of occasions, sought to use the PBO to develop costings of their opponents' policies, in order to publish and discredit them. The Parliamentary Budget Officer has had publicly to rebut these attempts.
- **A narrow focus on costs – no assessment of implementability:** The PBO provides detailed costings of policy proposals, including implementation costs, but does not offer comment or advice on non-financial implications of proposals, or on issues of practicality or feasibility.

Introduction

This paper examines the operation of two systems for assessing the costs of policies of different political parties in Australia, with a particular focus on the Australian Parliamentary Budget Office (PBO), created in 2012. The PBO built upon a more limited existing system, under which the two largest parties were able to have policies costed by civil servants in the final weeks before an election period. This study forms part of the Institute for Government's wider 'Year Five' project, which is examining challenges facing Whitehall in the final year of the UK Coalition. Specifically, we are interested in how the Civil Service should support the two coalition parties and the opposition parties as they develop their policy plans for the next term, in order that whatever government is formed in May 2015, it has a well-prepared and affordable policy programme.

Like the UK, Australia has a strong tradition of two-party government. Since the early 20th century, Australian politics has been dominated by two political forces – the Australian Labor Party (ALP) and, in various guises, the centre-right 'Coalition' of Liberal and National parties. The dominance of these two groups has ensured that parliamentary institutions and procedures are geared towards a two-party system.¹ But just as in the UK, the two-party system has eroded in recent years, with the 2010 election returning a hung parliament and the formation of a minority Labor government with 'confidence and supply' support from the Australian Greens (a minority party) and three independent MPs.² One of the policy demands made by the Australian Greens and independents in the negotiations leading to this agreement was reform of the support provided to political parties through the establishment of the PBO 'to provide independent costings, fiscal analysis and research to all members of parliament, especially non-government members'.³

As the 2015 UK election approaches, one important question for Whitehall to address is what mechanisms should be established to provide the two coalition parties, as well as the Opposition, with confidential channels of support and advice to help them develop manifesto policies. Indeed, the Labour Party has already asked for the Office for Budget Responsibility to 'independently audit the costings of every individual spending and tax measure in Labour's manifesto at the next election'.⁴ In this context, the recent Australian experience can provide instructive lessons. Our case study presents the rationale behind the establishment of the PBO, sets out its key roles, and explores a number of practical lessons from the operation of the PBO and the existing mechanisms on which it built. The paper is based on seven telephone interviews with civil servants from the Department of Finance and the Treasury, party-political figures in Canberra, and the Parliamentary Budget Officer himself. We have also made use of existing published resources and secondary literature. We have not conducted sufficient research to paint a complete picture of the operation and effectiveness of the PBO and other costings mechanisms. But we can draw provisional conclusions about what works and what are the challenges, which we hope will be of use

¹ Marsh, I., 'Australia's political cartel? The major parties and the party system in an era of globalisation' in Marsh, I. (ed.), *Political Parties in Transition*, The Federation Press, Sydney, 2006, p.1.

² Four independents were returned at the 2010 election, three of whom (Tony Windsor, Robert Oakeshott and Andrew Wilkie) signed an agreement with the ALP.

³ [Agreement for a Better Parliament](#), 2010.

⁴ Eaton, G., [The Tories cynically veto Balls's plan to allow the OBR to audit Labour's manifesto](#), *New Statesman*, 22 September 2013.

both to students of Australian government and to anyone considering whether similar mechanisms should be developed in the UK.

The history of pre-election policy costings in Australia

The Charter of Budget Honesty (1998)

There is a well-established process in Australia through which major parties can have their election commitments costed prior to a federal election. On entering government in 1996, following what one political commentator has called ‘an election campaign when everyone knew the budget was in deficit but pretended to believe it was in surplus’, the newly elected Howard administration was faced with a deficit black hole of around A\$8 billion (bn)⁵ (around £2.8bn at the time,⁶ and about 1.4% of GDP).⁷ This administration had made a commitment before the election to introduce measures to ‘minimise the scope for budget fiddles and accounting tricks’.⁸ On entering government, the Howard administration set up a National Commission of Audit and, based on its recommendations, introduced the Charter of Budget Honesty bill, which passed into law in 1998.⁹ The charter was intended to ‘improve fiscal policy outcomes’ by ensuring that future strategy would be guided by ‘principles of sound fiscal management’, and also ensuring that the Government could be easily assessed against these principles. The charter places a legal requirement on the Government to produce a number of fiscal reports, both at the time of the annual Budget and six months thereafter.¹⁰

As well as committing the Government to fiscal responsibility, the charter was designed to ‘reduce the incumbency advantage of a government by enabling the Opposition to have access to the resources of the public service for costings on the same basis as the Government during the election period’.¹¹ It thus allows both the governing and main opposition parties to have their policy proposals costed by the departments of the Treasury and Finance during the caretaker period spanning the dissolution of parliament and the formation of a new government after the election. During this period, ministers refrain from making major policy decisions or appointments, and officials provide ministers only with factual information, avoiding policy advice.¹² Requests for costings must be submitted in writing and include an outline of the policy, relevant details and underlying assumptions, and state the purpose or intention of the policy.¹³ Requests from the governing party are sent to the secretaries (equivalent of permanent secretary) of the departments of Finance and the Treasury. The leader of the Opposition must also submit requests through the Prime Minister’s office, although the content of these requests is not shared with the governing party. One official, who has been involved with the costing process, told us:

⁵ Taylor, L., ‘[Time to put an end to black hole tantrums](#)’, *The Sydney Morning Herald*, 24 September 2011.

⁶ Based on www.xe.com historic exchange rate data. Calculation carried out for 3 October 1998, the date of the election.

⁷ Calculated using [OECD StatExtracts](#).

⁸ [Howard, J., speaking at the Menzies Research Centre in 1995.](#)

⁹ Kirchner, S., ‘[Policy reforms in Australia and what they mean for Canada](#)’, Fraser Institute, December 2013.

¹⁰ [Charter of Budget Honesty Act 1998.](#)

¹¹ Joint Select Committee on the Parliamentary Budget Office, *Inquiry into the Proposed Parliamentary Budget Office*, 2011, p.34.

¹² Department of the Prime Minister and Cabinet, [Guidance on Caretaker Conventions](#), 2013.

¹³ [Charter of Budget Honesty policy costing guidelines](#), 2012, p.15.

In the past...the costing and the letter have been in a sealed envelope dropped at the Prime Minister's office, and departmental officers have collected the envelope for costing purposes.¹⁴

Responsibility for preparing costings is divided between the two departments: the Treasury is 'responsible for costing policies affecting taxation revenue and taxation expenditure' and Finance 'is responsible for costing policies that affect outlays and expenses and non-taxation revenue'.¹⁵

According to the costing guidelines that accompany the Charter of Budget Honesty, departments may provide only 'financial costings, and not provide policy advice or assessments of the economic impact of policies'. Departments 'will endeavour to complete and release a costing within five business days of receiving a request', although secretaries may request additional information from parties in order to complete a costing, in which case the response time is extended. Parties are then provided with a costing report, which contains details of the impact of a policy on the Government's budget, fiscal balance and underlying cash balance. Costing estimates will be provided for the current financial year plus the following three years (although departments can provide estimates on the impact of a policy in the longer term, where appropriate).¹⁶

One of the key features of the costing facility set out by the charter is that both requests and responses are made public. As soon as a request for a costing is received from the governing or opposition party, the receiving department issues a press release, giving a broad outline of the policy to be costed. Once the full costing report is complete, the requesting party is given at least one hour's notice prior to publication, but is not given details of the contents of the costing report at that point. Hard copies of the report are given to all parties, including the requesting party. The report is then issued to the press and published on the joint Treasury/Finance election costing website.¹⁷

After the introduction of the Charter of Budget Honesty in 1998, a number of shortcomings emerged, and consensus on the need for reform of the charter had been developing for some time.¹⁸ Since 2005 calls for an alternative costing mechanism had been articulated by both major political parties, as well as minor parties and independent members of parliament.¹⁹ Some of these demands stemmed from the failure of both government and opposition parties to use the charter as it was intended; by choosing not to submit their policies for costing, they undermined the role of the charter as a force for better fiscal policy and 'thorough scrutiny' of policy commitments.²⁰ However, another major drawback is that the charter excludes all but the governing and main opposition parties. Since 1996, independents and 'non-major' parties such as the Australian Greens have won at least 14% of the national vote in the House of Representatives at each general election (peaking at 21.1% in 2013), yet they were unable to use the pre-election costing process.²¹ Without access to costings under the charter, minor parties had no direct access to government

¹⁴ Interview AUS07, December 2013.

¹⁵ [Charter of Budget Honesty policy costing guidelines](#), 2012, p.15.

¹⁶ *Ibid.*, pp.12-13.

¹⁷ Charter of Budget Honesty policy costing guidelines, 2012, pp.16-

¹⁸ http://www.finance.gov.au/publications/charter-of-budget-honesty/docs/Charter_of_Budget_honesty_2012.pdf

¹⁹ Joint Select Committee Report, pp1-2.

²⁰ *Ibid.*

²⁰ For an example, see speech by L. Tanner, '[Health Insurance Amendment \(Medicare Safety-nets\) Bill 2005, second reading](#)', House of Representatives debates, 5 September 2005.

²¹ Holmes, B., [Federal Election 2013: issues, dynamics, outcomes](#), Australian Parliamentary Library, 2014.

departments and, as one Greens party staffer told us, '[we had] no other avenue to having our policies costed'. As a result the party struggled to gain credibility for the costings of its policies.

Ultimately, although demands for change to the Charter of Budget Honesty and for the creation of a PBO had been voiced by both the major parties, it was only in the context of minority government that these demands were realised. The Australian Greens and independent members of the Parliament were instrumental in the establishment of the PBO. The role and remit of the PBO has been shaped not only to meet the needs of the dominant two parties in Australia, but also to recognise the challenges faced by smaller parties with little experience of government and limited resources to seek external advice and support.

The Labor-Greens Agreement of 2010 and the formation of the Parliamentary Budget Office

At the 2010 federal election neither of the two major parties secured an absolute majority in the House of Representatives. The election resulted in a hung parliament, with both the ALP and the Liberal-National coalition holding 72 seats.²² The election returned four independents to the House of Representatives, one member of the Australian Greens and one member of the Western Australian Nationals. The Greens also held the balance of power in the Senate, meaning that on issues where the Government and the Opposition were at odds, the Greens would determine the outcome. Following 17 days of negotiation, the ALP formed a minority government and signed a confidence-and-supply agreement with the Greens and three independent MPs.²³

The agreement committed the Government to work towards several parliamentary procedural reforms and policy goals of the Australian Greens, including the establishment of a PBO.²⁴ It also set down arrangements for the working relationship between the ALP and its minority partner. This included the right of the Greens to submit policy proposals to the departments of the Treasury and Finance to be costed, weekly meetings between the leaders of the Greens and the Prime Minister, and the right of the Greens to submit policy proposals to the Prime Minister for consideration.²⁵ However, the limitations of this system for requesting policy costings – such as the need to channel all requests through the Prime Minister's office, and delays in requests being answered – caused the Greens to abandon these channels in favour of using the PBO once the latter was established.

One Australian Greens party staffer told us that this regular access to the Prime Minister was helpful as an informing exercise:

*It allowed the party to raise issues we thought were important directly with the Prime Minister and also to ask for follow-up information on things the Government might have been doing.*²⁶

There were several key drawbacks to the access to costings granted under the 2010 agreement. The Australian Greens had problems with getting information 'in a timely way'. One party official felt that 'we weren't seen as a priority':

²² [The 2010 Federal Election – a brief history](#), research paper no.8, 2011-12, Australian Parliamentary Library.

²³ *Ibid.*

²⁴ 'The Australian Greens and the Australian Labor Party – Agreement', 1 September 2010.

²⁵ *Ibid.*

²⁶ Interview AUS03, November 2013.

[The Treasury] is a big department with a lot going on... For a small party to be putting in policy costing requests, you know, that just don't come anywhere near the urgency of what they're working on.²⁷

There were also limitations on the kind of interaction that the Greens could have with government departments, meaning that the party could have policies costed, but could not then discuss the costings with officials:

We asked could we get this costed, and they costed it. There was minimal to-ing and fro-ing between Treasury and us... They'd ask questions if they needed information to complete a request but there was no sitting down and having meetings with them.²⁸

Perhaps the key drawback of the costing facility provided under the agreement was that it was not confidential. All communication between the Greens and government officials went through the Prime Minister's office:

The main drawback from that was all our requests went through the Prime Minister's office, all our correspondence with Treasury went through the Prime Minister's office, and all our requests, correspondence and the final costings that we got back went through the Prime Minister's office... It wasn't confidential in any way. We had no control over that information. The Government knew what we were asking, and eventually the Opposition knew everything because they FOI-ed it all.²⁹

Documents released under freedom of information legislation relating to policy costing requests confirm that the process was not confidential. One email from the Department of the Prime Minister and Cabinet in February 2012 asked an official in the Department of the Treasury to provide a policy costing at the request of the Australian Greens, 'which I understand has also been provided to your minister's office directly by the Prime Minister's office'. Should the official require any information to help with the costing of the policy, they are instructed to request this through their minister, copying in the Prime Minister's office on all contact with the Greens.³⁰

Not only did the Prime Minister's office see what the Australian Greens had requested, it also had the right to veto requests both for policy costing and policies that the Greens had submitted for consideration. Email exchanges between senior officials in the Department of the Treasury released under freedom of information legislation show that at least some requests were vetoed by the Prime Minister. In a letter to the First Assistant Secretary of the Department of the Prime Minister and Cabinet, dated April 2011, an official from the Treasury writes:

The Treasury received a request from the Prime Minister to cost new policy proposals as submitted by the leader of the Australian Greens to the Prime Minister... [T]he Prime Minister has indicated that the other proposals in the letter of 7 April 2011 are not to be costed.³¹

Another letter from the Prime Minister, Julia Gillard, to the Treasurer, Wayne Swan, gives details of a number of policies that the Australian Greens have sent to her, 'requesting consideration... in the context of the 2012-13 Budget'. The letter asks the Treasurer to consider the policies and respond 'whether or not you support this proposal, whether it

²⁷ Interview AUS03, November 2013.

²⁸ Interview AUS04, November 2013.

²⁹ *Ibid.*

³⁰ 'Australian Greens policy costing – Superannuation', email, 9 February 2012.

³¹ '[Completion of costings requested by the Australian Greens](#)', letter, 20 April 2011.

overlaps with existing programmes or is being progressed through an existing process, or whether you would like to propose an alternative'.³² The letter also notes that one proposed policy from the Greens had already been rejected:

I have indicated to Senator [Bob] Brown [then Leader of the Greens] that the Government has previously ruled out these proposals and that we will not be considering them in the Budget process.³³

Given the delays involved in receiving information from the departments, the lack of confidentiality involved in the process, and the potential for the Prime Minister to veto the provision of costings, it is unsurprising that the Australian Greens submitted few policies for costing through this facility, and relied far more on the PBO as soon as it was up and running.³⁴

Rationale behind the Parliamentary Budget Office

As discussed, it was the 2010 election that provided the political impetus to put existing ideas for a PBO into action.³⁵ At the request of both the Australian Greens and the independents, the Agreement for a Better Parliament committed the Government to establishing a PBO 'based in the Parliamentary Library, to provide independent costings, fiscal analysis and research to all members of parliament, especially non-government members'.³⁶

A cross-party joint select committee was set up in March 2011 to hold an inquiry into the 'structure, resources and protocols' of a PBO.³⁷ This committee identified two main flaws within the costing facility provided under the Charter of Budget Honesty. First, that current arrangements were biased in favour of the incumbent government; the committee found that the exclusion of minor parties from requesting policy costings under the charter 'compounds their existing disadvantages in relation to their staffing resources'.³⁸ It was further noted that, given the rise in public support for smaller parties and independents at successive elections, it was in the public interest for their policies to be submitted to the same scrutiny as those of major political parties.³⁹

A second set of criticisms related to the perverse incentives that the charter placed on opposition parties not to have their policies costed. It allows parties to have policies costed only in the four to six weeks ahead of polling day. The committee concluded that this put the main opposition party at an informational disadvantage too, as the incumbent government can access departmental officials throughout the electoral cycle:

The level of bias in favour of the incumbent government of the present costings system is evident, especially given the ability of the government to access confidential costings from Treasury and Finance on an ongoing basis.⁴⁰

³² [Letter from Prime Minister Julia Gillard to Treasurer Wayne Swan](#), 30 November 2011.

³³ *Ibid.*

³⁴ Interview AUS03, November 2013; Interview AUS04, November 2013.

³⁵ Stewart, M., and Jager, H., *The Australian Parliamentary Budget Office: shedding light on the dark arts of budgeting*, 2013, p.273.

³⁶ [Agreement for a Better Parliament](#), 2010.

³⁷ Joint Select Committee Report, 2011, pp. 2-3.

³⁸ *Ibid.* p. 37.

³⁹ Joint Select Committee Report, 2011, p.47.

⁴⁰ *Ibid.*, p.46.

In addition, the committee raised concerns that the limited response time for requests prevented parties from developing their policies in response to feedback from departments:

... because development of policy is an iterative process where people want to test ideas and see how much they are going to cost. If they are going to be hugely expensive and unsustainable, they want to amend those ideas and go through them again.⁴¹

The committee concluded that the fact that costings under the charter are published, as well as the lack of opportunity to revise and develop policy in response to costings, created 'clear disincentives for the non-government parties to use the charter provisions to help promote their policy platform to the electorate with transparency and accountability during the campaign period'.⁴² This in turn had a negative effect on the political campaign, as parties chose not to submit policies for public costing. This led to 'significant shortcomings in enabling the electorate to be better informed about the financial implications of election commitments'.⁴³

This conclusion was borne out by our interviewees. Prior to the establishment of the PBO, there were a number of cases where policies had been submitted for costing under the charter, only for it to emerge that the costs of the policy were far higher than the party had initially claimed. The impact could embarrass the parties. In 2004 the then-opposition ALP submitted its flagship 'Medicare Gold' policy for public costing. The Department of Finance released costings that showed that the Opposition had underfunded the policy by A\$726 million (around £300mn)⁴⁴ over four years.⁴⁵ The Parliamentary Budget Officer told us:

That really discredited the policy because it showed just how expensive that policy would be, and I think, worse than that, it really did affect the election prospects of the Labor opposition at that time.⁴⁶

Other parties had similar issues with their costings being criticised by the Department of Finance during the election period. During the 2010 campaign, the opposition Coalition did not submit their policies for costing at all, preferring to rely on external consultancies. After the election, the departments of the Treasury and Finance reviewed the work done by these firms and found that the figures were 'inaccurate by up to A\$11bn [around £6bn] over the forward estimates'⁴⁷ (total federal government spending in 2013-14 is estimated at A\$398bn). In addition, the Coalition was found to have made 'significant spending promises' without indicating how those programmes would be funded.⁴⁸

The Parliamentary Budget Officer told us that these experiences 'didn't do the credibility of the process much good at all'; they showed that even with costings provisions in place under the charter, parties could still develop policies that were not properly costed.⁴⁹ The experiences of the ALP in 2004 and the Coalition in 2010 were critical in generating support for a new costing mechanism that would allow parties to develop policies with 'well-founded costings attached to them', and give them the confidence to release those costings publicly

⁴¹ Evidence given by Stephen Bartos, published in Joint Select Committee Report, op.cit., p.36.

⁴² Joint Select Committee Report, 2011.

⁴³ *Ibid.*

⁴⁴ Based on www.xe.com historic exchange rate data. Calculation carried out for 8 October 2004, when the shortfall was first reported in the Australian media.

⁴⁵ 'Medicare Gold \$726m short: Finance Dept', *The Sydney Morning Herald*, 8 October 2004.

⁴⁶ Interview AUS01, November 2013.

⁴⁷ [Parliamentary Service Amendment \(Parliamentary Budget Officer\) Bill 2013](#).

⁴⁸ Collerton, S., 'Treasury finds "black hole" in Coalition costings', ABC News, 2 September 2010.

⁴⁹ Interview AUS01, November 2013.

without fear of losing credibility.⁵⁰ One Australian Greens party staffer told us that this failure to have policies costed in a transparent way had led to significant debate and confusion about the accuracy of costings:

In the 2010 elections it became very obvious that we needed an independent mechanism to cost policies...There was no one to check that and give voters an independent view of those costings that they were putting forward in that campaign.⁵¹

The joint select committee recommended that a key function of the PBO should therefore be to 'provide incentives for parties to use a costings process for the ultimate purpose of enhancing transparency and accountability of election campaigns'.⁵² The committee concluded that a PBO should be established as an independent office of the Parliament, and set out a number of functions that it should perform. The recommendations of the committee were accepted by the Government and the PBO was established in legislation in 2011. It began operations in July 2012.⁵³

Role of the Parliamentary Budget Office

Within its broader function as a policy costing facility, the PBO plays a specific role at three distinct phases of the electoral cycle:

Outside of the caretaker period, i.e. at any time excepting the four to six weeks ahead of an election, the PBO can respond to requests for policy costings from any member of either house.⁵⁴ The content of requests and responses can be made confidential if requested by the individual submitting the request. This has uniformly been the preference of those requesting costings; from the point at which it started to accept requests in September 2012, to June 2013, the PBO had received 607 requests, all of which were made on a confidential basis.⁵⁵ In the lead-up to the 2013 election the PBO completed more than 1,000 costings. Parties are able to meet with PBO staff to discuss their requests and refine their policy proposals:

Within that formal process, a party can ask us to cost a range of options. They can talk to us before they put in their request or, during the process, we can have discussion which might lead them to put forward other options to be costed.⁵⁶

The PBO can also respond to requests for information or analysis of existing government policies. One former Greens parliamentary staffer explained how they had made use of this facility:

It could be things like... 'How much have the tax cuts that occurred in 2007 cost the budget in the last six years?', and they would give us an answer on that.⁵⁷

While the PBO has not been used extensively to analyse existing government policy, this official felt that it would become an increasingly valuable tool for parties in holding government to account.

⁵⁰ *Ibid.*

⁵¹ Interview AUS03, November 2013.

⁵² Joint Select Committee Report, 2011, p.47.

⁵³ Submission to the National Commission of Audit, '[The Parliamentary Budget Officer](#)', November 2013.

⁵⁴ Parliamentary Services Act 1999 (amended February 2012), para 64(H).2.

⁵⁵ Parliamentary Budget Office Annual Report 2012-13, p.9.

⁵⁶ Interview AUS01, November 2013.

⁵⁷ Interview AUS04, November 2013.

During the caretaker period the PBO can continue to cost policies at the request of parliamentary parties or independent members of parliament.⁵⁸ As described, during this period the departments carry out costings of publicly announced policies for the two major parties. The PBO may also cost policies of the major parties but, in addition, costs policies of parties with fewer than five members in either house and those of independents who remain excluded from the provisions of the charter.⁵⁹ The costings facility provided by the PBO during the caretaker period is 'consistent' with the facility provided by the departments under the Charter of Budget Honesty; that is, all requests for costings and the costings themselves will be publicly released.⁶⁰ In this way, the PBO in effect extends the facility offered by the Charter of Budget Honesty to minority parties and independent members of government. This is in keeping with the original intention to establish the PBO as a resource for non-government members of parliament, as set out in the Agreement for a Better Parliament.⁶¹

Following the establishment of the PBO, the Charter of Budget Honesty was revised to allow the leader of a party with five or more members in either house to request policy costings from the departments of the Treasury and Finance, under the same terms as the governing and main opposition parties.⁶² This left the two large parties and the Australian Greens, who had nine members of the Senate, with a choice as to whether they submitted policies to be costed by the departments or the PBO. To avoid duplication of work, parties were not allowed to use both channels to cost the same policy. Once a request for a costing has been received during the caretaker period, the PBO must check with the secretaries of the Treasury and Finance whether a party has made the same or a 'substantially similar' request to those departments.⁶³ Likewise the secretaries of the Treasury and Finance carry out similar checks with the PBO to avoid any duplication of costings.

In the event, at the 2013 election there was no overlap of requests; the Greens elected to use the PBO to have their policies costed, while the Government used departmental channels.⁶⁴ One former Greens parliamentary staffer told us that the party chose to use the PBO to publicly release its policies during the caretaker period because that reduced the risk of any 'surprises' in the results:

Those kind of more complicated things we got costed by the PBO beforehand so we knew when we got them costed in the election period what they were going to cost, so there were no surprises.⁶⁵

As for the major non-governing party, the Coalition, it chose not to use either Treasury or Finance, or the PBO, to have policies publicly costed under the formal election costing process, as will be discussed below.⁶⁶

After the election, the PBO also has a statutory role. Within 30 days of an election, it must carry out a post-election audit of all parties' policy plans, publishing full costings of their election commitments and their budget bottom line. On the day before polling day, each party is required, under the Parliamentary Services Act, to 'give the Parliamentary Budget Officer

⁵⁸ Parliamentary Services Act 1999 (amended February 2012), para 64E.

⁵⁹ [Charter costing guidelines](#), p.2.

⁶⁰ [Parliamentary Services Act 1999 \(amended February 2012\)](#).

⁶¹ [Agreement for a Better Parliament](#), 2010.

⁶² [Charter of Budget Honesty policy costing guidelines](#), 2012.

⁶³ Parliamentary Services Act 1999 (amended Feb 2012), para 64K.

⁶⁴ Interview AUS05, November 2013.

⁶⁵ Interview AUS04, November 2013.

⁶⁶ Interview AUS05, November 2013.

a list, in writing, of the policies that the party has publicly announced it intends to seek to have implemented after the election'. The PBO may also take into account policies publicly announced before or during the caretaker period. The requirement to carry out a post-election audit was a later addition to the PBO's remit, announced by the Government in February 2013 and incorporated into legislation in June 2013. In the words of the then Treasurer, Wayne Swan (equivalent of the Chancellor of the Exchequer), the post-election audit is intended to:

... remove the capacity of any political party to try to mislead the Australian people and punish those that do. It will avoid a situation we saw last election, where the Liberal Party thought they could con the Australian people.⁶⁷

Whether or not parties chose to have their policies costed publicly during the caretaker period, 'the sanction hanging over them was their policies would be costed after the election anyway'.⁶⁸

How the costings facility works

One of the weaknesses of the costing facility under the Charter for Budget Honesty was that it did not allow parties to develop policies 'iteratively'; parties were obliged to develop their policies with no input from officials, before submitting them to be publicly costed. By contrast, the PBO allows for discussion between requesting parties and the PBO staff outside of the caretaker period. As one official explained:

Part of the initial thinking around the concept of the Parliamentary Budget Office was that parties could be submitting their policy ideas well in advance of the caretaker period, and they could be going backwards and forwards to the Parliamentary Budget Office and 'workshopping' them or refining them as they go, and then once you hit the caretaker period, all that work that's been done at the front end hopefully may mean more developed policy and associated costings.⁶⁹

While the process of requesting a policy is 'bookended' by formalities— a request must be made in writing, and an outline given of the policy, its purpose and key details – there is a degree of interaction between parties and the PBO.⁷⁰ One former Greens parliamentary staffer described how that iterative process worked (in the pre-caretaker period of confidential costings):

We'd sit down and have meetings where we'd thrash out the different questions or different ways to go, and in a few instances, that resulted in our policy changing or developing... We'd say, 'We want this policy and it would have a start date of X', and they would come back and say, 'Well, we could cost this with a start date of X, but just so you know, we don't think that's possible that you'd be able to start that complicated tax policy in six months' time.' And then they'd say, 'If you wanted this done we'd have to have higher costs for departmental resources, if you wanted to implement that in such a short timeframe.'⁷¹

The Parliamentary Budget Officer told us that when publicly costing policies during the caretaker period there is 'less iterative work' and less scope for interaction with parties. The

⁶⁷ [Speech by Treasurer and Deputy Prime Minister Wayne Swan](#), 22 February 2013.

⁶⁸ Interview AUS01, November 2013.

⁶⁹ Interview AUS07, December 2013.

⁷⁰ Interview AUS01, November 2013.

⁷¹ Interview AUS04, November 2013.

PBO can continue to request additional information from parties, but it would not cost different policy options.⁷²

The Greens' view was that the ability to talk to the PBO once they had submitted a request, and to discuss the costing that was produced, was a 'really great' facility for the party. However, this interviewee was clear that the PBO did not make judgements on policy or offer political advice. It would only comment on elements of the policy directly related to the costing.⁷³The Parliamentary Budget Officer is clear that his role, and that of the PBO, 'is to inform, not to advise':

What we do make sure of is that we tease out enough information from the requesting party to ensure that we get sufficient detail in their policy specification to enable us to cost the policy. So if they haven't thought about a start date, for example, and there are other issues, such as would a benefit be subject to indexation, or would it not? Sometimes they may not initially think about it. But we don't give advice, we simply ask, and that then sometimes prompts people to think a little harder about what is necessary to go into policy development. It is very important to be clear that our role is to inform; it is not to advise.⁷⁴

The Parliamentary Budget Office's resources

The joint select committee recommended that the PBO be allocated funding of 'no less than A\$6mn per annum' (around £4mn),⁷⁵ and that extra resourcing be considered for election years. Both of those recommendations were agreed by the Government: the 2011-12 Budget allocated A\$24.9mn (around £16.6mn)⁷⁶ over four years to establish a PBO.⁷⁷ The PBO's departmental resourcing for 2013-14 is A\$7.7mn (£4.35mn), including A\$500,000 (£282,000) provided every third year to help the PBO meet the additional demands of the election period.⁷⁸

The PBO currently has 36 staff, with funding for 40. As a result of the extra funding allocated to it during the election year, it was able to hire temporary staff in the lead-up to the 2013 elections to help with the extra workload. In the first three months after the PBO was established it relied to an extent on staff seconded from the departments of Finance and the Treasury while permanent staff with the relevant experience were recruited.⁷⁹ Around 30 of the current staff have technical expertise in budgetary and fiscal policy analysis, and many have a background in the departments of the Treasury or Finance.⁸⁰

While having the necessary funds and personnel to carry out costings is vital to the work of the PBO, its activities would be severely curtailed without access to the information on which to base its costings and analysis. As the Parliamentary Budget Officer told us:

⁷² Interview AUS01, November 2013.

⁷³ Interview AUS04, November 2013.

⁷⁴ Interview AUS01, November 2013.

⁷⁵ Based on www.xe.com historic exchange rate data. Calculation carried out for 1 July 2011, when the Joint Select Committee Report was published.

⁷⁶ *Ibid.*

⁷⁷ Australian Government response: Joint Select Committee on the PBO, July 2011.

⁷⁸ Submission to the National Commission of Audit, 'The Parliamentary Budget Officer', 22 November 2013, p.2. Equivalent figures in GDP based on www.xe.com historic exchange rate data, with calculation carried out for 22 November 2013.

⁷⁹ Parliamentary Budget Office Annual Report 2012-13, p.5.

⁸⁰ Stewart, M., and Jager, H., op. cit.

It's not just a matter of getting people, or even appropriately qualified and experienced people. It's putting in place arrangements for access to information across government, and access to very detailed information, also access to detailed financial and economic models to undertake the costing work.⁸¹

While the PBO generates policy costings from scratch, it relies heavily on government departments to provide data, models and other information to enable it to cost policies accurately. The PBO has no 'coercive power to obtain information, but we do have good arrangements in place which have worked reasonably well to allow access to information, some of which can be confidential information, from departments', we were told.⁸²

There are two documents that set out the PBO's rights to access information from government departments: a set of protocols signed by the Prime Minister, Treasurer and Finance Minister; and a Memorandum of Understanding signed by the Parliamentary Budget Officer and the heads of government departments.

The Memorandum of Understanding covers the operational aspects of the information exchange. It is signed by the Parliamentary Budget Officer and by the heads of all government departments. It is not legally binding. By signing the memorandum, heads of department commit to a 'pro-disclosure approach' to information sharing. They will respond to requests from the PBO 'with sufficient information and in an appropriate timeframe', and maintain the confidentiality of those requests. Requests categorised as urgent by the PBO are sought within five working days; routine requests within 10 working days.⁸³

There are no explicit limits on the information that the PBO can access, and the Parliamentary Budget Officer told us that, on the whole, the mechanisms for the exchange of information 'have worked reasonably well'.⁸⁴ The guidelines set out in the memorandum are that department heads should provide 'at a minimum, those documents that would be available if a formal request was made under the Freedom of Information Act'.⁸⁵ However, interpreting the memorandum has not always been entirely without challenge, and there have been occasions when requests from the PBO have been denied, for instance because information asked for related to commercial interests and matters of national security.⁸⁶

The government protocols are chiefly intended to ensure the confidentiality of the content of discussions between the PBO, all government departments and political parties. They dictate that other government departments must inform the Treasury and Finance of any requests they receive from the PBO, and consult the Treasury and Finance before providing that information to the PBO. They also set out what officials refer to as the 'Don't ask, don't tell' principle: ministers do not ask officials what information they have shared with the PBO, and officials do not reveal this information.⁸⁷ The confidentiality of the exchanges between

⁸¹ Interview AUS01, November 2013.

⁸² *Ibid.*

⁸³ 'Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents', pp. 4-5.

⁸⁴ Interview AUS01, November 2013.

⁸⁵ *Ibid.*, p.6.

⁸⁶ Parliamentary Budget Office Media Release, '[Possible Impact of Contingency Reserve on PBO Costings](#)', May 2013.

⁸⁷ Interview AUS07, December 2013.

the PBO, departments and parties is seen as critical to the success of the PBO.⁸⁸ A former Greens parliamentary staffer told us that the party had:

... complete faith... that their interactions with the department were all done in a way that we felt confident that the policy questions we were asking and the areas we were going down weren't going to hurt us politically – they weren't going to be leaked or told to ministers.⁸⁹

What impact has the Parliamentary Budget Office had?

The PBO has been most widely used by non-government parties.⁹⁰ As at June 2013 it had received 607 requests for confidential policy costings and other information related to the budget; by October 2013, following the election, this had risen to more than 1,000 requests.⁹¹ Figures produced by the PBO suggest that parties used the facility most widely during the confidential costing period; just 85 requests were submitted during the caretaker period, when all requests and responses are automatically published.⁹² The Parliamentary Budget Officer told us that while 'the non-government parties' used the PBO 'extensively', the Coalition submitted all of its requests during the confidential period, and did not use the PBO at all during caretaker.⁹³ The governing ALP did not use the PBO during this period either, instead having its policies publicly costed by the departments of the Treasury and Finance under the Charter of Budget Honesty.⁹⁴ The PBO has also had a number of requests from independent members of parliament, but again, these were all submitted outside of the caretaker period and were therefore not published.⁹⁵

Another point to note is that while the PBO is able to accept requests for costings or other information from any parliamentarian, in practice parties have managed their interaction with the PBO through a central point of contact. The Parliamentary Budget Officer told us that requests have come either from the leader of the party or a nominated senior member, such as the Treasury spokesperson.⁹⁶ This 'disciplined' approach to managing interaction with the PBO was very useful, both for the parties and the PBO. It reduced the pressure on the PBO, which, with 150 members of the House of Representatives and 76 Senators all able to make requests, could have become considerable. It also enabled parties to identify through that single point of contact which requests were urgent, and pass that information on to the PBO.⁹⁷

For the Australian Greens, the main benefit of the PBO was political – it lent their policies credibility:

It was the first time we were able to present a fully costed election platform, and it was something we'd always been criticised for before, that we were presenting policies that were pie in the sky and were too unrealistic, so after being able to access that kind of service and present an election platform

⁸⁸ Interview AUS01, November 2013; Interview AUS04, November 2013.

⁸⁹ Interview AUS04, November 2013.

⁹⁰ Interview AUS07, December 2013.

⁹¹ Interview AUS01, November 2013.

⁹² [Submission to National Commission of Audit](#), p.2.

⁹³ Interview AUS01, November 2013.

⁹⁴ *Ibid.*

⁹⁵ *Ibid.*; for a list of costing requests received by the PBO during caretaker, see the [PBO Election Costing website](#).

⁹⁶ Interview AUS01, November 2013.

⁹⁷ *Ibid.*

that couldn't be criticised for being economically irresponsible was a huge help to us during the election campaign. It negated one of those key criticisms we'd often faced.⁹⁸

A Labor MP told us that the PBO had improved the accuracy of costings for both the Australian Greens and the Coalition parties:

I think the costings were better, so the costings that were done on Coalition policies for the 2013 election were more rigorous than the costings done on Coalition policies for the 2010 election. You noticed it in particular with the Green party, a minor party which went and got all of their policies costed through the PBO and went and released the lot, and I think were then forced to reconcile the fact that a lot of their policies were extremely expensive and they had to make some tougher decisions than they had to make otherwise.⁹⁹

All interviewees, both from parties and the public service, agreed that the PBO had achieved its goal of levelling the playing field between governing and non-governing parties in terms of access to official data, information and financial expertise. Under the Charter of Budget Honesty only the governing party had the option of accessing confidential government data, economic models and departmental expertise. As another official told us: 'Now with the PBO all parties have access to that service.'¹⁰⁰

However, as one official explained to us, the rationale behind the establishment of a PBO was not simply to provide non-governing parties with access to official expertise and information but to allow parties the chance to refine or 'workshop' their policies throughout the parliamentary term and produce more informed policy at the end.¹⁰¹ The impact of the PBO on the quality of policies, rather than simply the accuracy of costings, has been harder to gauge. One former Greens parliamentary staffer told us that the process of working back and forth with the PBO on a particular policy idea was useful and did result in amendments to policies:

It was more like trying to clarify what our ultimate outcome was and then working back in terms of the different bits and how you might want to get there, and different options. A couple of instances, they'd come and say, 'I think a better way to do it might be this way', and that would be useful.¹⁰²

An official agreed that the PBO encouraged parties to think more carefully about their proposals. While it does not offer parties advice, this official felt that:

Just [...]the very fact that the PBO goes back with a request for clarification on a policy point may give rise to that party considering that policy element more carefully, where they may not have previously.¹⁰³

However, while the PBO had encouraged parties to consider their policies more carefully, this official was unsure whether it had resulted in 'better' policies. Another official agreed the PBO had allowed parties to produce election platforms that 'added up', but highlighted the distinction between attaching an accurate costing to a proposed policy, and the additional challenges that emerged when a policy was revisited after the election and refined into an

⁹⁸ Interview AUS03, November 2013.

⁹⁹ Interview AUS06, December 2013.

¹⁰⁰ Interview AUS07, December 2013.

¹⁰¹ *Ibid.*

¹⁰² Interview AUS04, November 2013.

¹⁰³ Interview AUS05, November 2013.

implementable programme. The process of taking election commitments and developing them into actionable policy could still result in increases in costs and timelines:

That's down to both practicalities about, now that we're actually implementing something, it is actually more complex and will cost more – or alternatively, assumptions change and the Government has a different perspective to what was occurring when the initial policy was costed.¹⁰⁴

The idea of offering opposition parties assessments of policies beyond their financial impact does not appear to be on the agenda at the moment. As one official pointed out, parties are able to access more detailed policy analysis and advice once they enter government:

Coming into government, they do have the opportunity to get more detailed policy advice... which may lead them to change their policy specifications... Now is the point where they can get policy advice that they couldn't get previously.¹⁰⁵

Lessons

Our conversations with party representatives, departmental officials and the Parliamentary Budget Officer found that the PBO's effectiveness rests upon a number of factors:

A right to confidentiality

A former Greens parliamentary staffer told us that the party had absolute confidence in the independence of the PBO from government, and was satisfied that anything the party sent to the PBO or requested from it was not going to be leaked.¹⁰⁶ The Parliamentary Budget Officer felt that this relationship of trust was vital to the continued operation of the PBO:

While it's ironic in a sense that we're trying to improve the transparency of the budget and the accuracy of costings, but to do that it was felt that we needed that exemption from FOI so that we could deal on a confidential basis, particularly with non-government parties. I think the experience to date has shown that that has been necessary and that it has worked well.¹⁰⁷

A departmental official felt that the confidentiality of the PBO costing process was important in encouraging parties to use the system throughout the electoral cycle, and in generating public expectation that all parties would use the PBO to release costings in future. This in turn would help the PBO to fulfil its objective of increasing transparency around the costing process:

One thing that has been borne out through this initial process with the PBO in place is that the confidentiality has been well maintained, so people can trust their information will not be shared. So if you're using it in the period before an election, then the parties should be in a good spot to be able to share this information with the public earlier.¹⁰⁸

Clear terms of access to government information

The PBO relies heavily on data and information from government departments, some of which is confidential. According to the Parliamentary Budget Officer, the mechanisms around information sharing that have been developed in Australia have 'worked reasonably well'.

¹⁰⁴ Interview AUS07, December 2013.

¹⁰⁵ Interview AUS05, November 2013.

¹⁰⁶ Interview AUS04, November 2013.

¹⁰⁷ Interview AUS01, November 2013.

¹⁰⁸ Interview AUS07, December 2013.

However, both departmental and party officials highlighted some issues with the timely release of information, particularly in the first few months of the PBO's operation. One official explained that initially the PBO had no data and sent out 'quite a lot' of urgent requests for information. Departments were under considerable pressure from the political clients of the PBO to meet those requests within the five-day time limit, and that placed pressure on departmental resources.¹⁰⁹ A former Greens staffer also reported delays in departments providing the PBO with the information it needed to complete policy costings, although this was attributed to a reluctance to share information rather than resource pressures:

One of the sensitive areas was immigration and we were asking for a policy, quite a complicated policy, and it took months because they weren't getting the information from the department, and the department's information wasn't particularly reliable. I think that was in part that was just the nature of the policy area, in part probably the Government wanting to obfuscate a bit because it was such a politically sensitive issue... The department knows what a particularly sensitive policy area is, and I think often departments protect themselves, or protect the Government.¹¹⁰

A delay in responding to requests was an issue throughout the PBO's first year of activity. Figures released by the PBO following the 2013 election showed that, as at 30 June 2013, it had sent 360 requests for information to government departments under the Memorandum of Understanding arrangements; 45% of requests were met within the deadlines set. Of the overdue responses, 66% were provided within a week of the deadline. Some responses took longer and in most cases reflected more complex requests and/or the ability of the agency to provide a response in the face of competing workloads.¹¹¹ The Parliamentary Budget Officer was keen to reiterate the 'absolutely crucial' importance of having access to information from government departments on a confidential basis, to protect the anonymity of the parties requesting it.¹¹²

Independence from political control

The PBO establishes a right for all non-government MPs and Senators to have policies assessed independently of political interference. This contrasts with the limited facility that the Australian Greens could access under the terms of the 2010 agreement, which required all communication with departments to go through ministerial offices. As discussed above, the PBO can request information directly from government departments, without the need to inform or seek approval from ministers.

The PBO is also independent of government in terms of appointment and operation. It is established as a department of the Parliament, and the Parliamentary Budget Officer is an officer of the Parliament 'accountable to the Parliament via the Presiding Officers, not to the executive'.¹¹³ The Parliamentary Budget Officer is appointed by the Presiding Officers (the President of the Senate and the Speaker of the House of Representatives), with the approval of the cross-party Joint Committee of Public Accounts and Audit, and can be removed only with the support of both houses of Parliament. It is stated in the relevant

¹⁰⁹ *Ibid.*

¹¹⁰ Interview AUS04, November 2013.

¹¹¹ Parliamentary Budget Office Annual Report, 2012.

¹¹² Interview AUS01, November 2013.

¹¹³ Parliament of Australia, [Bill Digest: Parliamentary Service Amendment \(Parliamentary Budget Officer\) Bill 2013](#), 28 May 2013.

legislation that the Parliamentary Budget Officer 'is not subject to direction by a Presiding Officer' in carrying out the functions of the PBO.¹¹⁴

The budget of the PBO is determined by the Government as part of the annual Budget process. However, a cross-party committee (the Joint Committee of Public Accounts and Audit) annually reviews the PBO's budget, and reports its findings to Parliament. This parliamentary oversight limits the ability of the government of the day to control or restrict the work of the PBO through constraining its resourcing.

The personal authority of the Parliamentary Budget Officer is also important to the independence and credibility of the PBO. The inaugural Parliamentary Budget Officer, Phil Bowen, previously held a number of senior positions within the Department of Finance, but also has experience outside government, having spent five years as Australian director on the board of the Asian Development Bank.¹¹⁵

Party discipline in managing interactions with the Parliamentary Budget Office

The PBO is a resource available to all MPs, to access at any time. However, in practice, all parties that have used the PBO have taken a 'fairly disciplined approach' – all requests have come either from the leader of the party or a nominated senior member, such as the Treasury spokesperson.¹¹⁶ The Australian Greens, for example, allocated an individual to be the single point of contact with the PBO, who could co-ordinate costing requests, provide additional information and prioritise important pieces of work at peak times. Having that single point of contact was vital in ensuring the continued flow of information from the PBO's perspective. At busy times, the Parliamentary Budget Officer explained that he could go back to that single point of contact with each party and identify which requests were top priorities:

That's certainly something that I would encourage parties to continue. I think it is in their interests to do that, and it's certainly in mine because it means when we get really busy we can go back to the single point of contact and say, 'Look, what are your major priorities at the moment?' and we'll focus on those.¹¹⁷

One reason that this works in Australia is that there is a greater degree of internal discipline within parliamentary parties in Canberra compared with Westminster. Disagreements are aired and resolved in the privacy of the caucus room, and MPs can be thrown out of their party for a single vote against the whip, leading to an 'almost perfect' voting discipline.¹¹⁸ In this context, parties are able to channel costing requests through a single point of contact, even though the PBO is in theory a resource for all members. A PBO equivalent in the UK would be likely to face very different expectations from backbench MPs, with their greater and growing culture of independence.

Challenges

Our interviewees also reported a number of challenges that limited the impact of the PBO.

¹¹⁴ Parliamentary Services Act 1999, amended February 2012.

¹¹⁵ Media Alert: Appointment of the Parliamentary Budget Officer, Joint Committee of Public Accounts and Audit, 30 May 2012.

¹¹⁶ Interview AUS01, November 2013.

¹¹⁷ Interview AUS01, November 2013.

¹¹⁸ Bach, S., '[The Electoral and Party Systems](#)', Parliament of Australia, 2003.

A limited impact on transparency

It was hoped that providing the parties access to an independent costing body would encourage them to release policy costings, thereby allowing the public to make informed voting decisions.¹¹⁹ Interviewees were unsure as to whether the PBO had improved the transparency of the costing process or raised the level of debate during the campaign. As discussed, use of the PBO to publicly cost policies is not compulsory. While the main opposition party – the Coalition – did use the PBO to cost policies, this was done confidentially in the pre-caretaker period. In the event, costings were eventually released but only a few days before the election – and even then, only headline costs were released, not full breakdowns and assumptions. One Labor MP told us: ‘The unwillingness of the Coalition to release costings remained a challenge.’¹²⁰

One former Greens parliamentary staffer felt that the failure of the Opposition to release their full costings meant that the PBO failed in its goal to raise the level of debate from costings to content of policies: ‘The PBO didn’t raise the policy debate that much because one of the key players didn’t play that game, at all.’¹²¹

While there was agreement among interviewees that the refusal of the Coalition to release full costings was an issue, there was no clear consensus on how to tackle that problem. However, the introduction of the post-election audit of policies was designed to encourage parties to be more open in releasing costings in future. Parties will go into a campaign knowing that their policy commitments will be costed after the election, and that awareness may discourage them from seeking to avoid scrutiny by releasing policies very late in the campaign. Several interviewees agreed that compelling the parties of the PBO to release the content of their discussions would be counterproductive. A Labor MP explained that confidentiality gave parties a vital space to experiment with new policy ideas:

If you force everything to be released then you take away the ability of a party to say, ‘I wonder if it’s worth doing this, or whether it’ll be too expensive?’ Effectively, then, if everything you ask of the PBO is going to be made public, it’s going to be used much less effectively in the policy development space.¹²²

Another official recognised that the parties were unlikely to agree to make the release of costings compulsory. However, this official told us that there is a ‘growing expectation’ from third parties that parties should release more costing information during the election campaign, and that ‘over time’ that expectation could have an effect.¹²³

Use of the costings system to score political points

The official position of the Parliamentary Budget Officer is that he ‘will cost any policy that a party asks me to cost on the basis of the information that they provide to me about the specifications of the policy’.¹²⁴ There have been a small number of cases of parties using the PBO to pre-emptively cost and publish their opponents’ policies. One Labor MP explained that:

¹¹⁹ Joint Select Committee Report, 2011.

¹²⁰ Interview AUS06, December 2013.

¹²¹ Interview AUS04, November 2013.

¹²² Interview AUS06, December 2013.

¹²³ Interview AUS07, December 2013.

¹²⁴ Interview AUS01, November 2013.

Where the Opposition were not releasing their policies, we had similar policies costed, so that we could then release those costings, essentially taking the view that there was a strong public interest in Coalition policies being released, and where they weren't releasing them we got similar policies costed and [we] released those costings.¹²⁵

With the ALP and Coalition engaged in a 'costings fight all the way through'¹²⁶ the election campaign, the Parliamentary Budget Officer more than once chose to respond publicly to attempts to use the costings facility to discredit other parties. For instance, on 8 May 2013 the *Australian Financial Review* reported that the PBO had analysed the Coalition's paid parental leave scheme and that the analysis forecast that the policy would cost more than A\$5bn (£3.3bn)¹²⁷ a year.¹²⁸ The Coalition reacted with claims that the figures did not represent a costing of their policy, and that the PBO was being 'manipulated by malevolent people'.¹²⁹ In response, the Parliamentary Budget Officer issued a statement clarifying that the published costing had not been prepared at the request of the Coalition, and that the PBO had carried out a number of costings 'in this policy area for different parliamentarians'. The statement also made clear that the PBO would 'only confirm costings that have been publicly released by the political party or parliamentarian for whom the costing was prepared'.¹³⁰ The two parties continued to debate the cost of that policy and others, with the Government (then led by Kevin Rudd) claiming that uncosted Coalition policies would 'drive Australia into recession',¹³¹ and repeating claims of a '\$10bn black hole' (£5.7bn)¹³² in the Coalition's costings.¹³³

The Parliamentary Budget Officer's view was that these attempts to use the PBO as 'a political football' were an improper use of the facility, but that by publicly rejecting the validity of such costings, he had pre-empted these moves to the extent that he doubted parties would continue to act in that way.¹³⁴

A narrow focus on costs – there is no mechanism for assessing implementability

There was a clear consensus among our political party interviewees that the PBO had played an important role in providing access to independent costings expertise that lent their election commitments credibility. However, the quality of the policy ideas themselves may not have been improved. The PBO can provide information only on the financial impact of proposed policies. One official from the Australian Greens explained that the party could use the PBO to develop different iterations of that policy, but the only support that the PBO would offer would be in the context of reaching a different cost:

¹²⁵ Interview AUS06, December 2013.

¹²⁶ *Ibid.*

¹²⁷ Based on www.xe.com historic exchange rate data. Calculation carried out for 8 May 2013, when the costing was released by the AFR.

¹²⁸ 'Abbott's parental leave to cost \$5bn', *Australian Financial Review*, 8 May 2013.

¹²⁹ 'Coalition ponders cheaper paid parental leave', *Australian Financial Review*, 9 May 2013.

¹³⁰ Parliamentary Budget Office Media Release, '[PBO declines to confirm costing attributed to coalition policy](#)', 8 May 2013.

¹³¹ 'Recession may follow coalition cuts of \$70bn says Rudd', *Australian Times*, 19 August 2013.

¹³² Based on www.xe.com historic exchange rate data. Calculation carried out for 29 August 2013, when the ALP released this figure.

¹³³ 'Kevin Rudd claims Labor's found \$10bn hole in Coalition costings', *The Australian*, 29 August 2013.

¹³⁴ Interview AUS01, November 2013.

They give advice in the sense 'this is why costing is what it is', and then they're open to a discussion of what parameters would we need to change to get a different outcome.¹³⁵

What neither it nor the policy costings offered under the Charter of Budget Honesty do is provide advice on the feasibility or practicality of a policy, or on the potential implementation challenges it could present.¹³⁶ Parties can receive advice on those aspects of policy only once they enter government.¹³⁷

Conclusion

The creation of a PBO to help all parties develop their policies came in the context of a hung parliament where Green and independent MPs had a new-found influence. No such change has occurred in the UK as a result of the move to coalition government. However, the Australian model may yet offer lessons for the UK Coalition as it addresses the challenges of the final year. It is at present unclear what ability the two UK coalition parties will have to access information and analysis from departments headed by the other side to help develop their own policies. Certainly, there is no clear right of the parties to access departmental support without the relevant secretary of state being informed of what policies are being considered. This is a particular concern for the smaller Liberal Democrats, though in Lib Dem-led departments, the Conservatives may face similar challenges. In this context, an independent body such as the PBO could be a means of ensuring that both coalition parties, as well as the official Opposition and minor parties, can develop informed and road-tested policy proposals ahead of next year's general election.

¹³⁵ Interview AUS03, November 2013.

¹³⁶ Interview AUS01, November 2013; Interview AUS05, November 2013.

¹³⁷ Interview AUS05, November 2013.