



***AUSTRALASIAN STUDY OF
PARLIAMENT GROUP
(Queensland Chapter)***

THE ROLE OF PARLIAMENT IN PUBLIC FINANCE

TRANSCRIPT OF PROCEEDINGS

MONDAY, 14 JUNE 2021

Brisbane

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Mr FRASER: Good evening, ladies and gentlemen. My name is David Fraser. I am the chair of the ASPG in Queensland. Welcome to the Legislative Council chamber. I am delighted to have you, and so is my committee. We thought that on budget eve we would do something about the budget. When most people do things about a budget they have to pay the bills and so forth. We, luckily, do not have to pay any bills at all.

The chair tonight is Mark McArdle. As most of you would appreciate, Mark was a member of the Legislative Assembly as the member for Caloundra for some years. He retired at last year's election. The trajectory of his life continues to go upwards, because he now is a member of our executive—and he has very nice hair! Mark will be introducing our three speakers tonight.

The only thing I need to say—and I have done it on every occasion we have been here—is that bathrooms and toilets are just down the corridor. If you hear an alarm go off, do not panic; just stand there and await instructions. Something terrible has gone wrong somewhere, but you will be told what to do. After the speakers have made their presentations we will open it up to questions. Do not forget that everything we say is recorded and will be transcribed by Hansard to appear on our website in the fullness of time. After the event is concluded, we have refreshments out on the colonnade. I invite you all to stay after the event. I now hand you over to Mark so he can introduce the speakers.

Mr McARDLE: Thank you, David. Welcome, one and all. As David said, tomorrow afternoon at two o'clock the Queensland state budget comes down. The budget reply speech is given on Thursday after question time and each member of the House gives their budget reply speech until Friday afternoon. Estimates take place on 27, 28, 29 and 30 July and 3, 4, 5 August. This is where the committees grill the ministers and also the staff members in relation to the estimates process and the money they have spent and will spend.

Against that background, our question is simply this: is scrutiny of the state budget in this state a process of careful consideration or a rubber stamp? That is an intriguing question, given we are a unicameral parliament; therefore, we have only one set of committee estimates proceedings going forward. I suspect that may form some of the comment here tonight by our guest speakers. We have three wonderful guest speakers. I will introduce each of them and then call upon them individually to say a few words.

Our first guest speaker is Mr Gene Tunny. Gene Tunny is the director of Adept Economics, a Brisbane based economic consulting firm. He is a former Australian Treasury official who has managed teams in Treasury's industry and budget policy divisions. Gene is a regular economics commentator in Australian and international media and he runs the blog *Queensland Economy Watch* and the podcast *Economics Explored*. In late 2018 he published a book, *Beautiful One Day, Broke the Next: Queensland's Public Finances Since Sir Joh and Sir Leo*. It is on sale, immediately post this, to be signed by Gene Tunny, at \$1,000 a copy! Gene is also co-authoring a book on government budget analysis to be published by Routledge in 2022-23. Please welcome Gene Tunny.

Our second guest speaker is Dr Begoña Dominguez. Begoña is currently an associate professor in economics at the University of Queensland. She is vice-president of the Australasian Macroeconomics Society. She is a macro-economist specialising in the broad areas of fiscal and monetary policies. Her research works have been published in top leading international journals such as the *Journal of Monetary Economics*, *Journal of Economic Theory* and *Review of Economic Dynamics*, among other outlets, and she has been awarded with many research grants domestically, including the ARC Discovery Project and the internationally known award the Ramon y Cajal fellowship. She is a research affiliate of the Tax and Transfer Policy Institute at ANU and a senior fellow of the Higher Education Academy. She is also a mentor of the Women in Economics Network and founding member of Stop Sexual Harassment and Bullying on Campus. Please welcome Begoña.

Our third guest speaker is actually quite known to the parliament, the Hon. Rachel Nolan. Rachel is an experienced leader and non-executive director and consultant specialising in governance and public policy at the McKell Institute, Queensland. Rachel leads and teaches governance programs for foreign

governments, mainly from South-East Asia, through University of Queensland International Development. She is an honorary senior lecturer in philosophy at UQ. What a combination: economics and philosophy! Rachel was a member of the Queensland parliament for 11 years from 2001, when she was elected as the youngest female member ever. She is a former minister for finance, transport, natural resources and the arts. In those roles she oversaw an historic round of economic reform jointly leading the successful privatisation of QR National, the Port of Brisbane and Abbot Point coal terminal. Her policy expertise lies at the interface of public and private sectors and, perhaps not being disrespectful, Rachel, I think one of the best things regarding Rachel's CV is that she owned and operated a cafe in Ipswich for a period of years which was in fact voted the best cafe in Queensland of its nature. Congratulations. Turning theory in reality—well done.

I will call each speaker: Gene, Begonia and then Rachel. They will each have 10 minutes to present their case. At nine minutes you will hear one ding of the bell and at 10 minutes two dings. If you do not stop, you are out. Gene, please come to the dais.

Mr TUNNY: Thanks, Mark. Thanks, everyone, for being here. Of course, this is a very fitting room to have this conversation, this being the chamber of the defunct upper house of Queensland, the Legislative Council, which would offer a greater degree of scrutiny of legislation and the budget than we currently have, because we just have the single chamber, as Mark suggested earlier. We are the only state in Australia with only one chamber.

Nearly 100 years ago—I think the anniversary is coming up in late October this year—the members of this chamber voted themselves out of existence because there was a view that this chamber was a block on progressive legislation. The Labor members voted it out of existence. They managed to convince the Governor to appoint more members to the chamber. They had a huge majority and voted it out of existence, because they thought it represented the interests of the squatters, the industrialists or whoever was the problem at the time. We have not had that check on executive power, the executive being formed in the lower house, since the early 1920s. The problem, of course, is that if a government wins a majority in the House, as the current government did convincingly last year, it can essentially do what it wants for the next three or four years. That is one of the problems we have with this current system.

Why is all of this important? This is the state budget. 'Do we really care about the state budget?' you may ask. You probably should care, because the state government is spending \$65 billion on our behalf every year. What is \$65 billion? Leo Hielscher used to say that you should talk about thousands of millions of dollars instead of billions. A billion dollars is \$1,000 million, so they are spending \$65,000 million per annum. There are just over five million Queenslanders, which means approximately \$13,000 per Queenslanders, \$26,000 for a couple and \$39,000 for a household of three people. It is incredibly important.

Unfortunately, there is not a great deal of scrutiny on the state government, or not as much as there was when we used to have a local *7.30 Report* here in Queensland. We no longer have a *7.30 Report*. The *Courier-Mail* sacked dozens of journalists. The *Courier-Mail* does not have the same level of investigative powers. It is not the same paper it was. We no longer have another paper in Brisbane. The *Sun*, the other paper we had in Brisbane, has not been around since the early nineties. There is just not that level of scrutiny that you need.

What we end up with is really concerning outcomes, such as a government that hides the true state of the budget prior to the election. Last year we had a government going to an election where they said, 'Well, we might have to borrow another \$4 billion,' but it turned out when the budget came down in early December: 'Well, actually, compared with where we were, we actually need to borrow about another \$28 billion. Sorry about that.' The problem here is that there is no requirement, as there is at the federal level, to have a pre-election fiscal outlook that would be prepared by the Treasury and finance department in Canberra. This is something that is required under what was called the Charter of Budget Honesty, something that was brought in I think in 1996-97. There is a lot of political theatre around this. I do not want to get partisan at all, but it was basically brought in by the Howard government because there was a concern that the previous government was hiding debt and just how bad things were and we had the audit commission and all of that. That is a major piece of Australian political history we will not go into.

The issue is: it is important to have transparency around the budget. I think because we have such a dominant executive, which gets its power from the lower house and no check from the upper house, that they are able to get away with things like this. Also, we need greater transparency around all the money

that has been spent: \$8 million on an Origin game in Townsville—where is the justification for that?—and various incentives to the film industry. One of the problems is, of course, that we do not have an upper house.

Another problem—and it is related to this—is the weakness of the committee system in Queensland. This is a point that Ken Wiltshire, Emeritus Professor of Government Administration at UQ, has made many times before. About 16 or 17 years ago, there was an event that this group held which was on the committees and Ken made the really good point that in Queensland, because of the rules around the committees, the nature of them, they are just not as effective as they are at the federal level. The ministers will often appear and they will essentially block opposition committee members from asking probing questions of the public servants who really need to be grilled. They have all of the information. They are the ones who, if you probe them hard enough, could reveal information that is in the public interest. Of course, that could be embarrassing to governments and that is why governments want to stop that from getting out.

What do we see in Queensland because we do not have an upper house? We see that ministers are able to basically dodge—they are able to bat off accusations—allegations. I am not going to accuse anyone of anything because, even though this is being recorded and it will be transcribed by Hansard, there is no parliamentary privilege so I do not want to defame anyone, given how weak or how terrible our defamation laws are for people making public comment in Australia.

We had our own sports rorts affair in Queensland last year—allegedly—with the \$15 million Female Facilities Program and questions about the allocation of sports grants that tended to favour electorates of the governing party. The minister in question—and I am not making any allegations about the minister—easily managed to survive this and was in his position until just after the election and then transferred to another portfolio—Minister Mick de Brenni.

At the federal level you would have seen recently the scandal—the allegations—around Bridget McKenzie. There was a scathing Audit Office report federally. We had a scathing Audit Office report of what happened here in Queensland that questioned the allocation here. That happened federally. The greater level of scrutiny and pressure at the federal level, partly in my view due to the upper house, meant that Bridget McKenzie had to resign.

Twenty-seven years ago now we saw that the fact that the Democrats had a presence in the Australian Senate, the upper house of the federal parliament, created trouble for the sports minister at the time, Ros Kelly. In 1993, prior to the election, there was a sports rorts affair at that time and essentially the power of the Senate and the risk of a Senate inquiry meant that the government had to investigate these issues and Ros Kelly ended up appearing before a House of Reps inquiry and acknowledged that she was just allocating funds on a great big whiteboard. Some \$30 million of sports grants were allocated on a great big whiteboard. We want to avoid things like that by having the best institutions possible.

I should say that, overall, the budget papers are a lot better than they were 20 or 30 years ago, so credit to Treasury on that. We really need a stronger committee system. We need to change the rules around committees—as Ken Wiltshire has suggested and as the current opposition has suggested—so that those committees can act in the public interest and probe the public servants and get the best information out of them. Thank you.

Mr McARDLE: Well done. Ten minutes on the buzzer. Please welcome Begoña.

Dr DOMINGUEZ: First of all, I would like to thank the ASPG for inviting me to be here today. When I was invited, I was asked, 'Is the scrutiny of the state budget a process of careful consideration or a rubber stamp?' I understand the issues that Gene was mentioning and I completely agree that the system should be improved to allow for more consideration. To me, there is an easy answer. It should never be a rubber stamp—never. It should always be a case of careful consideration.

I would add something else: if not now, when? Here you have a picture with the growth of the Australian GDP over the last 30 years. This is where we are now. We have never been facing a situation like this before, so if not now, when? This is for Australia, but if we look at Queensland it does not look better. It actually looks worse. When we compare the different states, we have not been doing well. The gross state product went down by 1.1 per cent. It fell for the very first time in recorded history—the first time ever. I was shocked to know that we went down as well in nominal terms. We were the only state in Australia

in which the GSP went down nominally. When we look at unemployment, we actually look worse than Australia as a whole. It has been improving lately, over the last months, but still we look worse than the rest of Australia. In terms of unemployment, we have a higher rate of unemployment and underemployment as well.

Today I am not going to be talking about the state budget but putting a little bit of scrutiny into the Australian budget. This is based on work that I have done with colleagues of mine at UQ, Andres Bellofatto and Jorge Miranda-Pinto. We have been looking into what is in the new Australian budget that is trying to help the economy.

We are in the worst crisis in the last century. We have been looking into the measures they have been putting in place. There are some good things there, but I think more could be done. For example, two of the key measures that have been put into place to support businesses are the temporary full expensing of investment and the temporary loss carry-back. The temporary full expensing of investment is allowing businesses with a turnover of \$5 billion or below to deduct all investment in that year. Economic theory actually says that this is a good thing. It eliminates distortions and it actually can help activate the business dynamism. However, I would ask one thing: how is that helping industries that have been hit by COVID? That is not clear to me. Why? Because actually they are not going to be doing investment so they are not going to be benefited by this. In fact, when we look at the data—we can all go to the ABS; this is publicly available data—who is doing investment now in Australia? Actually, it is transport, postal and warehousing, which have been booming. I think that full expensing of investment is a good thing, but we should think about who we are helping, because we are not helping the industries that have been hit by COVID with that.

Let us go to the temporary loss carry-back. What is the temporary loss carry-back? This is allowing business with a turnover below \$5 billion to deduct losses against profits made in their previous years. This may benefit some COVID-hit industries. However, it is actually also supporting businesses that have not been hit by COVID: 'Okay, now you give me the opportunity to do that, I am going to be doing it.' To me, that is a concern because it can actually lead to capital misallocation. Maybe this is a bit of a technical term. Some of that is going to the wrong guys, who maybe should be leaving the business. It can lead to more losses in gross state product. Another concern I have with this is that, when you look at the eligibility of this measure, it is only for incorporated businesses. That means companies, and companies actually have much more access to finance than small businesses so to me that is a bit of a concern that I have. These are measures that are a bit too blunt, because they go to all businesses and not only to the ones that have been hit by the pandemic.

When we look into the Australian budget, we see that there are some policies that have been specifically targeting COVID-hit businesses. For example, there is a support package of \$1.2 billion to the aviation and tourism industries and there is a \$300 million scheme to reactivate the creative and cultural sector. However, there are many more industries that have been hit and are not in the budget. We all know which are the top five impacted industries in Australia: accommodation and food services; arts and recreation; information, media and telecommunications; rental, hiring and real estate services; and education and training. Many of these are missing in the budget. They are not there. They are not being supported.

When we look around the world, we actually find that other countries around the world have been supporting and targeting industries that have been hit by the pandemic. For example, in the US they have a restaurant revitalisation fund. They also have a grant specific for big venues that have been closed by the pandemic. In the UK, we also see that they have been allowing a reduced VAT that means lower taxes on the tourism industry. This is something important for Queensland. There is also a support package for the higher education sector in the UK. There are some industries that have been hit quite badly by the pandemic, and the Australian budget is leaving them behind.

We live in unprecedented times. I think it is about trying to have careful consideration on where we spend the money. We should be using the evidence base. We should be looking at the data, looking at who needs help and targeting those. I believe in direct measures. At the moment, one thing we should be doing is fixing the quarantine system and the vaccine rollout as that will help many. We need to fix those. If you are sick and you go to the doctor, you want something that will deal with the issue that you have. Go for the direct measure.

The role of parliament in public finance

Regarding fiscal support, at the beginning of the pandemic it was good to have a wider spread of support, but I think now, given the information we have, we should go for more targeted support. Thank you.

Mr McARDLE: Thank you, Begoña. Almost dead on 10 minutes, so brilliant. Now we come to Rachel Nolan. Rachel, welcome back to the red chamber, where you spent many a happy hour as a member of parliament.

Ms NOLAN: Thanks, Mark. It is indeed a peculiar thing to speak in the parliament, particularly in this one. I think we agree on a number of things. We agree that parliamentary scrutiny of the budget is a fundamentally good and important thing. Gene made two really critical points. One is that scrutiny from external sources is thinner than it has ever been before, particularly as media scrutiny in this state, and indeed all over the world, has really fallen apart. He gave a nod to the upper house, the abolition of which, because it was opposing the introduction of a workers compensation scheme, I continue to celebrate. He made a point that our parliamentary committee system could be stronger. Begoña made the point that, particularly in COVID, we need to be sure that measures are as well targeted as they possibly can be. I think all of this is fair.

Mine is the perspective of a practical person. I am one person on the panel who is not an economist, but I have spent a long time around the Queensland Treasury, beginning as an AO4 in the Treasurer's office and finishing as a finance minister. I have seen these issues from the perspective primarily of a parliamentarian.

It seems to me that there are a few things. The question of the extent to which the parliament effectively scrutinises the budget comes down to three things: whether there is indeed the opportunity to do so; whether the information is available for members of parliament to do so; and whether they have the skills to use that information well. There has never been a greater opportunity to scrutinise the budget than there is now. It is always arguable, as Gene has argued, that we could have a better committee system—that is always something to strive for—but we should not forget Queensland's fundamental political history of very rarely having had a functioning committee system at all. Indeed, as I walked over the colonnade to get here, I read the bit of the sign about parliament's history—and Llew Edwards died just a couple of weeks ago—concerning the split in the coalition regarding the issue of introducing a public accounts committee to this state in 1983. The government opposed it so stridently that the coalition parties fell apart over it.

Our committee system, including estimates committees, was introduced after the Fitzgerald inquiry. Estimates committees, of course, were significantly diluted by the Newman government, which, at a time when there were only eight opposition MPs, decided to run eight estimates committees all at one time. All of the estimates committees were running over two days, as opposed to the two weeks which is standard. Now they have been restored to the way they were before that, where estimates committees are quite comprehensive and there is indeed quite a long time for scrutiny of the budget. There is now more opportunity than there has ever been before, and I think that is a very good thing.

Then the question becomes: what information is there for members of parliament to scrutinise? The budget papers are really quite extraordinarily comprehensive, but, as someone who has spent a lot of time with my nose into them, I am often reminded of a great scene in *Erin Brockovich* in which a court orders that Erin should be provided with a particular document. The lawyers for the opposing side roll up with a truck full of documents and say, 'The document you need is in there.' To a layperson, I think the budget papers can feel a little bit like that.

Last year, when we were in the midst of COVID, the issue in Queensland, as in other jurisdictions, was the level of state debt. The government released a mid-year fiscal review. I went and had a look at the primary documents to work out the level of state debt and what it would increase to over the course of the forward estimates. Mark read the full and frank version of my biography, which includes some somewhat contentious asset sales. I lost when we were at \$85 billion of state debt, and I lost in an effort to rectify that situation, so the level of state debt is of interest to me. To find the level of state debt—and this was not in the full budget documents—you had to go to the mid-year economic review, wind your way through to page 14 and add two sets of numbers together: the level of debt and the level of debt in the non-government financial sector. That is something that took me, as a former finance minister, some time to do. Members of parliament are laypeople and I do not think, quite frankly, that most of them, without some guidance, would have been able to do that.

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This is not some grand conspiracy. The budget papers are not written in this way by the Treasury with a view to obfuscating or making it hard for people to get to the bottom of the matter. What the Treasury primarily thinks about when it writes the budget papers are accounting standards and uniform reporting financial standards that all of the Australian governments are obliged to meet, so they are kind of accounting talk.

The budget papers, which are enormous, are made up basically of two kinds of documents. There are those Treasury prepared budget papers, which are voluminous and complicated if you are not an economist, and then there are the budget highlights, which are the kind of wishy-washy political speak that public servants write as opposed to the real cut-through stuff that you would get out of the parties themselves. The budget highlights tend to refer just to the government's initiatives—the decisions that the Cabinet Budget Review Committee has made in the lead-up to the budget.

When I as a layperson read the budget, what I want to know is: how much debt is there; where is the revenue coming from—what are the primary sources of revenue; where is the expenditure basically going to across departments; what is going up; what is going down; and what particular decisions has government made? Unless it is a zero base budgeting exercise, which has not happened in Queensland since I was a political staffer in 1998, lots of the fundamental things in the budget just roll on. They are not particular political decisions of CBRC.

If they are the basic things that you want to get to, they are really hard to find. You have to read through the *Erin Brockovich* truck in order to get there. What we get instead is media reporting not particularly around budget highlights and budget decisions but around budget forecasts, which are easy to find. Media reporting at both the Commonwealth and a state level generally talks about where the debt is going to go and what are the projections for economic growth and for unemployment. The disconnect comes with this: the projections for unemployment and growth are not decisions that the government has made; they are calculations which the Treasury has made, quite separate from the Cabinet Budget Review Committee. So you get this disconnect between the commentary and the actual budget process. As I said, it is not a conspiracy. It is not that anyone is setting out to obfuscate. It is just that the budget papers have never been really written from the perspective of the layperson who simply wants to understand these fundamental truths.

I think there would be a couple of ways in which we could improve the quality of the budget process. One would be to have fundamental documents which set out those simple facts: 'The education budget is going up by two per cent but health is going up by six per cent off a \$65 billion budget in which GST revenues are going down and gambling taxes are going up.' That stuff, for an ordinary punter, would be tremendously hard to find. I would find it hard and I have been doing it for 20 years.

One, we could fix the presentation of the documents. Two, present members of parliament have a five-day induction but it is about how to be a member of parliament. It is not really about, 'This is the government which you will be overseeing. This is how its Treasury and its agencies work.' Members of parliament who, by and large, are ordinary people without a background in this stuff do I think genuinely find it hard, whether they are first-term members or shadow ministers—even a shadow treasurer—to get to the bottom of those fundamental truths. I think those things would be reasonably easy to resolve, but in my experience they have never been a real focus because we tend to have these more esoteric debates.

Mr McARDLE: Thank you, Rachel, for a very intriguing talk—meant sincerely. Tonight we have heard from three excellent speakers. Give them all a round of applause for the great work they have done and will do in the future.

Just to have a very quick recap, we have the dissolution of the external sources of review; we have the unicameral parliament; we have the committee process at this point in time under question; and we have COVID-19 strategies and understanding what that meant for the economy in Australia and how to correct that by viewing overseas examples as well. Rachel posed three very important questions: is there an opportunity to question the budget process; can you obtain information required to question the process; and how do you acquire the skills as a member of parliament to actively, properly question the content of the papers? Again, wonderful speeches from the three guest speakers.

We have until 7.25, which is about 45 minutes away, for questions from the audience. We will have a roving mic and we will have ladies first, if you do not mind, sir—a troublemaker down the front here, a former state member of parliament from Bundaberg! Please give your name and to whom you are directing the question. If it is not to one particular person, just say, 'To the panel.'

Mr CAMPBELL: I am Clem Campbell, a former member of this parliament and a very strong supporter of the committee system. I found some of the things said tonight were very offensive and provocative, because I was on the first Public Accounts Committee. It so happened that on that committee we, as members of parliament—members of the government and of the opposition—did work together. It happened like this. Gilbert Alison was our chair and he was sent up to become a member of the cabinet. There we were with our first-ever report to be presented to parliament. That committee as a whole said, 'Just because he has gone, that does not stop it.' As a member of the opposition, I actually presented the first report of a public accounts committee in the parliament. That is why I say that members of parliament can work quite well.

The second point is a point that I have to take on about being a unicameral parliament. I have been in the ASPG and visited every other state parliament and the federal parliament twice. In every other parliament they have said that their house of review does not work as a house of review; it works with their members being members of a political party. I have not seen in the Senate where every senator from Queensland stood together and voted to say that this is what is best for Queensland; they do not. If their bosses say, 'Hey mate, you're over here,' that is where they go. Therefore, the really forgotten aspect of this state budget for me is: how much of the state budget comes from the federal parliament? This is something that no-one questions and I get angry.

Mr McARDLE: I will take that question to the panel. Anybody?

QUESTIONER (Inaudible).

Mr CAMPBELL: No, it is 51 per cent. I will just say that when the federal government says they are going to give tax reductions for the rich it means we are getting less here.

Mr McARDLE: Thank you very much. Who has the next question?

Ms CRAWFORD: My name is Mary Crawford and I am a member of the ASPG. Following on from Clem's comment, Begoña, given the state is dependent for half its income on the federal government, looking at the kinds of issues that we are talking about in terms of the state government that you flagged in terms of, say, COVID, Queensland as we know is heavily dependent on tourism, education and some of those other things. Have any figures been done to show the impact of that on Queensland and/or on other states?

Dr DOMINGUEZ: One thing I want to say is that actually Australia has a fantastic database called BLADE. It includes every single business in Australia and, therefore, in Queensland so the data is there. I am not sure that exercise has been done but it is doable. We can do it. There was a data release in February. I had a look at it to see what the situation was. Some of the things that we could see are that, for example, less business are starting up at the moment everywhere in Australia, and in Queensland even less than the rest of Australia. The data is there. It could be done. I understand what you are saying. Related to your comments, many of the fiscal instruments are not chosen at the state level, but there are some instruments that we do have and we could use them to help those who are more hard hit by the pandemic. The data is there; it is available.

Mr STEVENS: My question is to the three presenters, who did a wonderful job this evening. Given that the federal government funds 50 per cent of the Queensland budget and given that almost 50 per cent of the Queensland budget is spent on health and education, which could be handled by a federal government, which would stop the blame game and make one particular level of government responsible for our health failings or education failings, are the states now an anachronism and is it time we should look at the whole constitutional merits? Could I have three comments, please?

Mr McARDLE: We have taken a tangent off to Pluto.

Mr TUNNY: One of the big surprises, in my view, that came out of the pandemic was just how powerful the states actually are under the Constitution. As a former federal Treasury official, I have a strong preference in favour of the federal government. I thought one of the great trends since the end of the war was the increasing power of the federal government and I thought that was for the good of the community. The pandemic has shown us just how powerful the states are and just how much power they have. We have to accept that. I would like to reform it but I think it will just never happen, regrettably.

One thing that would be beneficial is a proposal that unfortunately turned out to be a bit of a thought bubble. Prior to the COAG meeting in 2016, Malcolm Turnbull proposed an idea that came from Malcolm Fraser many years ago, which was that the Commonwealth would surrender part of its income tax powers

and let the states take over and then the states could piggyback on federal income tax and set their own rates in each state and then there could be some competition between the states. That would go some way to addressing that vertical fiscal imbalance. I went on ABC Radio and I was chatting with Steve Austin about that on the morning Turnbull proposed it. I thought, 'This is a great idea.' Unfortunately, it did turn out to be a thought bubble.

QUESTIONER (Inaudible).

Mr TUNNY: Yes, exactly. I do not know what happened. Reading Turnbull's memoirs, it turned out that our Premier was one of the greatest forces of opposition to it. He tells a story about a dinner at the Lodge at which the Premier said, 'Well, we quite like the current situation because we get the credit for spending the money and you get the blame for raising the taxes.' It is a huge problem. I would certainly love to explore options to resolve that, such as the proposal that Turnbull had, which has been around for a while. We have been talking about vertical fiscal imbalance for decades and nothing has really been done to address it in a great way.

Ms NOLAN: I actually agree with Gene, which is not always the case.

QUESTIONER (Inaudible).

Ms NOLAN: Theoretically, yes. My story also relates to the ABC. I do a little segment with Steve Austin every Wednesday afternoon. Last week the exciting issue of how much parliamentarians are paid came up. You can imagine how excited I was to talk about that. I recounted that when I was first elected to the parliament—and, Ray, when you were first elected, too—state MPs had had their pays pegged at \$500 below the level of federal MPs. My counterparty scoffed at this. His argument was that state MPs were not worth a patch of those in the federal parliament. It was a bit rude to say it to me.

The thing is that the states run everything. While it is undoubtedly the case that federal parliamentarians and federal Treasury officials think they are the font of all wisdom, that is all very well until you try to roll out a vaccine or run a health response. Yes, of course on paper our system is a mess and of course there are arguments for better alignment so you do not get this terrible state of vertical fiscal imbalance that tangles our politics up in all sorts of knots. Of course there is an argument for that in theory. However, not by philosophical inclination but by practical experience, I am a real advocate for the expertise of state governments, state parliaments and state parliamentarians because, of course, if you are a federal MP no-one will ever complain to you that they waited too long at the hospital—

QUESTIONER: Don't you believe it!

Ms NOLAN: Yes, perhaps that is right. But if you are a state MP it really is your fault. I think we should not necessarily assume that centralisation is better. The states actually run everything and hold the whole show together. Now really, for the first time in my lengthy experience around Queensland government and politics, that is manifestly evident to all.

Mr PIGGOTT-McKELLAR: I am Chris Piggott-McKellar, one of the ASPG members. I would really like to hone in on the committee system because it is obviously crucial in this. Mr McArdle, you might have some insights too, but this is to all the panel. Is there one thing that you can name that actually would improve committee scrutiny of the budget process? For those with political hats on, it would be great if you could take the political hats off and actually give proper consideration to that.

Ms NOLAN: I will answer with two small anecdotes. Gene is going to say that it would be good if you could ask public servants directly and my anecdote relates to that. I was finance minister in an estimates committee hearing. I was the senior shareholding minister in all the government owned corporations. A question came about the impact of the carbon tax that our friends the Gillard government were introducing at the time. The question was directed to the CEO of one of the energy GOCs. I passed the microphone to him. There was about 30 seconds to go. Having told me something quite different in the lead-up to the hearing, the CEO of this GOC sat there and told the committee that the carbon tax would be their biggest single financial impost and he began to recount all of his very grave concerns about how it would play out. I was honestly hearing it for the first time and it was not what I wanted to hear at that moment. So it is not always the case that public servants are sheltered from scrutiny in estimates hearings.

As I said, I basically think the process is fine. There is all the opportunity in the world. I do not think the process is used as well as it might be and sometimes that is for partisan reasons, for political reasons. Government MPs do not go their hardest against government ministers. However, sometimes that is because there is quite simply a lack of that easily accessible information that I was talking about or a lack of requisite skill.

Mr TUNNY: The fundamental problem, of course, is that we just have the committees that are based on the lower house and the government always—not always, but most of the time—will have a majority and can essentially do what it likes. It would be better if we did have an upper house, but I know that is probably never going to happen. Then you could have a different system of representation, perhaps proportional representation—a Hare-Clark system—which would lead to a more diverse set of legislators. Perhaps we should be looking at reforms to how we elect members to the lower house. We may end up with more diverse parliaments. We may end up with governments that do not have such large majorities.

We had the bizarre situation in 2012 where we had the opposition reduced to less than a cricket team and a triumphant government at the time which essentially was able to prosecute its agenda and, probably to its detriment, was able to do things that ended up being incredibly unpopular. We may well be better off if we reform the way we elect members of parliament, have a more diverse parliament, and that can then flow over to the committee system. That is one thing I would suggest. That is a big-picture change that would be very difficult to implement.

Other than that, we need some sort of agreement between the opposition and the government that it is in the best interests of the public to reform the system, come up with better rules. I would like to think they could work together to do that. Clem, you mentioned your experience and that you felt that people could work together in government on the committees. I would like to see that.

Mr CAMPBELL (Inaudible).

Mr McARDLE: Thanks, Clem. There are a few members of parliament and ex-members of parliament here. Please feel free to add your comments regarding your knowledge of the system.

Mr KRAUSE: This is probably more of a politician's question than for you, Dr Dominguez, so my apologies. I was here in the 55th Parliament, when we had a hung parliament. The committee set-up that is still legislated to this day required all of our portfolio committees to have three members of each nominated by the government and the opposition. There were no casting votes. It meant we had to agree on everything, even the calling for submissions, and we had to agree on the contents of every report. This is my fourth term, and I think that parliament probably represented the highest level of scrutiny of legislation, by a long way, because everyone was invested in the process. That is not the question I wanted to ask about, but I just want to make that point because it goes to some of the other issues raised about representation on the committees but also in the parliament.

A few years ago we had an ASPG conference in Wellington, where the composition of the New Zealand parliament was shown to be one way of putting together proportional representation and constituency based representation but getting pretty much a proportional mix in one chamber—but I digress. The question I wanted to ask members was about a concept I have read about recently. It was about having so-called lay members on committees, either in a voting or non-voting capacity, to assist elected members of parliament in asking the right questions. For example, we might have someone like Mr Gene Tunny, with his economics background, join us on estimates committees to quiz the government about the budget. I just wondered whether each of you might have a few thoughts about that idea, whether you think it would be good or whether it would improve the process overall.

Mr TUNNY: I will just say potentially yes, that would be a terrific idea. I would certainly welcome that opportunity if it is on offer.

Mr KRAUSE: That question was not a set-up, either.

Mr TUNNY: One idea I would float is that someone I work with a lot, Nicholas Gruen—who is an economist in Melbourne and formerly chair of the Australian Centre for Social Innovation Australia—was an adviser during the time of the Keating government. He has this idea of citizens' juries whereby we could take what you are suggesting even further. You can have a body that is of randomly selected citizens. I think it was William Buckley, the noted US conservative commentator, who said—

I would rather be governed by the first 2,000 people in the telephone directory than by the Harvard University faculty.

It is this sort of idea: let's get a random selection of ordinary people and give them a briefing on the issues and let them have a say as to what they think is the best course of action. I think it is absolutely a great idea.

Dr DOMINGUEZ: I am not sure if I understood you correctly. I thought that you were thinking more of some experts.

Mr KRAUSE: Yes, that is right. It was more about getting people with particular expertise in as lay members on a committee.

Dr DOMINGUEZ: I think getting random people in is a good way, because you get different views on things. In the end, many random people are quite intelligent and they are going to bring their own expertise into that, but having a group of experts that you can rely on and get extra information—they may not be making the decisions, but they would be providing you with the evidence so that you know what is happening. I think that is very valuable. I know of other countries that do it, so why are we not doing that? The only thing I have to say is that something like this has to be done quite carefully, because it can go well or it can go really badly. It depends on how people would be appointed to that objectively so that it is not driven by other motives.

Mr KRAUSE: I am not backing the idea; I am just opening it up for discussion.

Ms NOLAN: I like the idea of random people, but I think anyone who has been around the Queensland parliament or who has watched it over a long period of time will understand that members of parliament can be quite random.

This is a slightly different thing, Jon, but Mike Wran had normal people, non-parliamentarians, as members of his cabinet—two, from memory—for quite a significant period of time, and it seemed to work okay. The trouble is that it is fundamentally undemocratic. On one hand, it is this sort of lovely idea that we will be guided by expertise—God knows, I am an advocate for evidence based policy—but the proposition is not that we seek advice from experts; it is that we make them members of the committee. I have a fundamental concern with anything that dilutes the primacy of the parliament. The essential idea is that decisions are made by people who are elected by their communities to do so.

I find myself, as someone who runs a think tank, with people asking me all the time, 'Why aren't decisions just made on the basis of the evidence?' We have seen an argument around that through the pandemic with decisions being essentially devolved to the Chief Health Officer, which kind of makes me think, 'Let's just let the Chief Scientist run climate change policy.' It would probably go better, in my view. But we should never actually dilute the fundamental democratic principle that decisions are made by people who are elected to do so. We should hope that those people will make their decisions on the basis of the evidence. If the public choose to elect people who reject the evidence, as they often do, that is their democratic prerogative. I think that, while it is a lovely idea, we actually have to treat it really cautiously.

Mr McARDLE: Jon, I think the phrase 'it's a lovely idea' condemns your idea to the dustbin.

Mr KRAUSE: As I said, Mark, I was not backing it; I was just opening it up.

QUESTIONER: I have a follow-up point to this idea of the expert panel. I would say that citizen juries are a great idea, but who gets to decide who is an expert? This is such a minefield. In the not-so-distant Queensland past, I can think of a really good example of a Queensland expert panel that was formed under the Newman government to look at red-tape reduction of the liquor and gaming industry. I know this because this is what my PhD research was in. Some may describe that panel as being somewhat stacked. So an expert panel and who gets to be defined as an expert is open to interpretation.

In terms of the accountability of decision-makers and decisions, that is a whole other kettle of fish. I think there are some good ideas there but, in terms of accountability and the role of the expert, that is really uncharted territory, pretty dangerous waters.

Mr McARDLE: Is there any comment from the panellists?

Dr DOMINGUEZ: From my experience, what I have seen in other countries is that they do not have decision-making power, but I completely agree with you. How do you choose who is on the panel? That is the critical question.

Ms MALONE: I would like to draw this out just a little further. Given that Gene and Rachel both mentioned the decline of investigative journalism, is it possible that the way our committees are constituted now and the fact that we have so much information those committees can draw on that they can call expertise—they can grill the Public Service and what kind of expertise has gone into advising the ministers in the first place. Given that all of that is quite publicly available information, is that the best we can do perhaps? We have a committee system and it has those kinds of systems and processes. The thinking behind the policy, the extent to which there has been evidence and the extent to which others disagree with that evidence is all on the public record.

Mr TUNNY: That is a good question. One thing I would say is that it can be very difficult to get the underlying rationale for decisions when the documentation, the contracts, are often labelled commercial-in-confidence. You see that with assistance to the film industry, for example. You just see how difficult it is to get information via right to information.

There are so many exemptions that governments can rely on. There is obviously the cabinet-in-confidence exemption, which I think is abused.

There is just so much information that should be released that would help us assess whether particular measures are in the public interest. For example, there is this \$8 million cost to hold the State of Origin for one night in Townsville, although the government will not tell us whether it was \$8 million or it was less. The government says, 'It will create more economic activity in our view than the cost.' Is that actually how you should work out whether this is in the public interest or not? Where is the cost-benefit analysis from Treasury? What briefings were provided by Treasury? We have no chance of getting that. I could put in a right to information request for that, but I would waste several hundred dollars or whatever it would be. All I would get back would be documents which are heavily redacted—blacked out—or they would say, 'There is actually nothing within your search criteria.' It is an absolute travesty. I think we need to reform that right to information law as a matter of priority.

Ms NOLAN: I cannot disagree with any of that. In a perfect world, information would be widely available and there would be informed and intelligent conversation and measured debate about it, and those two things would go together. To be perfectly frank—and it is hardly a great revelation—the reason governments resist making information public is that generally the information that is sought is sought in order to run a particular political angle and it is just easier for the government if it is not out there. That is obviously not defensible. The two things to some extent go hand in hand.

The additional point I would make is: I do not think we should underestimate the significance of a lower level of media scrutiny of the functioning of our democracy. It has come up a bit tonight, but we always talk about it like it is a side issue and everything else goes on as if it were the same, and it is not. It is a profound and fundamental change in how our whole system of democracy operates. It is not just a media issue; it is also the case that there is a very significant diminution of academic scrutiny on state parliament, let alone local government.

When I studied government at the University of Queensland you could do a subject in local government and there was more than one academic in the department of government who was an expert in local government. The University of Queensland has recently dropped its government of Queensland subject that Paul Reynolds always taught. Now at UQ, the state university, there is very little scrutiny of Australian public administration at all—so nothing on a local level, nothing at a state level and hardly anything at a national level.

The reason this relates to what Gene is saying is that the proposition is that there should be more publicly available information, and obviously you cannot argue against that. However, governments will remain resistant to that idea whilst information is released into an environment that allows for or facilitates less and less informed public discourse. The two things go together. We are seeing the environment for public discourse, at both a media and an academic level, being utterly decimated.

Mr McARDLE: In fact, at the last ASPG executive meeting there was debate about academia and that the scrutiny of politics and politicians in the state had been dire for a long, long time, so it is quite valid.

Mr TANTARI: One thing that I would like to raise in particular is the issue that was raised by Rachel regarding the training of new parliamentarians. I am a new parliamentarian. I have been here seven months. I obviously have a long history in following—

Mr McARDLE: Welcome. Give a round of applause.

Mr TANTARI: Ray already knows what I am like; I am on his committee. I do agree with the comment that was made that a new parliamentarian is thrust into the parliament without—you bring with it your own experiences from your own background, wherever that may be. I like to see a balance of individuals in a parliament. That also perhaps raises the issue of the knowledge that a parliamentarian has of the scrutiny of the bills in parliament and those sorts of things and whether or not there should be enhanced training for parliamentarians when they first come into the parliament.

I absolutely agree—this is more a statement than a question—fundamentally. My personal opinion, based on observation over 30 years of politics at a federal and a state level and also now as a member of parliament, is that I do not believe the committee system is broken here. I do not actually believe it is broken. I know there are frustrations from those who want to be involved in the committee system, but fundamentally I think the system works. At the end of the day, what are we looking at? We have a government that has been elected democratically to run the state and they are being scrutinised by the opposition. Fundamentally, I think the principles of that have shown through our democracy holding up and being what it is today.

The role of parliament in public finance

When we have a dispute about a bill, we do not bash each other in the chamber, we do not throw chairs at each other and we do not go out into the courtyard and shoot each other, so fundamentally our democracy works. Could we tweak the committee system to work better? Maybe, but I think fundamentally at this point it works. At the end of the day what goes around comes around. The opposition will one day become the government and the government then becomes the opposition. It is a working environment that allows fruitful debate but also a process.

There was a question earlier about the expertise of individuals who work in those various areas. The expertise is called the Public Service. The Public Service itself should be hiring people who can give that information to the parliament. I think it is important to realise that there is a Public Service and they are a very important part of the process as well. There should not be a great criticism of them either because, come what may, they are put in a very tough situation a lot of the time, and Rachel and other people who have been in ministerial roles will know the work they do. Fundamentally, they do the right thing most of the time.

From my perspective as a new parliamentarian, I do not think the committee system is broken, but I think there is absolutely a need for new parliamentarians to have a little bit of training early on in their term, whether that be by experts in the field or the Australian Study of Parliament Group. They could come into it as well to provide an understanding in the way parliamentarians should be trained.

In terms of scrutiny of the bills and those sorts of things, particularly the finances, I think you will find that a lot of people who come into the parliament, due to their backgrounds, do not really understand the budget. Rachel's example of the big truckload of books and manuals or whatever it was—the *Erin Brockovich* situation—is absolutely true. Unless you know what you are looking at, you do not really know what you are looking at. It is more of a statement than a question. From my perspective as a new parliamentarian, I do not think the committee system is broken.

Mr McARDLE: We only have time for one more question.

Ms BOLTON: I have a couple of comments and maybe a different take than what has been spoken about. I hear what you are saying about the committee system; you are saying it is not broken. However, it does need tweaking from a crossbench angle. It comes down to the tweaking of the processes. Each estimates I try to attend every single hearing. The discrepancies come about through the differences in chairs. I have had interns now of two years investigating jurisdictions across the world and across Australia and how they are undertaking reforms and what they are doing to improve their systems.

From purely a grassroots angle and I suppose citizen juries—and I would be the type of person who would sit on a citizen jury. We did have one in Noosa, but we do not have time to discuss that. I will give you a simple example. You can take away two weeks of your life and come to a committee hearing. As a crossbencher, if you are given leave to attend and another crossbencher wants to ask a question, you have to give up your time. Depending on the chair, you might be allocated a time, one question or two questions. We are very diverse, so suddenly it drills it down into, 'Who's going to get to ask the question?' You are then not getting that diversity which has been brought about how you can bring that in. I go back to what you said, that it is either the government or the opposition. However, there is a crossbench and that diversity represents a lot of people. In the system now—Rachel, I know you said there is opportunity—there is less opportunity there.

There are little tweaks there. As we have looked at the types of tweaking, I have found it probably ends up being more efficient to write your question and send it in as a question on notice and then drill down when you come to the hearings. I have found that afterwards you have to write the letter anyway.

Mr McARDLE: That brings us to a conclusion tonight. I ask you to thank the panel in the usual manner. I think they were brilliant.