



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

COMMITTEES

Public Accounts and Audit Committee

Report

SPEECH

Wednesday, 16 February 2000

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Speaker Cox, David, MP	Question No.

Mr COX (Kingston) (9.42 am)—There was some suggestion in the course of this inquiry that government enterprises should not be subject to any greater scrutiny or requirements than those prescribed under the Corporations Law. There was also a view that, with the Howard government's ongoing process of privatisation, they are an endangered species and it would not be many years before this subject was rendered irrelevant by the extinction of the Commonwealth government business enterprise species. Indeed, since this inquiry was completed, the number of remaining GBEs has been reduced from 14 to 13 with the sale of ADI.

The Labor Party does not accept that all existing GBEs will be sold or indeed that a future government will not occasionally have good reason to create new ones. The significance of some of the GBEs which remain, particularly Telstra and Australia Post, makes issues which go to their good management and accountability critical to both their financial performance and the delivery of community service obligations. If a partially privatised entity like Telstra finds itself in a schizophrenic situation, with private sector shareholders and a parliament interested in scrutinising its activities on account of not only its interest in the delivery of its services to the community but also its accountability to the Commonwealth as a majority shareholder, then that requires processes which are for the parliament to determine in a disciplined way and are not something to be left to Telstra. Indeed, on the day Telstra suggested to the committee that it should not be subject to any parliamentary scrutiny, the Commonwealth shares had a market value of \$65 billion.

The disciplined process to managing the Commonwealth's control of its GBEs began in October 1987 with the publication by the Labor government of the white paper policy guidelines for Commonwealth statutory authorities and government business enterprises. I am pleased to say, as the former senior private secretary to the minister for finance who was responsible for that white paper, that, on the basis of the report we are tabling today, the principles contained in that white paper stand up very well. I will go through the recommendations of this report in order, leaving the discussion of the recommendations on the applicability of administrative law to my colleague the member for Lalor.

The committee proposes some clarification of the responsibilities of shareholder ministers and ministers responsible for GBEs under enabling legislation. Put simply, the perceived conflict between shareholder and operational issues can be resolved by making the Minister for Finance and Administration the single shareholder while making the relevant portfolio minister responsible for the powers of direction under the GBE enabling legislation. In reality, any significant conflict between these two ministers' positions on a major issue would be likely to be settled by cabinet.

The 1987 white paper proposed that all GBEs be subject to a power of ministerial direction. This report recommends that, for reasons of transparency, where it is not already a requirement, any use of that power be in writing and be tabled in parliament within 15 days. To improve the quality of GBE boards, there should be appropriate induction, education and training programs, and board members should be subject to confidential board and director performance appraisal. Since one of the principal functions of boards is to manage risk within the organisation, board members should be both capable of doing this and, in the first instance, be in a better position to do it than portfolio departments maintaining a watching brief. GBE audit committees should be given specific responsibilities in this area.

Appearing before committees of the parliament was something that some GBEs, particularly Telstra, wanted to avoid. The committee found that the real cost of this process to the organisation is insignificant and that it should continue. However, in a competitive environment issues will arise that a GBE will want to keep confidential for commercial reasons. With care, these issues should be capable of being handled without compromising either the principles of parliamentary accountability or the GBE's commercial interests. The committee has therefore recommended that the Minister for Finance and Administration, who is the proposed shareholder minister, draw up an appropriate set of draft guidelines for the scrutiny by parliamentary committees of commercially confidential issues and that these be submitted to the Joint Committee of Public Accounts and Audit for its approval.