

## House Rules

# The cost of costings

Proposals for improved parliamentary scrutiny of policy costings have themselves come under parliamentary scrutiny.

TREASURY has raised questions over the ability of the proposed Parliamentary Budget Office (PBO) to accurately cost election commitments.

The Joint Select Committee on the Parliamentary Budget Office has recommended a PBO be established to provide policy costing and financial advice to all members of parliament.

The PBO will also be tasked with undertaking election policy costings from nominated parliamentary party representatives and independent members during caretaker periods.

Treasury executive director Nigel Ray questioned whether it would be possible for the Parliamentary Budget Office to cost election commitments without being involved in the daily management of government finances.

“Costings are not separate from the day to day goings on of the government’s finances,” Mr Ray said.

Treasury also warned the committee the Parliamentary Budget Office would struggle to find enough qualified staff to carry out its mandate, given skill shortages in the area.

More than 300 people in Treasury and Finance are involved in developing costings on policy during both election and non-election periods.

But former Finance deputy secretary Stephen Bartos said a Parliamentary Budget Office could be a viable mechanism for providing costings on government and non-government policy, especially outside of election periods.

“Having said that, they will definitely have to have good lines of communication through to not just the Treasury and Finance but to other departments as well,” Mr Bartos said. “They will have to have good links back through into the bureaucracy if they are going to do that function properly.”

Staffing issues could be overcome through secondments from Treasury,



TURN IT ON: Committee recommends establishment of Parliamentary Budget Office. Photo: iStockphoto

Finance and other bodies such as the Reserve Bank of Australia.

“There are secondments from time to time to other bodies; in fact, Australia also second to other countries,” Mr Bartos said. “If we can second people to other countries, we can probably second to an independent fiscal office as well, but again it will rely on a lot of goodwill and cooperation.”

The recommendation for an independent body to assist parliament in budgetary and financial matters in Australia continues a recent trend in OECD countries including the United States, United Kingdom, Canada and the Netherlands.

The Canadian Parliamentary Budget Office has been operating since 2008 with a budget of less than \$3 million and approximately 15 staff.

Canadian Parliamentary Budget Officer Kevin Page said while his organisation is able to provide some costings and analysis with a small staff and limited budget, it falls down in the area of forecasting.

“Where we do feel that it is weak, based on three years’ worth of experiences, is that we do not provide independent economic forecasts; we use average private-sector forecasts to prepare independent fiscal forecasts,” Mr Page said.

“If we were to provide an independent economic outlook for the next quarter out or the next six months out over the next five years I think we would require additional resources relative to our CAN \$2.8 million (\$2.8 million AUD) budget.”

Mr Bartos said that if the Parliamentary Budget Office is expected to provide the sort of long range economic forecasts made by the US Congressional Budget Office, then its resources need to be commensurate.

“Do not try and pretend that you can manage to do everything the CBO does on a budget of 2 or 3 million. That is impossible.” •

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