

SGI Sustainable
Governance
Indicators

2014 Australia Report

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Executive Summary

Australia today remains, broadly speaking, a well-functioning democracy. The review period has seen Australia's first minority government in 70 years, and the Australian system of government has coped well. Indeed, the government has been relatively successful in implementing its policy agenda over this period – albeit while being spectacularly unpopular with the electorate. Perhaps the most significant policy development in the review period has been the creation of the National Disability Insurance Scheme, a scheme that will provide individualized care and support to people with profound and severe disabilities. The new scheme will primarily be financed by a 0.5% increase (from 1.5% to 2.0% of taxable income) in the compulsory Medicare scheme. Other important policy developments in the period include the introduction of a carbon tax, an intergovernmental agreement on hospital funding, bolstering the sustainability of the retirement income system by commencing increases in minimum private pension contribution rates and raising the age of eligibility for the public pension to 67, and moves toward increasing the level and improving the targeting of school funding.

The review period has also seen a continuation of relatively stable economic conditions, a further rise in living standards, and the maintenance of a society with a high level of social cohesion and inclusion, as well as reasonable levels of equality of opportunity and an open labor market. The strong performance of the economy over recent decades has helped strengthen the political system. However, the downturn in commodity prices in 2008, and their failure to recover to their pre-2008 levels since, has put the political system under some pressure. Although living standards have continued to rise moderately over the review period, Australian citizens have failed to acknowledge that their natural resources are finite and the property boom will eventually come to an end. Moreover, Julia Gillard's Labor government has not been addressing the structural weaknesses of the Australian economy, which will leave the country insufficiently prepared in the event of a sharp drop of export income or a severe decline of property prices.

While current economic, social and other indicators continue to be relatively good in Australia, there is, however, considerable room for improvement in

governance. Persistent problems remain, such as those deriving from the vertical fiscal imbalance between the federal, state and territory governments; the absence of constitutionally or even legislatively protected human rights; politicization of the public service and concentration of media ownership. However, the Labor government elected in 2007 continued to make some progress in improving governance and governance sustainability during the review period, most notably by negotiating several long-term agreements with the states and territories that included significant reforms to federal and state government relations. Further reforms of Freedom of Information laws also took effect in the review period, increasing the requirements on government departments and agencies to publish information. Moreover, some small steps were taken towards the creation of more comprehensive and coherent human rights legislation. More broadly, the Labor government began with an ambitious agenda, and a number of the new initiatives introduced in its first term in office began coming to fruition during the review period. Nonetheless, there were also failed attempts at policy reforms, such as the Media Diversity Bill 2013; and there were areas of deficiency in governance, such as regulatory impact assessments, where no attempt to rectify them was made in the review period.

Key Challenges

Australia faces a number of major strategic challenges in future years. Probably the most pressing, and politically painful, is the “structural fiscal deficit,” an issue that has come to public prominence in the last few years. The deficit is estimated to be as much as 4% of GDP by 2023, indicating that a tax increase and/or a decrease in expenditures will be required in coming years if fiscal policy is to remain balanced over the business cycle. The current government’s commitment to create programs in disability care and school education support, which would require major new expenditures, has only acted to increase the urgency of the problem. Meanwhile, Australia is in need of significant public investment to bring its infrastructure to a level comparable to other advanced economies. While Australia continues to have a low level of public debt, the increasingly visible consequence of the expenditure reductions of the past is inadequate roads, ports and railroads. Yet the “structural fiscal deficit” impedes big new spending programs on infrastructure.

Other strategic challenges are more perennial. Closely related to the structural deficit is managing the implications of the aging population, although arguably,

existing policies have better prepared Australia for this demographic shift than most other developed countries. More problematic are the inefficiencies inherent in the federal system of government, with division of federal and state responsibilities and the vertical fiscal imbalance, which complicates policy development in a multitude of areas. The need to secure agreement with the states on most major issues of shared concern – notably, water, health, education and transport infrastructure – has proved difficult for governments of all complexions. The federal Labor government was at least as proactive in addressing this issue as any past government, but found progress difficult. So-called “cooperative federalism” was supposed to overcome entrenched, parochial interests, but it has proven to be an inadequate approach to facilitating reform on some of the most contentious issues. Policies designed, for example, to achieve more efficient use of water and also ensure a fairer allocation of water rights have so far eluded successive governments, and the issue of water security remains a prominent and immediate issue. Australia’s failure to address the water issue reflects problems in the federal system.

The tax system also remains complex and loaded with inefficiencies. The Henry tax review produced 138 recommendations for improvements, but to date the government’s response has been very meek, and it has only adopted a few of the recommendations. It is an open question whether the political will exists to push through the radical measures required to reform the system. Other long-standing deficiencies that should be priorities for reform include diversification of media ownership; improving regulatory impact assessments by expanding their scope and application; increasing public consultation and transparency, and conducting consultation prior to the relevant policy decisions; and introducing a bill of human rights.

Finally, the plight of indigenous Australians continues to be the most serious social failure of policymakers in Australia. There have been numerous policy initiatives over recent decades seeking to address the appalling outcomes experienced by indigenous people, the most recent occurring under the slogan of “Closing the Gap” between Indigenous Australians and the general population, but there is little evidence of substantive progress. Remedying this must remain a priority over coming years.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 5

While Australia's economy has grown remarkably in the last two decades, economic policy has failed to prepare the economy for the 21st century. Australia continues to be extremely dependent on the export of natural resources, and the end of the long boom in resource extraction will most likely result in a hard landing for the Australian economy. In contrast to other natural resource-dependent economies, such as Norway, Australia has not created a future fund to cushion the impact of a downturn of commodity prices.

In fact, between May 2011 and May 2013, economic performance has been hindered by a decline in commodity prices (which nonetheless remain high by historical standards) and a weaker Australian dollar. A lack of further microeconomic and tax reforms over the last decade has also potentially contributed to the recent slowdown in economic and employment growth.

Economic policy changes over the review period included the introduction of a carbon tax of \$23/ton in July 2012, the introduction of the National Disability Insurance Scheme and a major increase in school funding, though the latter two have yet to take effect as of the end of the review period.

The main barrier to integrated economic policy is the federal structure of government, and the duplication of many services and regulatory functions between the federal government and the governments of the six states and two territories. The federal system of government has, for example, proved to be a particular barrier in achieving effective management of water resources, and federalism has also proved to be a barrier in achieving cooperation across the jurisdictions. As a result, reform of many of the social services, most notably health and education, has reached an impasse. The core of the problem is the

lack of any revenue-raising powers among the states, which are dependent on block grants from the federal government. However, the Labor government has had some success in recent years addressing this problem. Namely, it signed health funding agreements with all jurisdictions other than Western Australia in 2011 and reached in-principle agreement on reforms to education funding with several states and territories in early 2013.

Labor Markets

Labor Market Policy
Score: 8

In the period up until late 2008, and again from mid-2009 on, Australia experienced declining unemployment and increasing employment growth. However, beginning in May 2011, unemployment edged higher, the trend rate rising from 5% in May 2011 to 5.5% in April 2013.

While a series of reforms were implemented over the 1990s and 2000s with the aim to improve flexibility and remove barriers to employment, no significant changes to industrial relations legislation occurred in the review period. The Fair Work Amendment Bill 2013 is currently before Parliament, but proposes only relatively minor changes, primarily in relation to rights to parental leave.

There have also been few changes to labor market policies focused on the supply side of the market over the review period. The main change was the transfer, starting 1 January 2013, of lone parents from Parenting Payment to the unemployment benefit if the youngest child is aged over 8. The unemployment benefit has a lower level of payment, a less generous earnings allowance, and more stringent requirements for active job search.

A recurring theme of commentary of the Australian labor market in recent years has been so-called skills shortages. One response to the perceived shortages in skilled labor has been to allow more skilled immigrants to enter the country on temporary “457” visas. The number of 457 visas issued expanded considerably over the review period: in the nine months before 31 March 2013, 95,700 new visas were issued, compared with approximately 68,000 three years before. However, in April 2013 the federal government announced a clampdown on the visas, claiming there was evidence of widespread misuse of the program by employers using the scheme to obtain cheap labor. The nature of the clampdown had not been revealed as of the end of the review period.

Citation:

Department of Immigration and Citizenship Subclass 457 – Temporary Work (Skilled) Visa Statistics: <http://www.immi.gov.au/media/statistics/statistical-info/temp-entrants/subclass-457.htm>

Tax Policy
Score: 7

Taxes

At a broad level, the tax system achieves a reasonably high degree of horizontal equity, with income generally taxed at the same rate irrespective of the source of the income. The main exception arises in respect of capital gains taxation, where the family home is exempt from taxation and a 50% discount is applied to capital gains on other assets held at least one year. However, the rationale for the discount is that it is in lieu of adjusting for inflation. The income tax system is moderately progressive and, while it became less progressive over 15 years, until 2008, there was no significant change in income tax rates over the review period. The introduction of a broad-based consumption tax in 2000 decreased the progressivity of the tax system, but there was likewise no change in this tax over the review period.

Concerning efficiency, in 2008 the newly elected Labor government established a committee, chaired by Secretary to the Treasury Ken Henry, to review Australia's tax and transfer system and make recommendations to improve its functioning. The committee found that, in broad terms, the tax system functions well and does not unduly impede economic growth. Nonetheless, a number of inefficient and inequitable aspects of the existing tax system were identified, and the committee made 138 recommendations for changes. The government has yet to adopt more than a few of the recommendations, however.

With regard to sufficient inflow of tax revenue, for several decades the federal government has on average raised sufficient revenue from taxation to meet expenditure commitments. However, as outlined in detail in "sustainable budgets," concerns have arisen in the review period that the federal government faces a structural deficit that will require difficult fiscal decisions in the near future, most likely involving a combination of reductions in spending and tax increases. Moreover, there is a long-standing concern about the fiscal sustainability of state and territory governments, which have very limited capacities for raising revenue. Growth in health and education expenditure demands on the states and territories have in particular outpaced revenue growth. During the course of the review period, the federal Labor government has moved to help address the growing shortfall in state and territory health and education budgets, but the underlying inadequacy of self-generated taxation revenue remains.

Citation:

Peter Whiteford, 'Australia: Inequality and Prosperity and Their Impacts in a Radical Welfare State' Crawford School of Public Policy, Australian National University, March 2013: https://crawford.anu.edu.au/public_policy_community/content/doc/Australia_Inequality-and-Prosperity_final-15-March-13.pdf

Australia's Future Tax System, Report to the Treasurer. Canberra: Commonwealth Government, 2009. Available from <http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/home.htm>.

Budgets

Budgetary Policy
Score: 7

Fiscal sustainability has become a significant issue in Australia over the review period. The high commodity prices of the early to mid-2000s generated large increases in government revenue, to a significant extent deriving from corporate tax revenue. Much of the additional revenue was spent on income tax cuts and increases in family benefits and several other entitlement programs. Corporate tax revenue has not recovered from the 2008 – 2009 economic downturn, and towards the end of 2012 the federal government had to abandon its planned return to a fiscal surplus in the 2012 – 2013 financial year, after four successive years of deficits. Before the global financial crisis, Australia's budgetary policy showed that fiscal prudence and significant economic growth do not exclude each other. The major drawback of the sound fiscal policy has been a lack of investment in infrastructure. Net federal government debt has risen from 1.5% of GDP to 24.1% of GDP in 2011– 2012. While the fiscal position is still relatively healthy, several leading analysts have expressed the view that Australia now has a "structural deficit," meaning that, averaged over the business cycle, existing revenue streams will not be adequate to meet ongoing expenditure needs given the current tax rates and expenditure levels. The reasoning is that commodity prices will not return to pre-2008 levels, and expenditure demands are projected to increase over coming years, in part because of population aging. The fiscal forecast has not been helped by the government's announcement of several new, largely unfunded, programs in education and health.

Citation:

Australian Government Treasury historical budget and net worth data: http://www.budget.gov.au/2012-13/content/overview/html/overview_44.htm

John Daley, 'Budget pressures on Australian governments', Grattan Institute, April 2013: http://grattan.edu.au/static/files/assets/ff6f7fe2/187_budget_pressure_s_report.pdf

Research and Innovation

R&I Policy
Score: 5

Successive governments have sought to introduce policies at various times to encourage innovation and to increase investment in business and industry. The 2008 report, “Venturous Australia – Building Strength in Innovation,” recommended measures to increase human capital, enhance intellectual property rights and increase innovation in government. It also advocated the introduction of more comprehensive tax incentives to encourage greater investment in innovation. The Australian government responded to the report in May 2009 with “Powering Ideas; an Innovation Agenda for the 21st Century,” in which it committed itself to a 10-year plan to build a stronger national innovation system. This undertaking involved the setting of seven national priorities on improving skills and expanding research capacity. The National Innovation Priorities were to complement Australia’s National Research Priorities, which were focused on public sector research. For six of the seven National Innovation Priorities, specific targets were set and progress against these targets has been reported in each year since 2010 in the “Australian Innovation System Review.”

However, despite the appearance of considerable policy emphasis on supporting technological innovations, in practice changes to the policy environment have been minimal and public funding to foster innovation has not discernibly increased, and may in fact have declined.

Citation:

Australian Government, ‘Powering Ideas: An Innovation Agenda for the 21st Century’, 12 May 2009: <http://www.innovation.gov.au/innovation/policy/pages/PoweringIdeas.aspx>

Australian Government Department of Industry, Innovation, Science, Research and Tertiary Education, ‘Australian Innovation system Report 2012’: <http://www.innovation.gov.au/Innovation/Policy/AustralianInnovationSystemReport/AISR2012/index.html>

Global Financial System

Stabilizing Global
Financial Markets
Score: 7

After the financial crisis of 1989 – 1990, Australia successfully improved its national financial regulations. Prudential supervision of Australian banks and other financial institutions is now of high quality. Indeed, reflecting its strong regulations, no Australian bank experienced substantial financial difficulties throughout the financial crises that began in 2008. As a globally oriented country with a high degree of international economic integration, including financial market integration, Australia has a strong interest in promoting a stable, efficient and transparent international financial system. Australia

displays a strong commitment to preventing criminal financial activities, including tax evasion, and to that end the government has information sharing arrangements with a number of other countries. However, Australia is a relatively small player in international finance and has a limited ability to shape the regulatory process within multilateral institutions.

II. Social Policies

Education

Education Policy
Score: 7

The quality of Australia's education system is variable, tending to be higher in non-government schools and in major metropolitan regions. Overall the high school completion rate is currently around 80%, with all state and territory governments currently having a target of a 90% completion rate by 2015. However, Australia spends only one-fifth of the OECD-average on preschools and the country has been falling down the PISA rankings among countries in its region. Concerns about deterioration in educational standards and outcomes over time has provided an impetus for a strong policy focus since 2007 on early childhood, primary and secondary schooling. The most important development in the review period was a commitment to implement the recommendations of the "Review of Funding for Schooling" (a.k.a. "the Gonski Review," named after the chairman of the committee that wrote the report), the final report of which was released in December 2011. The Gonski Review made 41 recommendations on the funding of schools in Australia. Implementation of the recommendations would entail a major injection of new funding with a strong emphasis on directing resources to where they are needed most. To date, only a few of the states and territories have indicated they will sign up to the new funding agreement, but most jurisdictions are likely to ultimately come onboard. The Labor government initiatives are likely to bring about some improvements in quality, but it is too early to discern significant effects as of the end of the review period, even for those programs introduced in 2008.

With regard to equity, implementation of the Gonski Review recommendations is likely to bring about some improvements. However, the continued high level of government subsidies to non-government schools means inequity in schooling outcomes continues to be high. The level of private funding in Australia is significantly higher than the OECD-average. Less affluent parents cannot afford to send their children to private schools, which creates inequality.

In the higher education sector, the Higher Education Contribution Scheme (HECS, introduced in 1989) continues to be an important mechanism for equitably and sustainably funding higher education. The scheme has increased the extent to which students bear the cost of their education without diminishing access to higher education for students from poor families. On election to office (2007), the current Labor government abolished all full-fee undergraduate courses at public universities for Australian students, and at the same time removed caps on HECS-funded places. This has helped facilitate a sizeable expansion of the higher education sector.

Finally, with regard to efficiency, there is much room for improvement. Australia's educational system is complex, with shared responsibilities between the states and the Commonwealth, and with funding coming mainly from the Commonwealth, which contributes to inefficiencies. Federal funding for vocational education and training is very limited. State and territory governments are highly revenue-constrained, and as a consequence the sector is relatively poorly funded. There have been proposals to create a HECS scheme for vocational training, but to date no progress has been made. Questions have also been raised about the cost-effectiveness of the new funding resulting from the Gonski Review, although the lack of policy detail at this stage makes it difficult to assess. The higher education sector is generally efficient and universities have had to be quite entrepreneurial in order to prosper, aggressively marketing to international students and pursuing independent sources of research funds.

Citation:

David Gonski, 'Final Report of the Review of Funding for Schooling', December 2011: http://www.betterschools.gov.au/rev_iew

Moshe Justman and Chris Ryan, 'What's Wrong with the Gonski Report: Funding Reform and Student Achievement?', Policy Brief No. 2/13, Melbourne Institute, The University of Melbourne, April 2013: http://www.melbourneinstitute.com/d_ownloads/policy_briefs_series/pb201_3n02.pdf

Social Inclusion

Social Inclusion
Policy
Score: 6

Australia continues to have a mixed record of social inclusion. The indigenous population continues to be largely excluded from Australian society, and the gap between rich and poor is big and widening. Successive governments have made considerable efforts to promote social policies that reduce social exclusion caused by poverty and to promote the principle of equal opportunity. However, promoting social inclusion did not become an explicit policy goal at the federal level until the election of the Labor government in 2007. At that time, the government created a Social Inclusion Unit (SIU) within the

Department of Prime Minister and Cabinet that reports to the deputy prime minister. While the social inclusion agenda has produced few tangible improvements in social inclusion, its impact on raising awareness of the issue in policy domains of the federal government has been substantial. For example, in developing welfare, employment and housing policies, it is clear that social inclusion metrics developed by the SIU have helped inform policy settings.

Perhaps the most significant policy development for promotion of social inclusion in the review period has been the creation of the National Disability Insurance Scheme, an enormously expensive scheme that will, once running, provide individualized and demand-driven care and support to people with profound and severe disabilities. Also, to its credit, Australia is very successfully providing employment opportunities for elder citizens.

Citation:

Australian Social Inclusion Board, 'Social Inclusion in Australia: How Australia is Faring', 2012: http://www.socialinclusion.gov.au/sites/www.socialinclusion.gov.au/files/publications/pdf/HAIIF_report_final.pdf

Health

Health Policy
Score: 8

The Australian health care system is a complex mix of public sector and private-sector health care provision and funding. Correspondingly, its performance on quality, inclusiveness and cost efficiency varies across the board. The federal government directly funds health care through three schemes: Medicare, which subsidizes services provided by doctors; the Pharmaceutical Benefits Scheme (PBS), which subsidizes prescription medications; and a 30% private health insurance subsidy. Medicare is the most important pillar in delivering affordable health care to the entire population, but it has design features that decrease efficiency and do not promote equity of access. For example, the level of the subsidy is generally not contingent on the price charged by the doctor. The PBS is perhaps the most successful pillar of health care policy in Australia, granting the Australian community access to medications at a low unit cost.

Quality of medical care in Australia is in general of a high standard, reflecting a highly skilled workforce and a strong tradition of rigorous and high-quality doctor training in public hospitals. However, a number of medical procedures are difficult to access for persons without private health insurance. In particular, waiting periods for non-emergency operations in public hospitals can be many years. Public funding of dental care is also very limited and

private dental care can be prohibitively expensive for low-income persons without private health insurance. Consequently, dental health care for low-income groups is poor.

Regarding inclusiveness, significant inequality persists in access to some medical services, such as non-emergency surgery and dental care. Indigenous health outcomes are particularly poor. In 2012, the federal government announced a dental scheme aimed at addressing inequity in access to dental care. Commencing in 2014, the scheme will deliver subsidized dental care for most children and low-income adults. Lack of access to non-emergency surgery reflects, to a significant extent, the funding constraints of the states and territories, which are responsible for funding public hospitals. This was a significant motivation behind the 2011 National Health Reform Agreement, which was signed by all members of the Council of Australian Governments (the forum for cooperative action by the Commonwealth, state and territory governments) except Western Australia. The agreement sets out structural reforms to the health system, and seeks to provide for more sustainable funding arrangements for Australia's health system. Key features of the agreement include additional federal funding for hospitals from 2014 – 2015 to 2019 – 2020 and for non-emergency surgery from 2009 – 2010 to 2015 – 2016; establishment of an Independent Hospital Pricing Authority to set a national efficient price for hospital services and a National Health Performance Authority to monitor and report on hospital performance; and the establishment of “Medicare Locals” nationally to coordinate and integrate primary care.

Finally, concerning cost-effectiveness, the health care system is a complex mixture of public and private funding and provision which is rife with inefficiency and wrong incentives. Total health care expenditure is relatively low, but as is the case in most developed countries, the government faces significant challenges due to rising costs from an aging population and development of new diagnostic tools and treatments. Indeed, rising costs underpinned the 2011 National Health Reform Agreement, which seeks to both increase funds available to the hospital system and improve the effectiveness with which hospital resources are deployed.

Citation:

National Health Reform Agreement 2011

Families

Family Policy
Score: 7

Since the Labor government was elected in November 2007, there has been a somewhat greater emphasis on promoting employment of mothers, mainly via an increase in child care subsidies. Part-time employment nonetheless remains the dominant form of employment for women with dependent children, whether partnered or single.

A government-funded paid parental leave (PPL) scheme was introduced on 1 January 2011. Under the scheme, a primary caregiver parent who was employed at least 10 of the 13 months prior to the birth of the child is entitled to 18 weeks leave, paid at the rate of the national minimum wage (6.40 per week) as of the end of the review period).The government argues the PPL scheme promotes employment participation of women and improves the care of young children. An inquiry by the government in 2007 found that around 54% of female employees and 50% of male employees had access to some form of PPL. The government scheme will considerably expand access to PPL.

Welfare policy has increasingly encouraged or compelled mothers who are welfare recipients to take up employment. Starting in July 2006, new single-parent recipients were transferred to the unemployment benefit once the youngest child reached 8 years of age. In January 2013, this policy was applied to all recipients of Parenting Payment irrespective of when they began receiving it; in the case of partnered recipients of Parenting Payment, transfer to the unemployment benefit occurs once the youngest child reaches 6 years of age. With unemployment benefits, single parents receive a lower level of benefits and are required to seek employment of at least 15 hours per week.

Pensions

Pension Policy
Score: 9

Australia has two explicit pension systems, the public Age Pension and private employment-related pensions. The Age Pension is funded from general taxation revenue, and because it is means-tested, it effectively acts as a social safety net to reduce poverty. However, the negative consequence of the means tests is that pensioners tend to be either affluent or relatively poor. Currently, the Age Pension is still the dominant source of income for retirees, but over time the balance will shift to the private pension system, which was only introduced on a wide scale in 1992, and has only had the current minimum 9% contribution rate since 2002. The aging population has increased the anticipated pressures on the pension and in response, in the 2009 – 2010 budget, the

government indicated that it would progressively increase the age of eligibility for the Age Pension from 65 to 67 years by July 2023. The mean-tested element of the pension was also tightened for unearned income, but for employment earnings it was relaxed to encourage employment participation of retirees. The pension rate was also increased for single pensioners, for whom the pension was increased from 25% to 27.7% of average male earnings. A new pensioner cost of living index was also announced to preserve the real value of the age pension.

In terms of intergenerational inequity, the gradual nature of the shift since 1992 from a pay-as-you-go public pension towards a private pension system supplemented by a public pension has meant that relatively little inequity has resulted between generations. As reliance on private pensions grows over time, intergenerational equity will continue to improve.

Lastly, concerning the fiscal sustainability of the pension system, the changes to the Age Pension announced in 2009 and 2010 had the effect of giving more money to fewer people, thus simultaneously enhancing the financial sustainability of the pension while improving its ability to prevent poverty. While reliance on the Age Pension will continue to be high for many years into the future, in broad terms the pension system is highly sustainable, with private pensions increasingly taking on more of the financial burden. This trend is expected to continue with a further increase in the minimum rate of pension contribution, which will gradually rise by 0.25% per year from July 2013 to July 2019, when it will reach 12%. Overall, the government has demonstrated a sustainable outlook on retirement income, encouraging employer and voluntary pension arrangements in order to minimize the costs to the taxpayer.

Integration

Integration Policy
Score: 8

Relative to its population size, Australia has maintained one of the largest immigration programs of any established democracy in the post-World War II era. Over one-fifth of the population is foreign-born. Successful integration of immigrants has therefore been a policy priority for much of Australia's history. In general, Australia has and continues to be highly successful in integrating immigrants. Increasingly, the most important contributor to this success has been a highly selective immigration policy. Migrants are selected on the basis of their skills and English language ability, and a growing share of immigrants arrive with these skills. Post migration, explicit integration efforts primarily consist of encouraging immigrants to apply for citizenship, although in 2007

Australian residency requirements increased from two to four years before immigrants are eligible to apply for citizenship. A citizenship test was also introduced in 2007 in which potential citizens have to demonstrate a basic understanding of Australian society, politics and culture, and display basic English language skills.

Despite Australia's relatively open immigration policy, a concern in recent years has been the large number of asylum seekers who have arrived, usually on boats from Southeast Asia. Mandatory detention was introduced for asylum seekers in the 1990s, and extended in 2001 such that detainees were excluded from the mainland, where they had certain legal rights of appeal. The incoming Labor government in 2007 initially abolished this so-called "Pacific Solution," but in August 2012, offshore processing of asylum seekers was reinstated. During the 2013 election campaign, both Labor and the Coalition, a formal alliance of center-right parties, promised to go tough on illegal migrants.

Concern has also arisen in the review period about the large number of temporary skilled immigrants. Historically, immigration in Australia has been conceived as permanent resettlement, and the phenomenon of large numbers of temporary immigrants is relatively new. Upward of 100,000 temporary skilled immigration visas are now issued annually. By its nature, the temporary immigration program is not geared towards long-term integration of immigrants, creating some potential for breakdown in social cohesion. Moreover, the government has claimed that employers are inappropriately using the scheme to obtain labor more cheaply, rather than to obtain skilled workers not otherwise available in Australia, undermining employment and wages of Australians. This policy concern may lead to a reduction in the number of temporary immigrants, at least in the short-term.

Safe Living

Safe Living
Conditions
Score: 8

Internal security is largely the responsibility of the states and there is correspondingly some variation in policies and outcomes across the states. While crime is widely regarded as a significant economic and social problem, in most states crime rates are in fact relatively low. As for coordination between various policing, enforcement and intelligence-gathering authorities, it is generally satisfactory.

Australia has not experienced a significant act of terrorism in recent decades. There have been several failed plots involving Islamic extremists, most notably an attempt to bomb a major sporting event, and an attempt to storm a military

base with automatic weapons. All resulted in long prison sentences for the defendants.

Responsibility for internal security rests with the Australian Federal Police and the Australian Security Intelligence Organization; the latter has no powers of arrest and relies on the police for support. Both rely on the criminal law for prosecutions, as well as on the Anti-Terrorism Act 2005, the last piece of legislation to be passed to combat terrorism. International organized crime that is not terrorism-related is investigated by the Australian Crime Commission, which was established by the Australian Crime Commission Act 2003, which amalgamated several bodies with similar remits.

Global Inequalities

Global Social Policy
Score: 7

Australia plays a leading role in the region in promoting economic development and poverty alleviation in less developed countries, particularly in the Pacific. Australia is also a strong advocate of trade liberalization, especially in relation to agricultural products, which is critically important to economic development in most developing countries.

Due to its status as a middle power, Australia lacks leverage on some issues. It has been unable to provide a major impetus to further develop the multilateral trading system, for example.

III. Environmental Policies

Environment

Environmental
Policy
Score: 5

Australia's economy is based to a considerable extent on the exploitation of natural resources and on a resource-intensive mode of agricultural production and exportation. Therefore, the trade-off between environmental concerns and economic growth is a hot issue in politics and a topic of great public debate.

Environmental policy at the federal level is the responsibility of the Department of the Environment, Water, Heritage and the Arts, established in 2007. The department has the responsibility for the conservation of the environment, as well as the responsibility for protecting Australian territory in the Antarctic.

There are also parallel departments and agencies in all of the states and territories with similar environmental policy responsibilities within their own jurisdictions. Environmental policy in Australia has focused very much in recent years on climate change and water security. However, Australia continues to promote a lifestyle that is not sustainable. Energy consumption is generally high and, despite great potential for solar and wind energy, the contribution of renewable energy to the grid has declined since the 1970s, an exception in the OECD. Furthermore, since 1971, CO₂ emissions have almost tripled in Australia, again one of the worst performances in the OECD.

Australia has, however, taken positive steps with respect to climate change. In 2007, the government established a federal Department of Climate Change charged specifically with mitigating the effects of climate change. In December 2008, the government proposed legislation to introduce a Carbon Pollution Reduction Scheme, a cap and trade system, but the bill was defeated in the upper house, the Senate, in December 2009. However, following the 2010 election, legislation was passed to introduce a carbon tax of \$23 per ton. The tax took effect in July 2012 and Australia will transition to an emissions trading scheme in July 2015. During the 2013 election campaign, the carbon tax became a major issue, with the Coalition promising to abolish the tax.

Concerning the country's scarce water resources, restrictions on urban water use are common and several states have built desalination plants in recent years. There has been a great deal of policy attention on achieving more sustainable and efficient agricultural use of water in the Murray-Darling Basin, the predominant source of water for agriculture in Australia. However, satisfactory resolution of differences between the four states affected has not been achieved to date.

The Australian, state and territory governments are all signatories to the 1992 National Forest Policy Statement (NFPS). The NFPS provides the framework within which the governments work cooperatively to achieve sustainable management of Australia's forests. In addition, in November 2012 the Australian Parliament passed the Illegal Logging Prohibition Act 2012, which makes it a crime to import illegally logged timber into the Australian market and to process timber that has been illegally harvested in Australia.

Finally, biodiversity decline is a significant concern in Australia, with considerable evidence of acceleration in decline in recent decades. In response to this concern, in October 2010, the Australian government released "Australia's Biodiversity Conservation Strategy 2010 –2030," a report that

provides the guiding framework for conserving Australia's biodiversity over that period. Various policies to address the decline in biodiversity have been implemented, though more action is required.

Citation:

Australian Natural Resource Management Ministerial Council, 'Australia's Biodiversity Conservation Strategy 2010–2030', 2010: <http://www.environment.gov.au/biodiversity/publications/strategy-2010-30/pubs/biodiversity-strategy-2010.pdf>

Global Environmental Protection

Global
Environmental
Policy
Score: 6

Under John Howard's leadership (1996 – 2007), the Australian government rejected attempts to improve global environmental protection. Since then, there has been more support for such policies, helped by the strong position of the Green Party in the Senate. However, many Australian citizens have very limited sympathy for internationally negotiated projects that would raise the cost of energy to reduce CO2 emissions. During the 2013 election campaign, the carbon tax became a major issue, with the Coalition promising to abolish the tax. While this is a domestic issue, the strong anti-carbon tax posture of the Coalition indicates the Liberal Party and its coalition partner are, compared to the previous Labor Party government, much less enthusiastic about participating in a global environmental protection regime.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 10

The Australian Electoral Commission (AEC) is an independent statutory authority that oversees the registration of candidates and parties according to the registration provisions of Part XI of the Commonwealth Electoral Act. The AEC is accountable for the conduct of elections to a cross-party parliamentary committee, the Joint Standing Committee on Electoral Matters (JSCEM). JSCEM inquires into and reports on any issues relating to electoral laws and practices and their administration.

There are no significant barriers to registration for any potential candidate or party. A party requires a minimum of 500 members who are on the electoral roll. A candidate for a federal election must be an Australian citizen, at least 18 years old and must not be serving a prison sentence of 12 months or more, or be an undischarged bankrupt or insolvent.

There have been no changes to the laws relating to candidacy procedures in the period under review, and the process remains open, transparent and in line with international best practices.

Media Access
Score: 8

There are no explicit barriers restricting access to the media for any political party or candidate. The media is generally independent, and highly activist. Furthermore, the public broadcasters – the Australian Broadcasting Commission (ABC) and the Special Broadcasting Service (SBS) – are required under the Australian Broadcasting Act to provide balanced coverage. In practice, the two dominant parties attract most coverage and it is somewhat difficult for minor parties to obtain media coverage. For example, the ABC has a practice of providing free air time to each of the two main parties (Labor and the Liberal-National Coalition) during the election campaign, a service not extended to other political parties. Therefore, new political movements and diverging political positions are not receiving much coverage in the established media. Print media is highly concentrated and biased towards the established parties.

In terms of advertising, there are no restrictions on expenditures by candidates or parties, although no advertising is permitted in the three days up to and including polling day. Inequity in access to the media through advertising does arguably arise, as the governing party has the capacity to run advertising campaigns that nominally serve to provide information to the public about government policies and programs, but which are in fact primarily conducted to advance the electoral interests of the governing party. On its election to government in 2007, the Labor Party moved to curtail such advertising, but concerns over inappropriate advertising at both the state and federal levels persist.

Voting and
Registrations Rights
Score: 10

No changes to voting rights occurred in the review period. Registration on the electoral roll and voting are compulsory for all Australian citizens aged 18 years and over, although compliance is somewhat less than 100%, particularly among young people.

Immigrants without citizenship and prisoners serving terms of three years or more are not entitled to vote in federal elections.

Party Financing
Score: 9

All candidates in state and federal elections are entitled to public funding, subject to obtaining at least 4% of the first preference vote. The amount to be paid is calculated by multiplying the number of votes obtained by the election-funding rate for that year. The funding rate is indexed every six months to increases in the Consumer Price Index; for the 2010 election, it was 231.191 cents per eligible vote in both houses of Parliament (House of Representatives and Senate). The total election funding paid at the 2010 federal election was \$53.2 million. The Australian Electoral Commission (AEC) administers the distribution of funding and provides full public accounts of payments made. Several of the state and territory governments have legislated in recent years to improve disclosure requirements and in some cases limit donations, while other states, such as Victoria, introduced a non-binding “Code of Conduct” in October 2011.

For private funding, there are no limits on the value of donations, and while there are disclosure rules, they are not comprehensive and vary considerably across state governments. At the federal level, for example, disclosure of donors to the parties leading up to the 2010 federal election occurred only in 2012. The AEC does, however, rigorously monitor and enforce the disclosure requirements in place.

Private funding has been an area of considerable public discussion in recent years, particularly in relations to disclosure requirements. Yet the threshold for disclosure has been raised to AUD 12,100 and will rise to AUD 12,400 on 1 July 2013. A parliamentary committee inquiry into election finance reform options was also established as part of the agreement and the committee produced its report in December 2011. However, as yet, no changes have been legislated.

Citation:

Joint Standing Committee on Electoral Matters, Inquiry into the funding of political parties and election campaigns, December 2011: http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=em/political%20funding/index.htm

Brenton Holmes 'Political financing: regimes and reforms in Australian states and territories', Parliamentary Library, 19 March 2012: http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/PoliticalFinancing

<http://www.loc.gov/law/help/campaign-finance/australia.php>

http://www.aec.gov.au/About_AEC/Publications/Reports_On_Federal_Electoral_Events/2010/disclosure.htm#thresholds

http://www.aec.gov.au/About_AEC/Publications/Reports_On_Federal_Electoral_Events/2010/fad-report.pdf

Popular Decision-Making
Score: 5

Citizens do not have the legal right to propose and take binding decisions on matters of importance to them at any level of government. Since the establishment of the Federation in 1901, citizens have voted on specific issues 44 times, with eight of those succeeding, but they cannot initiate the process. Nevertheless, some of these referenda have covered important issues, such as the 1967 referendum on the status of indigenous people in Australian society. However, no referendum has succeeded since 1977. National referenda are mandatory in case of parliament-proposed changes to the constitution. Constitutional amendments have to be approved in a referendum and the result is binding. At the time of writing this report, the Citizen Initiated Referendum Bill, which would enable the citizens of Australia to initiate legislation for the holding of a referendum to alter the constitution, had been presented and read for the first time in the Senate. In addition, states and territories also may hold referenda on issues other than constitutional amendments.

Citation:

http://www.aph.gov.au/~media/05%20About%20Parliament/54%20Parliamentary%20Depts/544%20Parliamentary%20Library/Handbook/43rd_PH_Part5.ashx

Williams, George/Hume, David, 2012, People Power: The History and Future of the Referendum in Australia Citizen Initiated Referendum Bill 2013, No.

, 2013 (Senator Madigan), A Bill for an Act to enable the citizens of Australia to initiate legislation for the holding of a referendum in relation to altering the Constitution, and for related purposes, <http://www.restoreaustralia.org.au/petition-ups/CIR%20Bill.pdf>

Australian Election Commission, Referendum dates and results, http://www.aec.gov.au/Elections/referendums/Referendum_Dates_and_Results.htm

Access to Information

Media Freedom
Score: 8

Media organizations – both public and private – are largely independent from government, although the main public broadcaster is accountable to a board of directors appointed by the government. Censorship is restricted to material of a violent or sexual nature and there is little evidence of undue influence exerted by the government on opinions expressed in media outlets. There are, however, several potentially significant threats to media independence. For one, regulation of ownership of media is politicized and some owners are regarded as favorable to the incumbent government. Also, the Anti-Terrorism Act 2005 allows for control orders to restrict freedom of speech by individuals and the freedom of the media to publish their views. Despite several attempts, the implications of the legislation for media freedom have not yet been tested in court.

It is also worth noting that for several years the government was working toward the introduction of a national internet filter, raising concerns that it would stifle legitimate public and political debate, for example about euthanasia and abortion. However, in November 2012, the government announced it had decided not to proceed with the filter, in part because of technical constraints. In March 2013, the federal government failed to pass a package of six bills in relation to the media sector. The package included the News Media (Self-regulation) Bill 2013, which would remove a news organization's exemption from some provisions of the Privacy Act 1988 if it is not a member of a self-regulatory body recognized by the "media advocate" appointed by the government under the accompanying Public Interest Media Advocate Bill 2013. The package also included the Broadcasting Legislation Amendment (News Media Diversity) Bill 2013, which was aimed at preserving media diversity in the context of growth in online news media. While the government argues the legislation would impose no constraints on freedom of the press, several news media organizations have stridently opposed the legislation on the grounds that it would do exactly that.

Media Pluralism
Score: 5

Australia has a high degree of concentration of media ownership, with the ownership of national and state newspapers being divided mainly between two companies: Rupert Murdoch's News Corporation and the John Fairfax Group. The concentration of newspaper ownership has resulted in a low level of diversity in reporting and editorial positions. There is slightly more diversity in broadcast media, with the government funding two bodies, the Australian Broadcasting Corporation and the Special Broadcasting Service, to provide a

balance to the main commercial outlets. There are also three main commercial companies, none of which is politically aligned.

The federal Labor government attempted to pass the Broadcasting Legislation Amendment (News Media Diversity) Bill 2013 in March 2013. The bill was aimed at preserving and possibly increasing media diversity in the context of growth in online news media. However, it was part of a broader package of media laws that failed to pass the lower house.

Citation:

Broadcasting Legislation Amendment (News Media Diversity) Bill 2013:
http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r4994

Access to
Government
Information
Score: 8

Since 1982, access to government information has been largely regulated by the Freedom of Information Act (FOI Act). Under this act, applications for information from the government must be made in writing and agencies must respond within 30 days.

The original FOI Act contained a considerable number of exemptions, including for cabinet documents; internal working documents; documents affecting national security, international relations or relations with states; documents affecting enforcement of law and protection of public safety; documents affecting financial or property interests of the Commonwealth; documents relating to business affairs or research; and documents affecting the national economy. The list of exempted agencies is long and some of them, for instance the Aboriginal Land Councils and Land Trusts or the National Workplace Relations Consultative Council, seem poorly justified.

Ministers were also granted considerable discretion to issue “conclusive certificates” stating that information was exempt under the act’s provisions that protect deliberative process documents, national security and defense, cabinet documents, and documents related to Commonwealth/state relations. These certificates could not be reviewed during any appeal.

Compliance with the FOI Act was heavily criticized by many people in the past, and the Labor government elected in 2007 passed several pieces of legislation and new regulations that sought to improve community access to government information. This included: the Freedom of Information (Removal of Conclusive Certificates and Other Measures) Act 2009; the Freedom of Information (Fees and Charges) Amendment Regulations 2010; the Australian Information Commissioner Act 2010; and the Freedom of Information Amendment (Reform) Act 2010, under which requirements to publish

information were increased as of 1 May 2011.

Citation:

Attorney-General's Department web site describing the 2009 and 2010 Freedom of Information reforms:
<http://www.ag.gov.au/RightsAndProtections/FOI/Pages/Freedomofinformationreforms.aspx>

http://www.oaic.gov.au/images/documents/freedom-of-information/applying-the-foi-act/foi-guidelines/part2_Scope_application_FOI_Act_v1.3.pdf

Civil Rights and Political Liberties

Civil Rights
Score: 8

Australia is the only major established democracy which does not have a bill of rights, but civil rights are protected through a significant body of legislation and by the constitution, which contains certain implied rights which are subject to interpretation by the High Court. The Labor government initiated a National Human Rights Consultation to canvass views of the public about the protection of human rights in Australia. The report was presented to the government in September 2009, which responded in April 2010 with the announcement of the Human Rights Framework, which outlined several new planned measures. These included establishment of a Parliamentary Joint Committee on Human Rights, a new requirement that each bill introduced to Parliament is accompanied by a statement of compatibility with international human rights obligations, the combining of federal anti-discrimination laws into a single act, the creation of an annual non-government Human Rights Forum, and the introduction of a human rights education and training program for Australian government public sector employees. However, as of the end of the review period (15 May 2013), these measures had only partially been implemented.

While Australia's record of protecting human rights is internationally regarded as strong, criticism continues to be voiced about the treatment of the indigenous population and about respecting the civil rights of asylum seekers.

Since 1992, Australia has operated a system of mandatory detection for asylum seekers while their cases are processed. While offshore processing ceased in 2008 under the Labor government, and substantial numbers of asylum seekers and refugees have been transferred out of closed immigration detention into the community, offshore processing of asylum seekers in Nauru and Manus Island was reinstated in August 2012.

Political Liberties
Score: 8

Political liberty is strongly protected by the courts. However, political liberties are not unfettered. As in other Western countries, a major challenge to political liberty has come from anti-terrorist legislation. The Anti-Terrorism Act 2005 allows for a variety of measures, including detention for up to 14 days, and

restrictions on the movement, activities and contact of persons subject to “control orders,” whether or not those persons have been accused or convicted of any offense. In addition, the legislation makes any act of sedition illegal, such as urging the overthrow of the government by violence or force, and outlaws any organization that advocates the use of violence or force for that end. One of the main criticisms of the legislation is that it lacks sufficient judicial oversight. Some also regard the design and administration of defamation laws as hampering political liberties, as they in practice act to protect governments, companies and powerful people from scrutiny.

Non-discrimination
Score: 7

Australia has developed a substantial body of anti-discrimination legislation, covering sex, race, ethnicity, marital status, pregnancy and disability. The body charged with overseeing this legislation, the Australian Human Rights Commission, is a statutory authority. Following on from the National Human Rights Consultation, Gillard’s Labor government has moved toward replacing existing anti-discrimination legislation with a single integrated act. However, as of the end of the review period, this legislation had not been put to Parliament. In part, this reflects opposition from business groups, who have argued the changes go beyond simply consolidating the previously separate laws, but rather shift the burden of proof to the person accused of discrimination and potentially restrict “offensive” speech. The government is separately planning on amending existing legislation to prohibit discrimination on the basis of sexual orientation, though this likewise had not been implemented as of the end of the review period.

Rule of Law

Legal Certainty
Score: 9

There has been no change in the period under review in the strong judicial oversight over executive decisions. Judicial oversight occurs through a well-developed system of administrative courts, and through the High Court. However, jurisdictional uncertainty between the federal and state governments continues to be an issue, most recently highlighted by a High Court challenge of the constitutionality of the Minerals Resources Rent Tax (MRRT) introduced by the federal government in 2012. The basis of the challenge, brought by mining company Fortescue Metals Group, is that minerals are the property of the states. The case has yet to be heard as of the end of the review period.

Citation:

Michael Crommelin ‘The mining tax court challenge explained’ *The Conversation*, 8 March 2013: <http://theconversation.com/the-mining-tax-court-challenge-explained-12699>

Judicial Review
Score: 10

While the scope for judicial review of government actions is very much affected by legislation allowing for or denying such review, it is nonetheless the case that government and administrative decisions are frequently reviewed by courts. There is a strong tradition of independent judicial review of executive decisions. This tradition stems to a significant extent from the evolution of administrative law, which has spawned an administrative courts process through which complainants may seek a review of executive action. The executive branch generally has very little power to remove judges, which further contributes to the independence of the judiciary. Furthermore, there are many instances of courts ruling against the executive. The executive has in the past generally accepted the decisions of the courts or appealed to a higher court, rather than attempting to circumvent the decision.

Appointment of
Justices
Score: 6

There has been no significant change during the period under review.

The High Court is the final court of appeal for all federal and state courts. While the constitution lays out various rules for the positions of High Court justices, such as tenure and retirement, there are no guidelines for their appointment – apart from them being appointed by the head of state, the Governor-General. Prior to 1979, the appointment of High Court justices was largely a matter for the federal government, with little or no consultation with the states and territories. The High Court Act 1979 introduced the requirement for consultation between the chief law officers in the states, the attorneys general, and the federal Attorney General. While the system is still not transparent, it does appear that there are opportunities for the states to nominate candidates for a vacant position. From the perspective of the public, the appointment process is secret and the public is rarely consulted when a vacancy occurs.

Corruption
Prevention
Score: 8

Corruption prevention is reasonably effective. Federal and state governments have established a variety of bodies to investigate corruption by politicians and public officials. Many of these bodies have the powers of royal commissions, which means that they can summon witnesses to testify.

At the federal level, these bodies include the Australian Crime Commission, charged with combating organized crime and public corruption, the Australian Securities and Investments Commission, the main corporate regulator, and the Australian National Audit Office.

Nonetheless, significant potential for corruption persists, particularly at the state and territory level. Allegations of corruption in the granting of mining leases have sparked public outcry, and at the end of the review period a New South Wales Independent Commission Against Corruption inquiry into

corruption in the granting of such leases was in progress. Questions of propriety are also occasionally raised with respect to the awarding of government contracts. Open tender processes are not always used and “commercial-in-confidence” is often cited as the reason for non-disclosure of contracts with private-sector firms, raising concerns of favorable treatment extended to friends or favored constituents. Questions of inappropriate personal gain have also been raised when ministers leave Parliament to immediately take up positions in companies they had been responsible for regulating.

Members of the Senate and the House of Representatives are required to report on their financial interests within 28 days of taking the oath of office. These registers were adopted by resolution of the House of Representatives on 8 October 1984 and the Senate on 17 March 1994. However, there have been instances of failure to comply with this requirement, usually with no consequences for the member concerned. Ministers are further subject to a Ministerial Code of Conduct, introduced in 1996, which articulates guidelines for ministerial conduct. However, this code has no legal standing, and is therefore unenforceable.

Citation:

<http://www.icac.nsw.gov.au/investigations/current-investigations>

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 7

The Commonwealth public service makes extensive use of committees to undertake strategic planning, and these committees' activities generally peak immediately before and after the transition to a new government, and in the pre-budget period. The public service also maintains a single department, the Department of Prime Minister and Cabinet, with the aim of coordinating and directing strategic planning across the government as a whole.

The Labor government elected in 2007 was, under Prime Minister Rudd, characterized by increased emphasis on strategic planning. It commissioned numerous reviews, inquiries and committees in 2008 on a range of policy domains, including pensions, taxes and climate change. It also emphasized a "whole of government" approach to policymaking and service delivery. This new approach was reflected in a detailed set of recommendations in a discussion paper, "Ahead of the Game: Blueprint for the Reform of Australian Government Administration," which was prepared by the Department of Prime Minister and Cabinet. The paper contained 28 recommendations focused mainly around the provision of effective service delivery, strategic planning, and creating a skilled and responsive public service. However, after some initial reform activity in 2010 and 2011, there is little evidence of significant reform occurring in the review period. This shift can at least in part be attributed to a difference in priorities for Prime Minister Gillard, who replaced Rudd as Prime Minister in 2010.

Scholarly Advice
Score: 6

The federal government has always made extensive use of scientific and specialist scholarly advice, particularly in areas such as health and medicine, and science and technology.

Since the late 1990s, and particularly since 2007, the federal government has funded a range of specialist centers and institutes aimed at undertaking fundamental research and planning, the findings from which feed into government policy. Examples include government support for regulation and compliance centers at the Australian National University, with the Regulatory Institutions Network (RegNet), and the establishment of the Australia and New Zealand School of Government, which is a postgraduate faculty set up by the Australian and New Zealand governments, and by the state governments in New South Wales, Queensland and Victoria.

Despite these formal mechanisms, academic influence on government decision-making is relatively limited, particularly in economic and social policy domains. However, there have been some indications of greater receptiveness to “evidence-based” policy formulation under the Labor government, with the previous prime minister calling it a key element of the government’s agenda for the public service.

Interministerial Coordination

GO Expertise
Score: 9

The Department of Prime Minister and Cabinet is responsible for policy coordination, and as such evaluates and provides advice on all major line ministry proposals. The department has significant resources, and has authority to draw from, and consult with, appropriate sources across the whole of the government system.

GO Gatekeeping
Score: 10

All major policy proposals must pass through the Department of Prime Minister and Cabinet. In its role of coordinating government policy and ensuring a consistent and coherent legislative program, the department has the capacity to return any item that conflicts with the government’s overall policy agenda. However, such an occasion rarely arises, since the department is involved at an early stage in assisting with the drafting of any significant policy initiatives, so it does not reach an advanced stage without department approval.

Line Ministries
Score: 9

The Department of Prime Minister and Cabinet is always involved at an early stage in assisting with the development and drafting of any significant government policy and the resulting legislation. The Department of Prime Minister and Cabinet and the other relevant department have to both agree on a policy before it can be tabled in cabinet or considered by the relevant minister or ministers.

Cabinet Committees
Score: 8

Committees serve a purpose in dealing with various matters, which include: highly sensitive issues, for example revenue or security matters; relatively routine issues, for example a government’s weekly parliamentary program;

business that is labor intensive or requires detailed consideration by a smaller group of ministers, for example the expenditure review that takes place before the annual budget, or oversight of the government's initiatives in relation to a sustainable environment. The prime minister usually establishes a number of standing committees of the Cabinet (e.g. expenditure review, national security, parliamentary business). Additional committees, including ad hoc committees, may be set up from time to time for particular purposes, such as handling a national disaster.

Ministerial
Bureaucracy
Score: 8

There is generally a high level of coordination between line ministry public servants. In most cases, ministries must coordinate with the Department of Finance and the Treasury, since they are responsible for finding the resources for any new policy developments, and such developments must feed into the government's spending and budget cycle. Where there are legal implications, there must be coordination with the Attorney General's Department. Departments least likely to coordinate their activities across the government portfolio are Defense and Foreign Affairs and Trade, since their activities have the fewest implications across the other portfolios.

Coordination is especially effective when the political leadership is driving proposals, but less effective on policy matters initiated at the level of the minister or department, in part reflecting greater uncertainty among civil servants as to the support for the proposal from the political leadership. It also reflects differences in policy priorities and culture across departments, as well as inherent competition between departments for power, relevance and resources.

Informal
Coordination
Score: 8

Information coordination procedures exist at the level of the party, where informal consultations on policies take place on a regular basis to make sure that the party leadership supports the government's direction; this occurs regardless of which party is in office. The federal system and the division of responsibilities between the federal government and the state and territory governments means that informal coordination is always an important component of any policy that may involve the states. These procedures are ad hoc, and take place at two levels, among ministers from different jurisdictions, and at the level of senior public servants.

Evidence-based Instruments

RIA Application
Score: 8

The federal government and the state and territory governments require the preparation of Regulation Impact Statements (RIS) for significant regulatory proposals. An RIS provides a formal assessment of the costs and benefits of a regulatory proposal and alternative options for that proposal, followed by a

recommendation supporting the most effective and efficient option. RISs are thus not assessments of socio-economic impacts of regulatory proposals, although implicitly such impacts are taken into account as part of the process. More significantly, in recent years, while around 75% to 85% of all Australian government proposals with significant impacts had a RIS, for proposals with highly significant impacts, less than this had a RIS.

Since many government functions and responsibilities are shared between the federal government and the states, these shared activities are coordinated through the Council of Australian Governments, which is the body that brings the federal and state governments together to decide policy. The procedures for the preparation of RIS proposals differ between the federal government and the Council of Australian Governments. Most states and territories have their own requirements for RISs that apply where a regulation will have effect in only a single state or territory. At the federal level, RISs are managed by the Office of Best Practice Regulation, which is part of the Department of Finance and Deregulation.

Citation:

Productivity Commission, 'Regulatory Impact Analysis: Benchmarking', Research Report, November 2012: http://www.pc.gov.au/_data/assets/pdf_file/0003/120675/ria-benchmarking.pdf

Quality of RIA
Process
Score: 5

The preparation of a RIS follows a standard procedure in which policymakers gather the information that will enable them to evaluate the extent to which the proposed regulatory changes will result in a net benefit to the community. The Office of Best Practice Regulation within the Department of Finance and Deregulation, which administers both the federal government and Council of Australian Governments' regulation requirements, seeks a range of information about any new regulation. The level of information required is commensurate with the magnitude of the problem that is being addressed, and the size of the potential impact of the proposal. The Office of Best Practice Regulation uses a number of "adequacy criteria" to assess whether a RIS contains the appropriate levels of information and analysis for it to be assessed as adequate.

In 2012, the Productivity Commission, at the request of the Australian government, produced a report assessing the performance of jurisdictions' regulatory impact analysis processes, including those at the level of the Council of Australian Governments (COAG), and identifying leading practices. Findings of major concern from the report include the following: a number of proposals with highly significant impacts are either exempted from RIA processes or are not rigorously analyzed; public consultation on policy development is often perfunctory or occurs only after development of draft

legislation; and public transparency – through advising stakeholders of revisions to policy proposals and information used in decision-making, or provision of reasons for not subjecting proposals to impact analysis – was a glaring weakness in most Australian RIA processes. Furthermore, a major problem for implementing RIA requirements was that the policy decisions often occurred prior to commencement of the RIA process.

Citation:

Productivity Commission, 'Regulatory Impact Analysis: Benchmarking', Research Report, November 2012: http://www.pc.gov.au/_data/assets/pdf_file/0003/120675/ria-benchmarking.pdf

Sustainability
Check
Score: 1

Sustainability checks are not, at least explicitly, an integrated component of RIAs in Australia. There is no formally adopted sustainability strategy in Australia.

Societal Consultation

Negotiating Public
Support
Score: 7

The degree of societal consultation on policy development is variable, depending on the issue, the party in government and numerous contextual factors. The key groups often consulted are trade union and business advocacy groups, but other special interests – religious groups, environmental organizations and family groups, for example – have advocacy groups and these too are brought into discussions about policy. Traditionally, Labor governments have been more amenable to consultation with trade unions and Liberal governments have been more amenable to consultation with business groups, but governments of both persuasions have engaged in extensive consultation on one policy, and no consultation on another policy. For example, recently, the Labor government was heavily criticized for not consulting with mining companies prior to proposing a new profits-based mining royalties regime. At the same time, the government has engaged in a vigorous effort to engage local communities on various policy issues by hosting the Australia 2020 Summit, holding numerous community cabinet meetings and hosting jobs and training summits.

Policy Communication

Coherent
Communication
Score: 9

Australian governments have traditionally made considerable efforts to align their policy priorities with the messages that they communicate to the public, which has continued over the review period. This habit has been aided by a number of factors: a tradition of very strong discipline across all the major political parties (perhaps the strongest among the Westminster democracies) and a tradition of suppressing dissent within the parties (often by the threat of

de-selection at the next election); strong adherence to the Westminster doctrine of collective cabinet responsibility; and an activist mass media and political opposition which will seek to exploit any apparent policy divisions within government.

Implementation

Government
Efficiency
Score: 7

Following the federal election in August 2010, Labor was only able to form a government with the support of several independent members of parliament and was a minority government for the entire review period. Combined with its lack of a majority in the upper house, this hampered the government's ability to implement its policy agenda, and also required it to agree to implement some policies sought by independents and members of the Green Party. Most electorally costly was that it introduced a carbon tax in July 2012, the Green Party's preferred option, instead of its planned emissions trading scheme. Given such barriers, the government has been surprisingly successful in implementing its policy agenda, passing a comparable amount of legislation to that achieved by the Howard Coalition Party in its last term in office, when it held substantial majorities in both houses of Parliament. This has included passing legislation for the National Disability Insurance Scheme and the Minerals Resource Rent Tax (albeit in modified form to that originally intended), and making significant progress towards education reform and expansion of school funding. However, the Labor government has been unable to create a fund for future generations. Rather than taxing the mining companies more heavily as recommended by the OECD, the Gillard government refrained from taxing the windfall profits of mining companies and adhered to policies similar to those implemented by previous, conservative governments.

Ministerial
Compliance
Score: 10

Strong party discipline and adherence to the Westminster doctrine of cabinet collective responsibility ensure that ministers have strong incentives to implement the government's program, rather than follow their own self-interest. Australian prime ministers are very dependent on their party caucuses and cannot govern against the majority in the caucus. Labor prime ministers in particular are limited in their choice of ministers and have to accept those people that the factions have nominated.

Citation:

Pat Weller, Prime ministers, in: Brian Galligan; Winsome Roberts, *The Oxford Companion to Australian Politics*, Sydney: Oxford University Press 2007, S. 460-463.

Monitoring
Ministries
Score: 10

There is strong central oversight of the line ministries by the Department of Prime Minister and Cabinet, which reports directly to the prime minister. The Commonwealth public service, while independent of the government, is strongly motivated to support the government's program.

Monitoring
Agencies,
Bureaucracies
Score: 9

The performance of ministries in monitoring the activities of executive agencies varies, in part due to differences in the degree of independence granted to agencies. For example, central bank independence is core to the credibility of monetary policy and is legislatively protected, which constrains Parliament's capacity to monitor the agency. This notwithstanding, the general pattern over recent years has been one of increasing accountability of the 170-plus statutory authorities and officeholders to the relevant federal minister. The most notable concrete indicator of this trend is that in 2002 the Australian government commissioned a review of the corporate governance of Commonwealth statutory authorities and office holders, the Review of the Corporate Governance of Statutory Authorities and Office Holders (the Uhrig Review). The objective of the review was to identify issues surrounding existing governance arrangements and provide options for the government to improve the performance and get the best from statutory authorities, their office holders and their accountability frameworks. The review was completed in 2004 and a number of the recommendations have since been adopted.

Task Funding
Score: 7

Tasks are delegated to the states and territories not by choice, but by constitutional requirement, yet the states and territories are highly reliant on the Commonwealth to finance the myriad services they provide, including primary, secondary and vocational education, police, justice systems, public transport, roads and many health services. This dependence has been a source of much conflict, and many would argue it has led to underprovision of state-government provided services. The federal government's commitment to completely pass on to the states all revenue raised by a broad-based consumption tax introduced in 2000 only marginally reduced the tension between the two levels of government. Certainly, it has not helped that prices in education and health have in recent years been rising faster than the general price level. In response, the Labor government has attempted to address underfunding of health care and education in recent years, reaching funding agreements on health care with most jurisdictions in 2011 and making progress of on agreements for school funding in early 2013.

Constitutional
Discretion
Score: 4

The responsibilities of the Commonwealth and of the states and territories are clearly laid out in the Australian Constitution. However, they have been subject to judicial review over the course of the century, which has resulted in the increasing centralization of executive power. In turn, the policies of the major political parties have been to increase this centralization in the interests of

fiscal and administrative efficiency. The states and territories have sought legal redress through the courts on occasions when they have felt that their authority has been diminished by the Commonwealth government. The federal government has also on a number of occasions used its superior financial position to coerce state governments to relinquish powers or adopt favored policies of the federal government, which has had the effect of subverting their constitutional scope of discretion. Most recently, in 2013, the federal government began moves to increase school funding, but contingent on jurisdictions abiding by certain conditions.

National Standards
Score: 6

The Commonwealth has a strong commitment to providing uniform national services, and it makes considerable effort to ensure that program delivery, particularly in health and education, is as uniform as possible across the country. This attempt at uniformity is necessarily complicated by differences in sizes of states and population distribution, and by resistance from state governments keen to preserve their independence. Variation in funding levels according to need (as determined by an independent statutory authority, the Commonwealth Grants Commission) helps to ensure uniformity. Moreover, contingent funding is regularly used by the Commonwealth to achieve uniformity in minimum standards.

Adaptability

Domestic
Adaptability
Score: 5

Most government structures are essentially driven by domestic imperatives and are largely insensitive to international and supranational developments. Indeed, only a few international events have been persuaded Australian governments in recent times to adapt domestic structures. The major exception is in relation to the treaties and conventions to which Australia is a signatory, particularly in the areas of human rights, anti-discrimination and transnational crime, where Australia has been a regional leader.

International
Coordination
Score: 9

Australia's comparatively small size and isolated geographic location has tended to work against the country's ability to influence international reform efforts. Nonetheless, there is a governmental culture of seeking to participate in international forums or organizations, including those focused on reform. Primary emphasis tends to be on the Asia-Pacific region, although Australia is also a strong advocate of reducing trade barriers for agricultural products worldwide. The government's predisposition towards participation in international cooperative efforts was heightened with the election of the Labor government in 2007 under the leadership of Kevin Rudd, a Mandarin-speaking former diplomat with a strong interest in international affairs. During the review period, the government was successful in obtaining a non-permanent

seat on the U.N. Security Council for 2013 and 2014. The government has also promoted the idea of a regional economic forum to coordinate economic cooperation in the Asia-Pacific region.

Organizational Reform

Self-monitoring
Score: 6

There is little in the way of formal processes to indicate that institutional arrangements are monitored regularly, but it is clear that such monitoring does occur occasionally. Periodically, institutional arrangements change, often manifesting as rearrangements and renaming of departments. Ad hoc reviews are also conducted, such as the 2004 Review of the Corporate Governance of Statutory Authorities and Office Holders. In some key areas, migration for instance, Australian authorities are carefully monitoring the impact of policies and they rapidly change policies if appropriate.

Institutional Reform
Score: 7

Australia largely accepts and implements recommendations from formal government reviews. Investigations have covered all aspects of government including, finance, taxation, social welfare, defense, security and the environment. There have been frequent structural changes to the main Commonwealth government departments, sometimes in response to changing demands and responsibilities, but sometimes simply for political reasons that serve no strategic purpose, and may indeed be strategically detrimental. For example, the main department that is responsible for health care has changed its name at least five times in the past two decades in response to changes in its responsibilities.

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
Score: 7

Opinion surveys indicate Australians have a moderate level of understanding of government policies, and that their level of knowledge increases substantially during election campaigns when they pay greater attention to policy matters. Media coverage tends to be limited due to the lack of diversity in Australian media, which is potentially a contributing factor hindering citizens' policy knowledge. On the other hand, voting in elections of all levels of government is compulsory in Australia, which on balance is likely to increase the general level of awareness of government and opposition policies. Furthermore, media coverage of policy platforms during election campaigns is substantial.

Legislative Actors' Resources

Parliamentary
Resources
Score: 9

Members of the Parliament have considerable resources at their disposal for monitoring government activity and obtaining relevant information to advance policymaking. The Parliamentary Library is well-resourced with many skilled researchers and is able to respond to requests rapidly, putting together reports on policy issues at the request of members. In addition, each senator or member may hire employees in four full-time electorate officer positions. In addition, members who have a second electorate office at Commonwealth expense may hire employees in an additional full-time electorate officer position. Individual members of parliament do not, however, receive allowances to fund independent research.

Obtaining
Documents
Score: 9

The legislature has strong powers, deriving from both Section 49 of the constitution and the Parliamentary Privileges Act, that require the executive arm of government to provide Parliament with information. As parliamentary bodies, these powers are vested in parliamentary committees. There are only a very few acceptable reasons for refusal. A minister or other member of the executive who refuses to turn over requested documents can be held in contempt of the parliament.

Summoning
Ministers
Score: 10

Committees have the legal right to summon ministers to appear before committee inquiries, but in practice compulsion to appear is uncommon. Under the principle of comity, a house of Parliament does not seek to compel the attendance of members of that house or another house. It is common, however, for members, including ministers, to appear by invitation or by request before committees, to assist with committee inquiries.

Summoning Experts
Score: 10

Parliamentary committees conduct inquiries, to which experts are always invited to give evidence. Experts are also sometimes compelled to appear before committee inquiries.

Task Area
Congruence
Score: 9

The number of parliamentary committees exceeds the number of government departments (ministries). Partially this is because there are a number of committees concerned with internal matters of Parliament, such as parliamentary privileges, procedure and publications. In general, the task area of each "externally oriented" parliamentary committee is confined to one government department, but some government departments have more than one committee monitoring their activities. Usually, the demarcation between task areas of committees that oversee the same department is clear and does not create problems of non-cohesive action by Parliament.

Audit Office
Score: 10

The Auditor-General is responsible, under the Auditor-General Act 1997 (the Act), for providing auditing services to Parliament and public sector entities.

The Australian National Audit Office (ANAO) supports the Auditor-General, who is an independent officer of Parliament. The ANAO's purpose is to provide Parliament with an independent assessment of selected areas of public administration, and to provide assurance about public sector financial reporting, administration, and accountability. This task is done primarily by conducting performance and financial statement audits.

Ombuds Office
Score: 9

A Commonwealth Ombudsman was established in 1977. Its services are available to anyone who has a complaint about an Australian government agency that they have been unable to resolve. Its charter states that it will investigate complaints where appropriate, deal with complaints in an impartial and effective way, achieve fair outcomes, seek appropriate remedies, and promote improved administration by Australian government agencies. Its services are free of charge.

Media

Media Reporting
Score: 5

Television and radio stations vary in the time they devote to substantive information on policy issues and government decisions. Commercial broadcasters devote relatively little time to such matters, but the state-owned broadcaster, which has one national television station and a number of radio stations, devotes a considerable amount of time to high-quality analysis of government decisions. Newspaper coverage is likewise variable, with the popular newspapers providing superficial coverage and the quality "broadsheets" providing more in-depth coverage and discussion. While Australia used to have more quality newspapers in the past, concentration processes have contributed to less diversity and quality in printed media. The government financed ABC and SBS are excellent television stations, but the private channels lack substance.

Parties and Interest Associations

Intra-party
Democracy
Score: 4

Elected members and senators, but no other party members, are responsible for decision-making in both the major parties. Decisions regarding who should hold positions within the party, such as ministerial positions for the party in government, have largely been at the discretion of the elected leader in Coalition governments. Labor prime ministers cannot choose their ministers freely, but instead have to allocate portfolios among a set of candidates selected by the factions.

The Coalition has a more open and inclusive process for determining leadership than the Labor Party, which is dominated by factions to which most

members are beholden. The factions of the Labor Party are regularly criticized for making opaque decisions and for contributing to a lack of transparency of decision-making processes.

On matters of developing policy agendas, both parties have inclusive forums for developing policy platforms. However, in practice, a small leadership group in the party tightly controls decisions on major policies.

Association
Competence
(Business)
Score: 9

The major interest associations, which are run by the employers and business groups and the trade unions, have a history of proposing practical, plausible policies. The main explanation for this is that the government has a long history of involvement and policy consultation with most of the groups (for example, business groups are closely allied with the Liberal Party, farmers' and rural groups are allied with the National Party, and trade unions are allied with the Labor Party). Many elected representatives have, at some point in their career, been a member of one of these groups, further cementing relations with the interest groups. There are also considerable formal and informal networks linking the various groups to the major political parties, further consolidating the development of practical and coherent policies.

Association
Competence
(Others)
Score: 8

A number of social interest groups, environmental groups and religious groups take responsible and well-considered positions and are, therefore, taken very seriously by government, although there are also groups that take extreme positions. The extent to which the proposals are well thought-out and feasible varies considerably. In general, the proposals from mainstream interest groups are of high quality in part because many elected representatives are drawn from these groups, or have had considerable contact with them prior to their election. The proposals also tend to be of high quality because of the expertise of the groups themselves and their narrow (often single-issue) interest, which means the groups can focus exclusively on a single problem and the ways in which it can be resolved.

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