

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the Parliamentary Budget Officer

Melbourne—Monday, 26 April 2021

MEMBERS

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Mr Tim Richardson

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WITNESS

Ms Louise Staley, MP, Shadow Treasurer and Shadow Minister for Economic Development, Liberal Party.

The CHAIR: Thank you, Ms Staley, for joining us today. We welcome you to the public hearings for the Public Accounts and Estimates Committee Inquiry into the Parliamentary Budget Officer. The committee will be reviewing and reporting to Parliament on the operational and resourcing arrangements for the Parliamentary Budget Officer, including how well the Parliamentary Budget Officer's functions are being performed.

All mobile telephones should now be turned to silent. All evidence taken by this committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you repeat the same things outside this forum, including on social media, those comments may not be protected by this privilege.

You will be provided with a proof version of the transcript for you to check, and verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible. The hearings may be rebroadcast in compliance with standing order 234.

We invite you to make a brief opening statement of no more than 10 minutes. We ask that you state your name, position and the organisation represented for broadcasting purposes, and this will be followed by questions from the committee.

Ms STALEY: Thank you very much, Chair, for the opportunity to appear. I am Louise Staley, MP, the Shadow Treasurer, and I am here on behalf of the Liberal-Nationals opposition. I note that the Treasurer has refused to appear and the government has declined to allow secretaries of relevant departments other than Mr Martine to appear. This is disappointing given the role of the Parliamentary Budget Office in levelling the playing field for costings and budgetary advice and the previously highlighted problems of receiving information from some departments—comments in fact that the PBO himself made again today—notably the Department of Transport. My comments today will cover three areas: the experience of the opposition in using the PBO service since the election, the capacity and therefore the usefulness of the PBO for election costings and the role of the PBO in strengthening democracy in Victoria.

The ability of the PBO to achieve its objectives relies on access to information, data and modelling to complete policy costings or advisory pieces. The opposition has frequently found that requests for costings and advisory work have been stymied due to the late, incomplete or outright refusal of the public service to provide information to the PBO. These failures have been magnified by the very limited funding provided to the PBO to obtain external advice to support the delivery of their costings or advisory services. The opposition has chosen to withdraw or has simply not proceeded to make certain requests for a policy costing or advice because of our previous experiences. This will influence our willingness to utilise the services of the PBO for the costings and advice during the pre-election costings period in the absence of an adequate remedy.

These matters have been highlighted in successive annual reports by the PBO. In 2018–19 the majority of responses from the public sector were late or were not responded to, and even when they were responded to, were incomplete. In 2019–20 the timeliness of public service responses to requests worsened to 75 per cent of information being provided late or not at all, with 42 per cent of responses being useless. In fact the report identified that 31 per cent of PBO information requests were more than two months late. The Department of Economic Development, Jobs, Transport and Resources, the Major Road Projects Authority and Public Transport Victoria overwhelmingly failed to provide responses to requests for information in the 2018–19 period, whilst the Level Crossing Removal Authority, the Transport for Victoria and Transport Safety Victoria are examples of entities who failed to even respond to a single request from the PBO. In 2019–20 Public Transport Victoria continued to fail to even respond to the PBO's request for information, whilst the Department of Transport overwhelmingly provided late or nil responses to requests. Despite the *Parliamentary Budget Officer Act 2017* requiring the public sector to comply with requests within three business days, there are no consequences for a failure to comply.

This then leads me to the capacity and therefore the usefulness of the PBO for election costings. The PBO has been set up with the intention to have the capability to independently cost a suite of a parliamentary party's or a member's policies prior to a given election. Based on our experience of timeliness and completeness to date,

we are unable to see how these could be achieved in order to be genuinely utilised by parliamentary parties. In the fast-paced real world of politics, waiting more than two months to be provided advice on a single policy is inadequate and unacceptable. Constraints on the PBO's ability to obtain advice from outside public sector bodies has limited the independence of the PBO's policy costings and advice.

From time to time the opposition has been advised by the PBO that information for requests relating to transport infrastructure require information on costs from relevant transport and infrastructure public sector bodies. In practice, providing a response is even received by these bodies, this has embedded the current government's tendencies to blow out the costs of infrastructure projects into the baseline costs for the opposition's transport policies. Instead of costing policies that would be delivered by a Liberal-National government with our established capabilities to deliver projects on time and on budget, the PBO is in effect costing the delivery of projects as if they were being delivered by the current Labor government with its history of blowing out the costs and time lines of projects around Victoria.

This brings me to the inherent conflict between the public service and their responsible ministers and confidentiality with respect to any request from the PBO. The PBO's *Report of PBO Operations for the 2018 Victorian General Election* identified both real and perceived challenges to maintaining the confidentiality of information requests to the public service to allow the PBO to complete its work. Whilst I am confident that the PBO has served to protect the confidentiality needs of its members, the failure of the enabling legislation to address these obvious conflicts, paired with the unresponsiveness of sections of the public service, has significantly constrained the usefulness of the PBO.

In terms of the role of the PBO in strengthening democracy in Victoria, we have found that the PBO and his staff are professional and responsive in their dealings with the Victorian opposition, and we have found that the performance of the PBO has continued to improve with time as the PBO's practices have been refined. I would personally like to thank the PBO for the work completed for the Victorian opposition to date. However, the lack of funding and the lack of ability to get information from departments has significantly compromised the ability of the PBO to achieve its objectives. These matters also impact on the PBO's ability to inform public debate in Parliament. We have at times sought information to understand the cost or impact of proposed Victorian government legislation, and we have found that even with the existence of modelling within the public sector to support such analysis the public sector has been unwilling to assist the PBO. This ultimately undermines the PBO as an avenue for the opposition to obtain advice as to the true impact of Victorian government policies, in turn reducing the quality of informed parliamentary debate.

The failure to properly resource the PBO and the lack of cooperation with many departments are in a similar vein to the way in which the Andrews Labor government is treating all integrity agencies. Both the IBAC Commissioner and the Ombudsman have highlighted the lack of resourcing for their organisations. IBAC in particular has suffered a \$6.4 million black hole, with \$4.4 million in budget cuts last year. The IBAC Commissioner has warned of a critical lack of resources. Similarly, the Ombudsman has repeatedly noted her inability to investigate all the matters she would like to given her budgetary constraints. There is a clear pattern from the government here that all statutory oversight and accountability mechanisms available to non-government parties, Independents and the broader Victorian public are being under-resourced and stymied. This is not a one-off occurrence; this is a pattern from this government that is continuing. We find that that is undermining the objects of the PBO, an organisation set up on the back of a Labor Party election promise.

Given the so-called support from the government for this organisation, how it is being treated suggests that in fact that has no substance to it when it comes to its core. The PBO should be an integral part of our democratic operations because it allows non-government parties the right to have their policies and ideas costed in a way that governments get by nature of having control of the public service. Thank you.

The CHAIR: Thank you, Ms Staley. Deputy Chair.

Mr RIORDAN: Thank you, Chair. Thank you, Louise. My question is: we have heard a bit today about the timeliness of responses from departments, and we are moving into an election cycle. Two questions: what faith or confidence do you have as leader of the main political opposition in terms of putting what may be at first sensitive policies to the test through the Parliamentary Budget Office to have updated figures and analysis that would enable you to put credible and forthright policies to the electorate? What faith or confidence do you have in the system as it stands?

Ms STALEY: That depends very much on what area we are being asked to look at a policy for, so for example, DTF tax policies—and I understand that the PBO has an MOU with the taxation department, the SRO—they are pretty good. We get them in a timely way and I am confident that there is no leak out anywhere else. But when you are talking about big infrastructure transport projects the PBO does not have the resources at the moment to go to other providers, so it goes into the Department of Transport and we have very little faith that there are effective walls there without that leaking into the political processes, and that is of great concern to us. Infrastructure projects deserve to have proper costings and—as I said in my opening remarks—we found that to the extent they can get the information the PBO is really professional. They do a good job.

Mr RIORDAN: Can you give us some idea—we were trying to get some answers from Secretary Martine—about the real, actual funding. It is quite clear that the funding has stayed fixed, and Secretary Martine gave evidence to the committee that in real terms there was no loss in firepower, if you like, to the Parliamentary Budget Office in doing its job. Could you elaborate for us on what a fixed amount over a four-year term—without a guarantee for surge funding and other things—does to their capacity to do their job?

Ms STALEY: It reduces any organisation's capacity, and a public sector organisation is reduced in two ways. Firstly, there is the inflation that you would see in all of their costs, any of the costs that they as an organisation bear, but there is also automatic payment of their staff uplifts. They would, either on an EBA or through enterprise bargaining, get paid more, and if you have a fixed amount that means something has to be cut, and my understanding is that the PBO has indicated that that has resulted in him having to cut one EFT or one effective person per year as their budget gets squeezed. Their initial establishment was of 20 EFT and that is no longer what they are able to fund, so to the extent that all political parties are really trying to get their policies costed or their ideas costed, that is a clear reduction in the PBO's ability to do that.

Mr RIORDAN: Our understanding from evidence given earlier today is that Secretary Martine is negotiating on behalf of the other departments and he represented them all here today. He made it clear to us that now for two or three years he has been working on establishing a memorandum of understanding, particularly for those key departments that you alluded to earlier—transport and so on. What is your view on a secretary taking two or three years to come to a memorandum of understanding in such a crucial area where both you and Dr Ratnam earlier talked about how much quicker and easier it is with a memorandum of understanding in getting information?

Ms STALEY: If I look at the organisations for which there is a memorandum of understanding already existing—that is the State Revenue Office, Infrastructure Victoria, VicPol, the Game Management Authority and the Victorian Public Sector Commission—I have had cause, I suppose, for things I have asked for to deal with a couple of those organisations, particularly the SRO and Infrastructure Victoria, and it has clearly helped having an MOU. My understanding is the departments initially refused to have an independent MOU, and now Secretary Martine is doing it on behalf of the secretary's board. Well, the PBO has been going for several years. If that is what is holding up the clear flow of information, which everybody has alluded to or explicitly said today, then that is not good enough—if that is what it is. The fact that they are relying on that suggests that the legislation is deficient in some way and perhaps should be looked at.

Ms VALLENCE: Secretary Martine also, in his submission to this inquiry, has said that occasionally information has not been provided in accordance with the exemption provisions set out in the Act and that on other occasions the complexity and scope of the request means that information has not been able to be provided. Obviously that seems to indicate that the public sector agencies are not complying with the Act. Do you have any comments on the legislation or new penalties in relation to that and strengthening the legislation?

Ms STALEY: I think one of the problems is that while the Act requires three days response, there is no penalty, and there needs to be at least some sort of public announcement, I think, as a penalty.

The CHAIR: Thank you very much. Mr Hibbins.

Mr HIBBINS: Thank you. And thank you for appearing today. I wondered actually if you had any further reflections in terms of legislative changes that might be brought into place to address the issues around timeliness and quality of the responses.

Ms STALEY: I think there are two. There is, firstly, some sort of a mechanism that allows us to know in more granularity when something is being refused in real time, I suppose. The other one is—I saw this morning

and have previously read the PBO's views on it and the Auditor-General made some comments this morning—I do think that there is a mismatch about how the PBO is not an officer of the Parliament but reports here, yet this committee does not in other senses have a setting-the-budget role for organisations. It is just not the function of PAEC really. So it is a bit of an odd hybrid, and it would be better if that was regularised.

Mr HIBBINS: And in terms of the pre-election period, how confident are you in terms of using the PBO for all your election costings? I know there is the potential for the PBO to produce pre-election reports for parties and have them published. Given all the issues, how confident are you in terms of having the PBO be able to meet your needs for the pre-election period?

Ms STALEY: It would be my personal preference to use the PBO for our election costings. However, particularly in relation to transport infrastructure we cannot be confident that we would get a costing in any sort of time line that would allow us to announce a policy, so I am very constrained on this. As the person within the opposition who puts all the policies together in the sense of financials, I would like to use the PBO because I have found their work to be excellent, but I cannot have that confidence.

Mr HIBBINS: Thank you.

Mr LIMBRICK: Thank you, Chair. Thank you, Ms Staley, for your evidence today. I just wanted to touch on: you mentioned before about possible powers that the PBO might have to get information out of departments, and you said something about publicly naming. Can you describe how you think that might work?

Ms STALEY: I would think that there would be some sort of reporting. What we get at the moment is we do get some charts—that is how we know; the data that I have provided to the committee today has come from PBO reports. The PBO puts out reports based on requests, but what we are getting is a dampening down of requests, because it is becoming circular. Why would you put in a request for a transport infrastructure project if you are not going to get it? So I do think there needs to be some mechanism that captures that.

Mr LIMBRICK: Thank you. We also heard from the Auditor-General this morning, and they said that they do not have those sorts of problems with getting data. Now, part of that—I do not want to put words into his mouth—seemed to be just because the institution has been around for a very long time. But also he had coercive powers he has very, very rarely used, but the fact of their existence means that people are far more cooperative. Do you think that that sort of thing would be appropriate for the PBO?

Ms STALEY: I would hope not. One of the other things the Auditor-General said as I listened to him: he talked about the fact that he pretty much looks at stuff that has happened, whereas one of the problems we are getting here is that some departments are saying that a model is an opinion. Well, it is impossible for the PBO to act without that model.

The CHAIR: Thank you, Ms Staley. Mr Maas.

Mr MAAS: Thank you, Chair. Thanks, Ms Staley, for your time. How often do you as the Shadow Treasurer utilise the PBO for costings?

Ms STALEY: We as an opposition do it through the Leader of the Opposition's office. So I will take it as if you are asking that.

Mr MAAS: Okay. Yes.

Ms STALEY: And we do frequently on small, what I would call—

If you want to cost something if I am thinking about tax or something like that, but it varies. The two that we have publicly released that you might have seen are—and I am just referring to my information—we asked for advice from the PBO on the government's costings on the West Gate Tunnel Project, and they evaluated that and suggested there were quite substantial cost overruns yet to come, and then we also asked them in relation to something else that I must say has slipped my mind, but if it comes back to me, I will tell you. So we do use them, yes.

Mr MAAS: Okay. It is just that I was able to get a sense of quantum, for instance, before when Dr Ratnam was in here, and her Chief of Staff, who was also here, said, 'Look, there are about a dozen that are on foot at any one time'. Are you able to give me an idea of that?

Ms STALEY: No, I am not, because it is not my office that does them. I found the right piece of technology to give you the answer to the other one, which was Cherry Creek—the expansion of Cherry Creek.

Mr MAAS: Okay. Thank you. If I go back to your evidence that you led though, you did say that 75 per cent of the responses that you received were late and 42 per cent of them were useless, yet you are unable to inform the committee as to—

Ms STALEY: That is the data from the PBO's annual report.

Mr MAAS: And when you say 'useless', I cannot recall that being a category.

Ms STALEY: It is in the annual report.

Mr MAAS: Sorry, I misinterpreted that just because of the phrase 'useless', but that is not in the report.

Ms STALEY: 'Not useable'.

Mr MAAS: How would you compare your view or your term for that to, let us say, the 9.5 per cent satisfaction score that the PBO has had in the last couple of years?

Ms STALEY: As I said in my opening remarks, we are very happy with the PBO's professionalism and availability and attempts to do their job. I would absolutely rate them highly on that. They are a responsive agency. So I think that is how you get the discrepancy. To the extent that they can help us, they do.

Mr MAAS: So you consider the establishment of the PBO a good reform then?

Ms STALEY: Yes, I do.

Mr MAAS: In today's *Age* we saw that—and you made some reference to this or someone made reference to it—there would be a potential cut in spending on infrastructure projects should a Liberal government be in place. Would there be—

Mr RIORDAN: On a point of order, Chair, I do not think anyone here referred to that article at all today.

Mr MAAS: All right, I will retract that. In light of today's article in the *Age* that a Liberal government will cut spending on infrastructure projects, would you get the PBO to cost that policy?

Ms STALEY: No such remarks were made today.

Mr MAAS: That is not right. In the event that there is a cut to infrastructure projects, would the PBO cost that policy?

Ms STALEY: We did not make any comments like that at all. You are mischaracterising my comments in the *Age* today, and I reject your characterisation of them.

Mr MAAS: Okay. In terms of election promises, will the party commit to using the PBO to cost election promises?

Ms STALEY: As I said to Mr Hibbins, it is my preference to do that. However, I cannot commit to that while we have several months' turnaround in single policies being costed. That would be my preference. If the PBO was properly resourced and the public servants and public sector were giving it the information it needed, I would absolutely prefer to do that, yes.

Mr MAAS: Okay, so if the proposition is that the PBO is not properly resourced at the moment, which is what you are putting to me—

Ms STALEY: And the PBO put to you, I believe.

Mr MAAS: If the Liberals do take government in 2022, would you, as Shadow Treasurer, commit to properly resourcing it?

Ms STALEY: Well, I would not be Shadow Treasurer then.

Ms VALLENCE: On a point of order, Chair, is that within the terms of reference? I am not sure of that. This line of questioning is out of order in terms of the terms of reference of this inquiry.

The CHAIR: I think we have had fairly broad lines of questioning, but I will ask the member to stay within the terms of reference.

Mr MAAS: I have no further questions anyway.

Ms VALLENCE: Yet again Mr Maas proves that being political in this committee is—

The CHAIR: Ms Richards, do you have questions?

Ms Vallence interjected.

The CHAIR: Ms Vallence, this is not an opportunity for you to continue. I have ruled on your point of order. Ms Richards, do you have follow-on questions?

Ms RICHARDS: Yes, I do.

The CHAIR: Thank you.

Ms RICHARDS: Ms Staley, can you hear me?

Ms STALEY: I can hear you. I could not hear you before on the—

Ms RICHARDS: Loud and clear? If not, I will project if you need me to. When it comes to the 2022 election costings—and you have spoken about the importance of the Parliamentary Budget Office—how many of those costings that you are taking into the next election do you plan on referring to the Parliamentary Budget Office to confirm? Is that something that is part of your aims or targets as the Shadow Treasurer?

Ms STALEY: As I have indicated to both Mr Hibbins and Mr Maas, I would like to use the PBO for all of them. That would be my strong preference. I think the point of the PBO is to provide independent, authoritative advice so that Victorians can get a level playing field. When I was asked earlier if I supported the establishment of the PBO, this is why I support it. However, we are currently at a state where I cannot get them fast enough—or in some cases at all—to be able to commit to that. If the government fixes it, I will use it.

Ms RICHARDS: And in your interactions that you have had with the PBO, or perhaps the leader's office has had and perhaps the feedback you have received from your colleagues, how would you describe their level of professionalism?

Ms STALEY: High.

Ms RICHARDS: So that was the evidence you gave earlier—

Ms STALEY: Yes.

Ms RICHARDS: that you have been very satisfied. And the website and the way that you request processes, is that easy to access?

Ms STALEY: I do not personally use that, so I cannot comment on that.

Ms RICHARDS: Right. Okay. So you have no feedback—

Ms STALEY: I have no feedback on that aspect.

Ms RICHARDS: or insights that anyone has provided to you?

Ms STALEY: No.

Ms RICHARDS: There have been some competing models initially for the establishment of the Parliamentary Budget Office standing body, such as the Victorian model or that which is established just for election years.

Ms STALEY: The New South Wales model, yes.

Ms RICHARDS: What we will call the New South Wales model, and I understand that was the one that was put forward by the former coalition government in this state. Do you now see that the model we have is the best model to acquit the role that it has in this state?

Ms STALEY: If what you are trying to say is ‘Is yours better than the other one?’, I am going to say this is the one we have got. I support it operating under its charter and I think it would do well. So as a standing organisation I would certainly support its continuation. In fact the evidence I gave earlier to Mr Hibbins suggests that I would prefer it be made a full independent officer of the Parliament.

Ms RICHARDS: I only have a little bit of time left, but I am aware that Mr Richardson would like to ask something quickly, so I will cede a third way across.

Mr RICHARDSON: Shadow Treasurer, just quickly, your point about PBO’s assumptions on Labor costings, what are you referring to in terms of alternative costings or different numbers? Are you talking about lower wages and conditions in Victoria, sourcing products from overseas? What are some of the alternative costings that you based that on?

Ms STALEY: Of course the government has extensively sourced steel and other project products from overseas. We would want to understand what impact that had, yes.

The CHAIR: Thank you, Ms Staley. Thank you, Mr Richardson. That concludes the time we have available for consideration with you this afternoon. We thank you very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee’s request. The committee will now take a short break before beginning consideration of the next witness. I declare this hearing adjourned.

Witness withdrew.