

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 315

SOCIAL RESPONSIBILITIES OF
COMMONWEALTH STATUTORY AUTHORITIES
AND GOVERNMENT BUSINESS ENTERPRISES

April 1992

The Parliament of the Commonwealth of Australia

Joint Committee of Public Accounts

**SOCIAL RESPONSIBILITIES OF COMMONWEALTH
STATUTORY AUTHORITIES AND GOVERNMENT BUSINESS
ENTERPRISES**

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Commonwealth of Australia 1991

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1. Appointed 6 March 1991
 2. Discharged 6 March 1991
 3. Discharged 13 March 1991

DUTIES OF THE COMMITTEE

Section 8(1) of the *Public Accounts Committee Act 1951* reads as follows:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the *Audit Act 1901*;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament, any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquiry into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE

This Report presents the findings of the Committee's Inquiry into the Social Responsibilities of Commonwealth Statutory Authorities and Government Business Enterprises. The Inquiry was initiated by the Committee in the context of a number of significant changes that have occurred recently in the operations of the public sector in Australia. These changes were introduced during the 1980s, placing greater emphasis on cost effective performance than before. For the commercially oriented government agencies, some of which were created from aspects of departmental activities, attention has been focused on their financial performance. The Committee is particularly concerned that this emphasis on the rate of return from the government's investment in these agencies will lead them to overlook their social responsibilities. While some means exist to report on and account for these responsibilities the Committee believes that the requirements for statutory authorities and government business authorities to measure and report on their social responsibilities should be more clearly defined.

The Committee reviews a wide range of social responsibilities that include responsibilities to the employees and clients of statutory authorities and government business enterprises. These responsibilities are considered in terms of the principles of social justice: access, equity and participation. The Committee also looks at responsibilities to the wider community and the environment. In carrying out this review, the Committee notes the great variety among the organisations that were the subject of this Inquiry and the role for social responsibilities in the work of these differing organisations.

For all the social responsibilities identified, the Committee lists the measures of performance that are employed by statutory authorities and government business enterprises and the reports of performance that they make. Where it deems these measures and reports to be inadequate, the Committee recommends changed requirements and assistance from central agencies in developing suitable methodologies. In making these recommendations, the Committee is expressing its strong belief in the need for accurate and judicious measurement and reporting of performance by government bodies.

Identifying the means by which the value of social responsibilities might be assessed is one of the Inquiry's terms of reference. The Committee notes that, with a few exceptions, calculating such values is not commonplace. Costing the provision of certain services, such as telephones and letter post, has been carried out recently for the first time but attaching values to the benefits that accrue to the public from these services is much harder. The Committee draws attention to the difficulties that have been experienced in costing Telecom's community service obligation to

provide a universal telephone service, as well as to the difficulties of balancing the financial costs of delivering such services against the benefits, which may well not be measurable in financial terms.

The Committee is grateful for the cooperation that it has received during the Inquiry from numerous statutory authorities and government business enterprises. The evidence from some of the central agencies, particularly the Department of the Prime Minister and Cabinet, provides the Committee with a useful overview of the responsibilities incumbent on the great variety of organisations that are the subject of this Inquiry.

For and on behalf of the Committee

Hon G F Punch, MP
Chairman

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EXECUTIVE SUMMARY

1. The Inquiry into the Social Responsibilities of Statutory Authorities and Government Business Enterprises was started by the 16th Committee in September 1989 and was resumed by the 17th Committee in June 1990. It was taken up in the context of major policy and other developments during the 1980s. These developments include an emphasis on social justice and increasing public concern about the state of both natural and working environments, as well as the devolution of responsibility for many aspects of their operations to statutory authorities and government business enterprises and the consequent need for more accountability from them.

2. The focus of the Inquiry is the development of measurement and reporting of the performance by statutory authorities and government business enterprises of their social responsibilities. The Inquiry does not consider what social responsibilities should be undertaken by these organisations.

3. Social responsibilities are identified in relation to fair business practices, human resources, service provision, the environment and community involvement. It is noted that socially responsible behaviour may not bring financial gain to the organisation that undertakes it. It may be undertaken voluntarily or imposed on statutory authorities and government business enterprises by the government. Examples of the latter are legislated employment conditions and the community service obligations of organisations such as Australia Post and Telecom Australia to provide universal letter and telephone services.

4. The Committee asks whether government entities should act with a greater degree of social responsibility than other organisations and were presented with two points of view. One view sees the need for a greater degree of social responsibility as a corollary of the greater accountability expected of government entities. The other and prevailing view, which the Committee shares, is that there should be no difference but that the behaviour of government entities should be of the highest standard.

5. The place of social responsibilities in the operations of statutory authorities and government business enterprises varies across the spectrum of the organisations concerned. The fully budget-dependent statutory authorities see their reason for existence as the fulfilment of the government's recognition of its responsibilities to the Australian and the world communities in, for example, supporting a national library, a broadcasting service or agricultural research overseas. For commercially oriented statutory authorities and government business enterprises, especially those operating in competition with the private sector, the

emphasis is on profitable performance. This commercial orientation limits the extent to which these organisations can undertake uneconomic activities and may impose pressures on them to ignore their social responsibilities. Some aspects of socially responsible behaviour, however, particularly equal employment opportunity and training, are seen as being in the interests of the organisation as well as the employee.

6. As a basis for considering the measurement of the performance of social responsibilities, the Committee reviews the general principles involved. The Committee concludes that, for the effective measurement of performance, objectives need to be clearly articulated within the organisation's corporate and annual plans (recommendation 1). In making this recommendation, the Committee recognises that some aspects of socially responsible behaviour do not lend themselves to ready definition. The notion of good corporate citizenship and the setting of community standards are cases in point.

7. A number of desirable features for performance information are identified and their use recommended (recommendation 2). These features include:

- . a focus on outcomes;
- . the choice of information to suit the needs of the user, perhaps in consultation between the clients and providers;
- . the use of several indicators for each program which are collected in the same form over time;
- . comparison of performance with a standard or target;
- . the use of both qualitative and quantitative information presented in statistical and narrative forms.

8. The Committee notes some limitations on the use of performance information, for example, the ethical constraints of collecting information about ethnicity and the difficulties of assessing certain types of outcome, and finding or setting standards with which comparison can be made. The Committee believes that statutory authorities and government business enterprises should strive to use the best possible performance information and to develop in their staff an expertise in this area (recommendations 3-5).

9. Areas of social responsibility that are common across a range of statutory authorities and government business enterprises are considered under the headings of responsibilities to employees, to clients and to the environment. How the performance of these responsibilities are measured and reported is reviewed.

10. The responsibilities towards employees that are reviewed are equal employment opportunity, occupational health and safety, industrial democracy and training. The Committee finds that there is considerable variation among organisations with respect to the manner in which the progress of equal employment opportunity programs is measured, reported and scrutinised. This is particularly the case with respect to the statutory marketing authorities. The Committee recommends that all statutory authorities and government business enterprises should follow the Public Service Commission guidelines for reporting purposes and encourages the individual Ministers who are responsible for monitoring the progress of equal employment opportunity to do so with zeal (recommendations 6-7). It also recommends the inclusion in the annual reports of statutory authorities and government business enterprises of information about the training they provide for their employees (recommendation 8).

11. The social justice concerns of access, equity and participation have been incorporated into the operations of government departments through the use of program management and budgeting and access and equity plans. Program management and budgeting provide the context within which reports on social justice concerns are made. The Committee notes that these processes have been taken up more slowly by statutory authorities than by departments and would like to see their adoption expedited and extended to the community service obligations of government business enterprises (recommendations 9-10).

12. Participation in the operations of statutory authorities and government business enterprises through consultative councils, advisory committees and less formally constituted groups is widespread. The Committee encourages the use of such groups and believes that the establishment of consultative groups should be monitored (recommendation 11-12). The statutory marketing authorities, with dual accountability to both the Parliament and their levy payers, represent a special case of participation. The Committee considers that information about the issues considered by such groups could be usefully included in the annual reports of statutory authorities and government business enterprises (recommendations 13-14).

13. Environmental legislation applying to statutory authorities and government business enterprises does not impose obligations to monitor and report on significant environmental impacts due to these organisations' operations. The Committee considers, however, that such information should be available in their annual reports and should:

- include an account of their actions in relation to the full range of their environmental responsibilities (recommendation 15);
- indicate whether best practice has been used (recommendation 16);

- . report the results of monitoring any significant environmental impact due to their operations (recommendation 17); and
- . report any violations of accepted standards and measures taken to rectify them (recommendation 18).

14. To facilitate the monitoring and reporting of environmental activities by statutory authorities and government business enterprises, the Committee makes two recommendations:

- . work is needed to develop suitable measures of environmental health for reporting on environmental impacts (recommendation 19); and
- . monitoring and reporting environmental impacts must be incorporated in the internal planning, monitoring and reporting processes of organisations (recommendation 20).

It is expected that such reports would contribute information to reports on the state of the Australian environment (recommendation 21).

15. Complaints are considered as a possible general measure of the performance of a statutory authority or government business enterprises but their use has obvious drawbacks. It is, however, useful to acknowledge the nature of the complaints received and the actions taken to rectify them (recommendation 22).

16. A 'social responsibility summary' is advocated as a means of outlining the activities undertaken by statutory authorities and government business enterprises in relation to their social responsibilities (recommendation 23).

17. The Committee was charged with identifying the means by which values might be attached to the social responsibilities of statutory authorities and government business enterprises. It was a difficult task. Such values may be financial or non-financial and can be considered in relation to the individual, the organisation or the wider community. Furthermore, it is not always easy to determine all the impacts of a particular program nor, even if they can all be identified, to attach values to them. Attempting this may not be cost-effective.

18. Most of the evidence received by the Committee in relation to the value of social responsibilities concerns their monetary costs and came from government business enterprises. The costs distinguished relate either to:

- . inputs, such as the costs of submitting to administrative review processes, complying with the freedom of information and ombudsman legislation and providing more generous superannuation and long service benefits than pertain in the private sector; or
- . outputs, that is, to meeting community service obligations imposed by legislation on some government business enterprises.

The major interest has been in the costs of community service obligations, which are services that government business enterprises are obliged by the Government to provide at less than the cost of providing them. The Government is attempting to establish the extent of the cross-subsidy that is being provided by the profitable to the unprofitable sections of the business.

19. The process of costing focuses attention on the need for the precise definition of both the concept of community service obligations and the content of the specific obligations of individual government business enterprises. The Committee suggests that the process of defining community service obligations might be assisted by the use of program management and budgeting (recommendation 24). The cost of a community service obligation is the shortfall of revenue earned from the service compared with the long run economic cost of providing it. Knowledge of the costs of community service obligations are important in assessing the efficiency of their provision and assisting the Government to make decisions about their funding. Government business enterprises provide information about costs of their community service obligations in their annual reports.

20. The Government has directed that telecommunications community service obligations be costed by the method of least avoidable cost and it is expected that the same principles will be applied to other community service obligations. However, differences of opinion have been expressed about the feasibility of costing community service obligations and the choice of the most appropriate method. The Committee suggests that the costing of community service obligations by government business enterprises be monitored to assess the validity of the estimates obtained and to recommend improvements to the methods in use (recommendation 25).

21. The Committee reviews the process of balancing the costs and benefits of socially responsible behaviour and the extent to which such analyses have been attempted. While recognising the difficulties that are often associated with such attempts, the Committee wishes to encourage the use of cost-benefit analyses. It recommends that they be carried out before major changes are made to the

operation of statutory authorities and government business enterprises, taking account of any possible community-wide impacts that such changes might have, and the results made public (recommendations 26-29).

22. Reports by statutory authorities and government business enterprises about the performance of their social responsibilities are scrutinised in a number of ways: by the public, special interest groups, parliamentarians, parliamentary committees, Ministers, auditors, review panels, regulatory bodies and agencies. The Committee considers that scrutiny produces its greatest effect when it is accompanied by regular feedback about their performance to the agencies under scrutiny. Regular feedback is provided for many of the social responsibilities that were considered. In the case of feedback from Senate Estimates Committees, the Committee notes, however, that not all agencies responded to the feedback received and recommended that they should in future (recommendation 30).

23. The Committee recognises the limitations of scrutinising reports as a means of promoting socially responsible behaviour and considers three additional approaches. The appropriateness of the qualifications of persons appointed as board members and senior executives of statutory authorities and government business enterprises is a critical consideration and needs to be stressed (recommendation 31). So too is having the right organisational procedures in place to encourage socially responsible behaviour. The Committee believes that guidance about the conduct expected of employees and directors is useful and supports the use of guidelines or codes of conduct (recommendation 32).

RECOMMENDATIONS

The Committee has made a number of recommendations which are given below, grouped by subject and cross-referenced to their location in the text.

The Committee recommends that:

Corporate Plans

1. Legislation be introduced to require all statutory authorities and government business enterprises:
 - . to include social objectives among their corporate objectives; and
 - . to produce annual plans for meeting their objectives. (paragraph 3.8)

Performance information

2. The information provided by statutory authorities and government business enterprises to the Parliament and the public about the performance of their social responsibilities:
 - . emphasise outcomes against set targets, with several indicators for each program;
 - . include quantitative or qualitative data that is:
 - expressed statistically or in narrative form; and
 - collected in the same form by the same methods as long as the program continues so that long term trends can be followed; and
 - . consist of material suited to the needs of the users and chosen in consultation with those involved with the operation of the organisation. (paragraph 3.46)

3. Statutory authorities and government business enterprises examine new developments in performance measurement and reporting and adopt any that they consider appropriate. (paragraph 3.46)

Expertise in the Use of Performance Information

4. Statutory authorities and government business enterprises develop in their staff expertise in the development and use of performance information relating to those bodies' social responsibilities. (paragraph 3.52)
5. The Department of Finance assist statutory authorities and government business enterprises to develop expertise in the use of performance information. (paragraph 3.52)

Equal Employment Opportunity

6. All statutory authorities and government business enterprises, including statutory marketing authorities, report in their annual reports on their equal employment opportunity programs, following the guidelines for annual reporting set out by the Public Service Commission. (paragraph 4.24)
7. The Ministers responsible for statutory marketing authorities, and statutory authorities and government business enterprises covered by the Equal Employment Opportunity (Commonwealth Authorities) Act 1987, ensure that the equal employment opportunity programs of these bodies are scrutinised to the highest standard. (paragraph 4.26)

Training

8. Statutory authorities and government business enterprises document in their annual reports:
 - whether they have provided the minimum amount of training required under the Training Guarantee (Administration) Act 1990; and
 - the nature of the training provided - where appropriate this should be reported as specified in the Guidelines for the Preparation of Departmental Annual Reports. (paragraph 4.34)

Social Justice

9. Budget-dependent statutory authorities that have not yet incorporated social justice concerns within their program management and budgeting frameworks expedite its introduction. (paragraph 4.44)
10. The Department of the Prime Minister and Cabinet consider extending the requirement for access and equity plans and their associated reporting regimes to statutory authorities and the community service obligations of government business enterprises. (paragraph 4.44)

Consultation with the Public

11. Statutory authorities and government business enterprises establish consultative councils where none at present exist. (paragraph 4.49)
12. *The Department of the Prime Minister and Cabinet:*
 - oversee the establishment of mechanisms by which statutory authorities and government business enterprises can consult with their clients; and
 - monitor the effectiveness with which these consultative groups function. (paragraph 4.51)
13. The annual reports of statutory authorities and government business enterprises include information about the matters raised during the year by their consultative or advisory councils and any actions taken as a result. (paragraph 4.53)
14. Statutory marketing authorities include information in their annual reports about:
 - meetings held with their levy payers and their levy payers' representatives; and
 - the more significant issues raised at these meetings. (paragraph 4.59)

The Environment

15. Statutory authorities and government business enterprises include in their annual reports a statement about the measures taken to comply with their environmental responsibilities. (paragraph 4.73)
16. This environmental statement include indications of whether best practice has been used. (paragraph 4.73)
17. Where activities with a major environmental impact have been monitored, the nature of the monitoring and the results achieved be reported. (paragraph 4.73)
18. Any violations of accepted standards and steps taken to rectify the problem be reported. (paragraph 4.73)
19. The Department of the Arts, Sport, the Environment and Territories develop measures of environmental health that might be used by statutory authorities and government business enterprises, the activities of which have a continuing, significant impact on the environment. (paragraph 4.75)
20. Statutory authorities and government business enterprises:
 - incorporate environmental concerns into the planning processes of statutory authorities; and
 - within this framework, establish suitable systems for monitoring, auditing and reporting on major environmental impacts. (paragraph 4.77)
21. The Department of the Arts, Sport, the Environment and Territories produce state of the Australian environment reports on a biennial basis. (paragraph 4.79)

Complaints

22. Statutory authorities and government business enterprises include in their annual reports information about the nature of complaints received, and indicate any changes over time and the actions taken to remedy the problems identified. (paragraph 4.85)

Social Responsibility Summary

23. The Department of the Prime Minister and Cabinet and the Department of Finance develop a format for a social responsibility summary for the use of government bodies. (paragraph 4.88)

Community Service Obligations

24. The Department of Finance examine the advisability of extending program management and budgeting to the community service obligations of government business enterprises. (paragraph 5.28)
25. The Bureau of Transport and Communications Economics monitor the costing of community service obligations by government business enterprises, with a view to:
 - . clearly defining the extent to which such costing is valid; and
 - . recommending how the system of costing might be improved. (paragraph 5.42)

Evaluating the Performance of Social Responsibilities

26. The Department of the Prime Minister and Cabinet, the Department of Finance and the responsible portfolio departments consider introducing proceedings for assessing both the costs and the benefits of social responsibilities which may be non financial and difficult to quantify. (paragraph 5.50)
27. When the performance of these social responsibilities is evaluated the widest possible implications of their performance be considered. (paragraph 5.50)

28. Particular emphasis be placed on such analyses being carried out before major changes to the operations of statutory authority and government business enterprises are introduced. (paragraph 5.50)
29. The results of such analyses be made public and referred to in the annual reports of these organisations. (paragraph 5.50)

Accountability in Annual Reporting

30. Statutory authorities and government business enterprises act on suggestions for improving their annual reports that they receive from the Senate standing committees, and inform the relevant committee of the reasons for not accepting any suggestions that they find inappropriate. (paragraph 6.10)

Appointments to Boards

31. The Cabinet Handbook guidelines for the appointment of board members and senior executives of statutory authorities and government business enterprises draw attention to the need for candidates to have a character of high repute and qualities appropriate to the appointment in every case. (paragraph 6.19)

Codes of Conduct

32. Government business enterprises and statutory authorities not covered by the Public Service Act 1922 develop codes of conduct for their organisations. (paragraph 6.26)

ABBREVIATIONS

AGPS	Australian Government Publishing Service
CSO	Community service obligation
EEO	Equal employment opportunity
GBE	Government business enterprise

Chapter 1

INTRODUCTION

Background to the Inquiry

1.1 The Australian Parliament has an ongoing responsibility to ensure that the Commonwealth public sector uses public funds efficiently, effectively and appropriately. It does this by a variety of means, among them scrutinising reports produced by its departments of state, statutory authorities and government business enterprises (GBEs). The principal vehicles by which government entities regularly provide information to the Parliament about their performance are their annual reports and program performance statements.¹ These documents are consequently important sources of information for the Parliament and the Australian people.

1.2 The Joint Committee of Public Accounts not only has a particular interest in the accountability of government entities but also a special review role in relation to the guidelines for the production of annual reports.² It was on this basis that the Committee undertook to examine the performance by government entities of their social responsibilities. It focused its examination on statutory authorities and GBEs because they are more independent of central control than departments of state and less open to scrutiny on a day to day basis.³ There is also a large number of them. A recent count of statutory bodies by the Senate Standing Committee on Finance and Public Administration identified 327.⁴ While many of

-
1. Program performance statements (formerly known as explanatory notes) are papers presented to support the appropriations made by the Government in the Budget.
 2. Three recent Committee reports have appeared on the subject:
Compliance with Guidelines for the Preparation of Departmental Annual Reports, Report 299, AGPS, Canberra, 1989.
Guidelines for Departmental Annual Reports, Report 304, AGPS, Canberra, 1989.
Annual Reporting Guidelines for Statutory Authorities, AGPS, Canberra, 1991.
 3. Increased independence was conferred on these bodies with the reforms introduced in 1987 by the Minister of Finance's Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, 1987.
 4. Senate Standing Committee on Finance and Public Administration List of Commonwealth Bodies, Department of the Senate, Parliament House, Canberra, 1991, p. ix.

them are small advisory or supervisory bodies, some expend considerable sums of public money and some are major, national, economic institutions.

1.3 The focus of the Inquiry on social responsibilities was stimulated by a number of developments over the last two decades. One of these developments was the social justice strategy introduced by the Government in the 1980s. It is a strategy based on the four principles of access, equity, equality and participation, and emphasises the importance of the fair distribution of public resources among the citizens of the country.⁵ At the same time, the Government directed commercially oriented statutory authorities to operate more commercially than they had previously. With this increased emphasis on the dividend that these organisations were to pay to the Government, the need arose to ensure that the essential services that these organisations provided continued to be available on an equitable basis to all in the Australian community. The provision of such services, like telephones and letter post to remote areas, are 'community service obligations' which are imposed on these organisations by the Government in the pursuit of social justice.

1.4 The 1980s also saw the application of social justice principles to employment in the public sector. For example, equal employment opportunity legislation gave greater chances for employment and advancement to disadvantaged groups and industrial democracy encouraged participation by employees in the organisation of their working environments. The just treatment by the government of both the public and its employees are two of the strands that run through the notion of 'social responsibility' as it applies to government entities.

1.5 Another strand to the notion of social responsibility is a concern for the environment. This concern has grown enormously over the last decade, fuelled by increasing evidence of the potential detrimental effect of human activities. The public has become aware that damage to the environment has not only an immediate impact on the present generation but may also represent long term and irreversible changes with major implications for future generations.

1.6 The Committee decided that the Inquiry should focus on how the performance of socially responsible behaviour is measured and reported. The concern with the issues of measuring and reporting is a corollary of the recent devolution of greater responsibility for all aspects of their operations to statutory authorities and GBEs. It is also a requirement of the style of management espoused during the 1980s that emphasises the setting of program objectives, measuring the outcomes of programs against their objectives and evaluating the programs on this

5. Department of Finance and the Department of the Prime Minister and Cabinet. Towards a Fairer Australia: Social Justice and Program Management: A Guide, AGPS, Canberra, 1989.

basis. Clearly, effective program evaluation requires good performance information. The nature of the available information from statutory authorities and GBEs as it relates to the performance of social responsibilities is the subject of this report.

Terms of Reference

1.7 The Inquiry focused on how statutory authorities and GBEs measure and report the performance of social responsibilities. In undertaking this Inquiry, the Committee has followed its terms of reference in:

- assessing the present state of development of measures of performance of social responsibilities;
- reviewing the extent and quality of use of such measures by Commonwealth entities in reporting to the Parliament and the public;
- considering the criteria which should be applied to determine what social responsibility performance measures should be reported to the Parliament; and
- determining and making recommendations on appropriate forms of measuring and reporting of social responsibility issues by Commonwealth entities.

The value of the social responsibilities undertaken by Commonwealth bodies has not been assessed; however, the means by which such information can be provided has been identified. The full terms of reference for the Inquiry are provided in Appendix A.

Conduct of the Inquiry

1.8 The 16th Committee resolved to undertake the Inquiry on 4 September 1989 and the 17th Committee, which was formed after the March 1990 federal election, continued it. The Committee invited all federal ministers, Commonwealth departmental secretaries, a number of statutory authorities and GBEs and the heads of university departments likely to have an interest in the Inquiry to make submissions. The Inquiry was advertised nationally on 16 and 18 September 1989.

1.9 Sixty-six submissions were received, a list of which is provided in Appendix B. They came from statutory authorities, GBEs, departments and individuals. The Committee regrets that no formal input to the Committee's deliberations was received from academics or academic institutions or organisations.

1.10 Five public hearings were conducted between February and May 1991 and the witnesses who appeared before the Committee at these hearings are listed in Appendix C. As indicated in Appendix C, the Committee also carried out three inspections and received two briefings. The exhibits provided to the Committee are listed in Appendix D.

The Structure of the Report

1.11 The Committee's findings as they relate to the Inquiry's terms of reference are dealt with in the next five chapters. Chapter 2 defines social responsibilities and provides an overview of the whole gamut of social responsibilities as they apply to the great range of Commonwealth statutory authorities. It also addresses the question of whether government authorities should be expected to be more socially responsible than comparable non-government organisations.

1.12 Chapter 3 details the general principles relating to the measurement of performance and discusses the extent to which socially responsible behaviour can be measured. Chapter 4 reviews the measures used for the social responsibilities that are required of statutory authorities by law and regulation. The areas considered are responsibilities towards employees, clients, the environment and the wider community. Chapter 5 concentrates on the means by which values can be attached to the cost of acting in a socially responsible manner and the benefits of doing so at the level of both the organisation concerned and the community. The community service obligations of some of Australia's GBEs are also considered.

1.13 Chapter 6 covers some aspects of the scrutiny and monitoring to which the measures and reports of performance of the social responsibilities of statutory authorities are subjected. It identifies some limitations to the effectiveness of this scrutiny in promoting socially responsible behaviour and considers additional measures that can enhance the standard of statutory authorities' behaviour.

Chapter 2

SETTING THE SCENE

What are Social Responsibilities?

2.1 The Committee recognised that the concept of social responsibility is not readily articulated and its full extent not immediately obvious. To assist the understanding of those concerned with the Inquiry and to draw attention to the range of issues that can be included under the heading of social responsibilities, the Committee provided some information that might act as a starting point for the consideration of social responsibilities. This information is reproduced in Appendix E.

2.2 The Committee suggested that activities that are undertaken as the social responsibilities of organisations have one or more of the following characteristics:

- they may be social objectives of sufficient importance to be incorporated in the organisation's corporate plan;
- they may not bring financial gain to the organisation that undertakes them;
- in the case of government bodies, they may be activities imposed by the government which would not be expected of comparable private sector organisations; and
- they may be undertaken on a voluntary basis.

They include actions concerned with products and service provision, fair business practices, human resources and community involvement, and the environment and energy use.

2.3 Most of those making submissions to the Inquiry used this guide as the basis of their submissions. The Committee employed the guide as the framework within which it approached its Inquiry and drafted its Report. It noted, however, that a broader treatment of social responsibility was attempted by some, of which the most comprehensive was from the Secretary for Social Responsibility and Justice for the Uniting Church in Australia. It stated that all corporate bodies

have a responsibility to protect and develop a nation's wealth. It suggested that wealth should not be measured in monetary terms alone and that a nation's wealth consists of:

- i Material wealth, which includes the food, housing, sanitation, education and health care needed for human life.
- ii Technological/instrumental wealth
- iii Resource wealth (i.e. raw materials)
- iv Intellectual wealth
- v Spiritual wealth
- vi Natural/ecological wealth
- vii Social wealth (i.e. relationships, customs, laws, human rights, language, traditions).
- viii Political wealth (i.e. power and anticipation in decision-making)
- ix Variety (i.e. diversity of life in all its forms)
- x Creativity
- xi Time (leisure and work).¹

2.4 The Committee sees this Inquiry's findings into the social responsibilities of statutory authorities and GBEs as contributing to the pursuit of the nation's broader social responsibilities.

Statutory Authorities and Government Business Enterprises

2.5 In its report on the annual reporting guidelines for statutory authorities, the Committee noted the variety, in terms of size, function and level of managerial autonomy, among the large number of Commonwealth statutory authorities.² These statutory authorities include:

- . business enterprises, e.g. Telecom Australia;
- . marketing bodies, e.g. the Australian Wheat Board;
- . regulatory bodies, e.g. the Australian Broadcasting Tribunal;

1. Evidence, p. S86-7.
2. Joint Committee of Public Accounts. Annual Reporting Guidelines for Statutory Authorities, Report 309, AGPS, Canberra, 1991, Chapter 2.

- research institutions, e.g. the Commonwealth Scientific and Research Organisation;
- service organisations, e.g. the Australian Broadcasting Corporation; and
- custodial bodies, e.g. the Australian War Memorial.

2.6 The Committee distinguished several types of statutory authority: GBEs, statutory marketing authorities, commercial statutory authorities and non-commercial statutory authorities. In addition, it noted that some statutory bodies include their annual reports in the report of their portfolio department and some do not prepare an annual report. Others are parts of departments of state but operate in much the same way as a department of state.

2.7 This classification of statutory authorities was determined by differing financial reporting requirements. For the purpose of this Inquiry, however, the Committee believed that it was more important to distinguish among statutory authorities and GBEs using two other criteria. One of these was the entity's source of funding. The other, which relates only to commercially oriented statutory authorities, was whether they operate in a competitive environment.

2.8 Using source of funding to distinguish among statutory authorities, there are those that are budget-dependent and non-commercial and those that are commercially oriented organisations. Budget-dependent, non-commercial statutory authorities include the National Library of Australia, the Special Broadcasting Service, the Australian Electoral Commission, the Trade Practices Commission and the Australian National Parks and Wildlife Service. Commercially-oriented statutory authorities include GBEs, statutory marketing authorities and organisations such as the Royal Australian Mint and the Superannuation Fund Investment Trust (now the Commonwealth Funds Management).³ Between the completely budget-dependent and largely commercial entities are statutory authorities with a mix of commercial and budget-dependent operations. An example is the Health Insurance Commission which operates Medicare, the Pharmaceutical Benefits Scheme and Medibank Private.

2.9 Most budget-dependent statutory authorities operate in many ways like departments of state. For example, their staff are employed under conditions imposed by the Public Service Act 1922. Their programs are evaluated in the context of their portfolio department's evaluation program, they contribute to their

3. GBEs and statutory marketing authorities are listed in Appendices F and G respectively.

portfolio department's program performance statements and they appear before the Senate Estimates Committees. Furthermore, many of them, with the encouragement of the Department of the Prime Minister and Cabinet,⁴ make use of the Guidelines for the Preparation of Departmental Annual Reports⁵ in preparing their annual reports. This is because the current guidelines for statutory authorities⁶ are outdated and the departmental ones provide a very appropriate format for describing the achievements of budget-dependent statutory authorities.

2.10 The focus of the commercially oriented statutory authorities and GBEs is on efficient and profitable performance. The reform of GBEs initiated by the Government in 1987 was designed to reduce the control exercised over them by the Government and allow their managements the flexibility necessary for commercial operation.⁷ The extent to which such organisations are able or choose to embrace socially responsible behaviour is influenced by the impact of such behaviour on their profitability. This is especially true of those organisations that do not have a monopoly over their market and must compete with private sector organisations. The approach of commercially oriented statutory authorities and GBEs to their social responsibilities will necessarily differ from that of the budget-dependent statutory authorities. This is discussed further in the next section.

The Social Responsibilities of Statutory Authorities and Government Business Enterprises

2.11 In the first section of this chapter, the principles underlying notions of social responsibility were outlined and the areas commonly regarded as social responsibilities indicated. Social responsibilities relate to products and service provision, fair business practices, human resources and community involvement, and the environment and energy use. It is useful, however, to look at the range of social responsibilities from another point of view and to distinguish several categories among them.

4. Evidence, p. S537.

5. Department of the Prime Minister and Cabinet, Guidelines for the Preparation of Departmental Annual Reports, Department of the Prime Minister and Cabinet, April 1991.

6. Guidelines for the Content, Preparation and Presentation of Annual Reports by Statutory Authorities. Senate, Hansard, Vol. S96, 11 November 1982, pp. 2261-62. These guidelines will be updated following the Government's response to the Committee's Report 309.

7. Minister for Finance, Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, October 1987.

2.12 Social responsibilities can be:

- voluntarily assumed, either as:
 - an integral part of the organisations' operations - examples are a GBE's provision of information about its monopoly services, adequate choice of services and adequate access to redress where services have not been provided appropriately; or
 - extraneous to the main purpose for which the organisation exists - examples are sponsorship of sporting, cultural and educational activities and assistance to remote communities;
- legally required but do not have to be reported - an example is maternity leave ; or
- legally required and reports must be made on plans for their performance and the progress achieved - examples are equal employment opportunity (EEO) and occupational health and safety.

Appendix H lists the legislation identified by the Committee as relating to social responsibilities. Some of this legislation and the ways in which the social responsibilities it prescribes are measured and reported are covered in Chapter 4.

2.13 Community service obligations (CSOs) represent a special class of social responsibilities belonging to the last of the categories listed in paragraph 2.12. They are viewed by some as prescribed functions⁸ but by most as social responsibilities. CSOs are undertaken by GBEs as a result of legislation or government direction and are designed to achieve particular social objectives. They consist of providing services, such as telephones and access to letter post to all Australians, under circumstances in which these services would not have been provided if normal commercial criteria had applied. CSOs are dealt with in greater detail in Chapter 5.

8. This point was made by the Australian National Audit Office (Evidence, p. S80)

The Place of Social Responsibilities in the Operations of Statutory Authorities and Government Business Enterprises

2.14 Some organisations claimed that their entire work could be considered as fulfilling a social responsibility.⁹ They perceived their establishment as recognition by the Government of its social responsibilities. Examples of such responsibilities are maintaining and developing the artistic life of the Australian community, providing quality radio and television services for all Australians and helping to raise the standard of living both among Aborigines and in the poorer nations of the world. The Department of the Prime Minister and Cabinet pointed out that this view could be taken with regard to the work of most of the budget-dependent, non-commercial statutory authorities¹⁰ and so includes all those operating in the research, regulatory, custodial and service areas.

2.15 For the commercially oriented statutory authority and GBE, the main focus of attention is obviously on their commercial operations and their social responsibilities are considerations that influence the manner in which they carry out their business. For these organisations, commercial considerations tend to rule out undertaking other than legally required responsibilities. The Superannuation Fund Investment Trust points out that its:

... investment decisions are based solely on investment criteria ... and to do otherwise would place SFIT in breach of its own Act ... some contributors, and indeed some relevant industry organisations, have expressed the view that SFIT should not invest in what they see as socially undesirable investments. For example, some contributors have expressed their opposition to SFIT holding shares in tobacco companies or companies involved in uranium mining. SFIT's attitude ... is that investment decisions can only be made on investment criteria and there is no legal scope to base investment decisions on any other criteria.¹¹

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9. Examples of organisations making this point are the Australian Institute of Aboriginal Studies (Evidence, p. S449), the Australian Sports Commission (Evidence, p. S21), the Department of the Arts, Sport, the Environment, Tourism and Territories about the Australia Council (Evidence, p. S579) and the Health Insurance Commission (Evidence, p. S220).
10. Evidence, p. S534.
11. Evidence, pp. S70, 72-3.

The Australian Defence Industries Pty Ltd has a similar view:

... in keeping with the realities of living in the harsh world of national and international competition it really comes down to a choice between staying in business with a lean, mean, competitive existence for our workforce or pressing for the social issues...and in all probability lose competitiveness, lose business and dismiss staff. The choice is a lean, mean, commercial existence or no existence at all.¹²

2.16 Such attitudes are tempered by a widespread recognition that being socially responsible can make good business sense. This is seen as being especially true of an organisation's responsibilities to its employees. Qantas commented:

... within the human resource area it is very much a commercial strategy based on providing a work force suitably and adequately skilled, conducive to the efficient operations of the airline and, at the same time, enhancing productivity and industrial harmony. I would say that is a fairly commercial outlook to have.¹³

2.17 The Superannuation Fund Investment Trust shared the same view:

Quite apart from any legal obligations, it is in SFIT's interests to promote harmonious employee relations and to provide a sound working environment with appropriate terms and conditions of employment in order to attract and retain staff with the required skills, qualifications and experience.¹⁴

12. Evidence, p. S112.

13. Evidence, p. 341.

14. Evidence, p. S72. Similar sentiments are expressed by the Department of Finance (Evidence, p. 86) and the Department of the Prime Minister and Cabinet (Evidence, p. S541).

2.18 In the opinions of some, an organisation's social responsibilities overlap and are in some cases identical with its business responsibilities. For instance, the Australian National Audit Office stated that:

In some respects, it is not easy to distinguish between the social responsibilities and the main functional responsibilities of government authorities; nor may it always be particularly useful to try to do so. Thus it might be said that some social responsibilities could equally be classed as business responsibilities.¹⁵

2.19 Not only does socially responsible behaviour on the part of an organisation benefit the organisation, but a successfully operating organisation will bring social benefits to the community. Australia Post told the Committee that:

... meeting our obligation to be commercial, produces desirable social outcomes in that it encourages operational efficiency and provides taxation and dividend payments to Government for use on its programs.¹⁶

The benefits of operational efficiency are not always solely financial. When the Australian National Line replaced its obsolete vessels with more fuel efficient ones, it economised on its fuel costs. Its new vessels are also less damaging to the environment because the more complete combustion of fuel by efficient machines results in less toxic exhaust emission.¹⁷

2.20 The Committee concludes that social responsibilities are fundamental to the operations of statutory authorities and GBEs. Socially responsible behaviour on the part of a commercially oriented organisation should facilitate the successful achievement of that organisation's objectives, which in turn provides benefits to the community.

15. Evidence, p. S83.

16. Evidence, p. 744.

17. Evidence, p. S203.

Do Government Entities Have Greater Social Responsibilities Than Other Organisations?

2.21 A question that was addressed in a number of submissions is whether government entities should be expected to show a greater degree of social responsibility than other organisations. The prevailing view is that, while they should strive to perform in the most responsible manner possible, so should other organisations¹⁸. This view was put most comprehensively by the Australian National Audit Office:

A threshold question is whether government authorities should have greater or more stringent social responsibilities than private sector entities or natural persons. The AAO [now the Australian National Audit Office] believes that probably they do not; private sector entities should also act in a socially responsible manner and be good corporate citizens ... [However] for leadership in a democratic society to be effective it should be based on setting a good example. Or to put it another way, if public sector agencies are not prepared to do so, how can private sector entities be expected to maintain the desired standards. Hence government authorities must...be model corporate citizens.¹⁹

2.22 This view was not, however, shared by all these that made submissions to the inquiry. The Uniting Church of Australia of Blackburn, Victoria argued:

Government bodies are in the unique position of being able to accommodate a number of objectives without being completely dominated by the need to make profits. They are therefore able to undertake matters of social responsibility provided that their managements do not seek to merely ape the private sector.²⁰

18. This point was made by the Commonwealth Bank (Evidence, p. 240), the Department of Finance (Evidence, pp. 74, S506) and the Department of Transport and Communication (Evidence, p. S553).

19. Evidence, p. S82.

20. Evidence, p. S19.

This is recognised by laws and regulations imposing a number of social responsibilities on GBEs and statutory authorities. Examples of such impositions are CSOs and the terms and conditions of employment required of GBEs.²¹

2.23 Furthermore, as the Department of Transport and Communication pointed out:

... Commonwealth-owned entities ... do have the good citizen type of obligation, of course, that organisations in the private sector have as well, but which ... , arguably, Commonwealth-owned bodies may feel a little more intensely from time to time.²²

The Australian National Audit Office saw this as stemming in part from the fact that:

... as agents of the executive, government authorities are generally held more accountable to the ultimate shareholders (through their elected representatives) than private sector counterparts ...²³

2.24 Furthermore, as the Auditor-General pointed out, government authorities '... have a degree of protection not generally enjoyed in the private sector' because:

... most commercially oriented authorities, including those established under the Companies legislation, ... are not subject to all of the competitive pressures usually found in the private sector. They are protected from hostile takeovers, their performance is not usually reviewed in the market place and reflected in share prices or the cost of capital, except when privatisation is being contemplated, and the ultimate shareholder (the citizens) do not have the flexibility to withdraw their investment in the entity.²⁴ ... the taxpayers are locked in, tied to the mainmast, cannot bail out if they do not agree with a particular approach, ethical standard or rate of return.²⁵

21. Evidence, p. S515.

22. Evidence, p. 412.

23. Evidence, p. S82.

24. Evidence, p. S81.

25. Evidence, p. 137.

2.25 Thus the social responsibilities of government entities are seen as an integral part of the accountability that attaches to organisations charged with the expenditure of public money. The position of government authorities can be encapsulated by two propositions:

1. that accountability is the basis for public trust in the operation of government entities;²⁶ and
2. that government entities should therefore observe the full range of social responsibilities as well as those specific to them.²⁷

26. Evidence, p. S80.

27. Evidence, p. S82.

Chapter 3

MEASURING PERFORMANCE

Introduction

3.1 Annual reports provide information about statutory authorities and GBEs. Therefore, the annual report is a critical link in the accountability of these bodies to the Parliament. The usefulness of an organisation's annual report depends on the content and quality of the information it contains. In this chapter, some general features of good performance information are reviewed.

General Principles

3.2 The performance information that is provided in annual reports, program performance statements and other reports forms the basis on which the appropriateness, effectiveness and efficiency of a program or policy can be judged. These three terms are defined thus:

- appropriateness is the extent to which program or policy objectives match the needs of clients, the policies of the Government, and the goals of the organisation;

- effectiveness is the extent to which program or policy outcomes match stated objectives; and

- efficiency is the extent to which program or policy objectives are achieved at reasonable cost and in reasonable time.

3.3 To make meaningful judgements about these attributes, the prime requisite is clear definition of a program's objectives, both quantitative and qualitative.¹ Without this, the task is impossible. The second important element in making evaluations is the use of valid performance information. These two issues, as they relate to social responsibilities, are explored in this chapter.

1. Evidence, p. S81

3.4 In exploring these two topics, the Committee noted that they are important elements of the Financial Management Improvement Program and its central element, program management and budgeting.² Program management and budgeting was introduced in 1985 to improve program performance and accountability for that performance by providing:

- . a strategic focus on the policy objectives of the Government;
- . a basis for linking strategic considerations with day to day operations; and
- . improved information on outcomes, expenditure and performance for use by Ministers, Parliament and the public.³

3.5 *Program management and budgeting integrates planning, budgeting, implementation and evaluation in one continuous management cycle. It requires a clear statement of the objectives of each program expressed in terms of outcomes and makes clear the relationships of various programs within a portfolio to the portfolio's objectives. Under program management and budgeting, achievements are assessed against objectives on a continuing basis for management purposes and annually for inclusion in program performance statements. Furthermore, significant aspects of each Commonwealth program are evaluated systematically on a rolling three to five year cycle and they too are reported in program performance statements.*

Setting Objectives

3.6 A major problem that the Committee encountered in the task of assessing the performance of statutory authorities and GBEs in meeting their social

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2. Department of Finance. Program Evaluation: a Guide for Program Managers, Department of Finance, March 1989.
 3. Minister for Finance. Portfolio Program Estimates 1991-92, 1991-92 Budget Paper No. 3, AGPS, Canberra, 1991, p. vii.

responsibilities is the absence of a clear definition of what those responsibilities are.⁴ The Committee believes that what is needed is a statement of an organisation's objectives in relation to its social responsibilities. If these were included among the organisation's corporate objectives and incorporated in its corporate plan, it would signal the importance the organisation attached to them. If the objectives were also the basis for the annual production of specific plans containing targets to be met at timed delivery points, a very clear statement of intent would be available against which the organisation's performance could be judged.

3.7 The Committee recognises that some areas of social responsibilities are easier to define than others, and notes comments made by the Federal Airports Corporation that:

It is easy to measure the value of airport specific community support but more difficult to measure and report on the social responsibility aspects of Consultative Committees, liaison with local councils and citizens' groups, and the provision of disaster assistance.⁵

In spite of this type of difficulty, the Committee believes that it is important to begin to develop ways of addressing the problem.

3.8 The Committee recommends that:

- legislation be introduced to require all statutory authorities and government business enterprises:
 - to include social objectives among their corporate objectives; and
 - to produce annual plans for meeting their objectives.

4. Telecom makes this point (Evidence, p. S509). The Controller and Auditor-General of New Zealand also identified this as a problem in his review of the reports by state-owned enterprises of their actions in response to the good employer and social responsibilities requirements of New Zealand's State-Owned Enterprises Act 1986 (Report of the Controller and Auditor-General on Statements of Corporate Intent, House of Representatives, Wellington, September 1990).

5. Evidence, p. 273.

Problems in Defining Objectives: the Case of Good Corporate Citizenship

3.9 One area of social responsibility that presents particular problems of precise definition is that of good corporate citizenship. This is a goal to which many of the more commercially oriented statutory authorities aspire⁶ and one it is hard to prescribe exactly. The Auditor-General told the Committee that:

... there are many organisations, both public and private, which are absolutely first-rate corporate citizens ... they pay their taxes and they observe the spirit of the law and the spirit of contracts - these are important ingredients in being an ethical organisation ... [However,] I think there is a question as to whether one should get into specifics at all ... I am not sure that we can actually legislate ethics in the way that we may wish to.⁷

3.10 The Secretary of the Department of Finance commented, in relation to good corporate citizenship and a sense of ethical conduct:

I suppose I rather doubt that you can strictly define them when we are talking about broader social responsibilities. Therefore, if you cannot strictly define them and you are relying on the good sense of the board and the chief executive, on people's sense of what is right and proper conduct, then I doubt that you can measure them.⁸

3.11 The same point was made by the Department of the Prime Minister and Cabinet:

... rules of behaviour for those managing authorities cannot be specified completely and the Government must rely on the management's integrity and sense of social responsibility.⁹

6. Examples are the Australian Defence Industries (p. S112), the Australian Wheat Board (p. S65), the Pipeline Authority (p. S75), the Snowy Mountain Engineering Corporation (p. S65).

7. Evidence, pp. 134-6

8. Evidence, p. 74

9. Evidence, p. S537.

... the actions of SAs [statutory authorities] and GBEs are expected to maintain social and ethical standards that reflect the broader social policy agenda of Government and expectations of the community without having to be required by Government regulation.¹⁰

3.12 While the definition may not be precise, there is a community expectation, as the Auditor-General and the Department of the Prime Minister and Cabinet have pointed out, that all government agencies will maintain the highest possible social and ethical standards. From an accounting perspective, the areas covered by these concerns include meeting tax obligations without using contrived tax minimisation schemes, full compliance with the requirements of accurate reporting of the entity's financial position, representing client and Government rather than personal interests and the obligation not to use insider information for private advantage.

3.13 Some GBEs, meeting tight competition from the private sector, at times face decisions involving their role in legitimate tax minimisation as opposed to tax avoidance. This problem may be exacerbated by the tight financial targets set for them by the Government.

3.14 The Committee notes that pressures on government agencies may be such that they also gloss over or ignore their social responsibilities in other areas. For example, there are occasions in the life of a GBE when significant changes are made to its mode of operation. In these circumstances, the first casualty tends to be the attention that it gives to the social responsibilities covered in this Report, such as the obligation to consult and to ensure adequate access to its services.

The Case of Telecom's Information Services

13.15 In its 0055 service, Telecom acts as the carrier for messages provided by organisations known as service providers. The messages convey information about a range of subjects, including finance, weather, sport, competitions, horoscopes, news, medical matters and ethnic affairs.¹¹ Up until recently, a small proportion of the messages related to 'adult-type services', which are sexually explicit and/or have a violent content. These messages provoked complaint from some sections of the Australian community and placed Telecom in a position somewhat

10. Evidence, p. S541.

11. Senate Select Committee on Community Standards Relevant to the Supply of Services Utilising Telecommunications Technologies. Evidence, p. 10, 27 August 1991.

at odds with its commercial role of maintaining the 0055 network and charging for its use. Telecom was obliged to develop guidelines for the content of the messages that it carried, and in doing so, grappled with the problem of defining what the community regards as acceptable standards for the content of such messages. Here, as in the case of defining precisely what good corporate citizenship is, Telecom found the definition of a community standard difficult:

It is a very delicate situation, and it is a fine balance.
... different views about moral and other community standards exist and are pushed vehemently by different subsets.¹²

3.16 The Committee is concerned that Telecom failed to establish a clear position in regard to the types of messages that would be accepted for the 0055 service before that service was launched. In failing to this, Telecom exhibited a lack of understanding of its social responsibility in relation to these community sensitive contracts. While recognising the diversity of views on what is and is not acceptable in such a service and the difficulty of setting a suitable standard, the Committee believes that a publicly owned enterprise has a paramount duty to operate with clear, consistent standards that are acceptable to the community at large.

Characteristics of Performance Information

3.17 Much work has been put into describing the features needed in the best possible performance information and making this knowledge available to those responsible for the production of performance information and its evaluation.¹³ The Committee identified nine characteristics that it regarded as desirable for good performance information:

- . it should be about outcomes, not about inputs, processes, outputs or workloads;
- . it needs to be the best possible within the limitations imposed by time, cost, ease of collection and ethical considerations;
- . it may be quantitative or qualitative;

12. Evidence, pp. 661-2.

13. For example, the publications prepared by the staff of the Program Evaluation Unit of the New South Wales Premier's Department (formerly part of the Public Service Board of New South Wales). Program Evaluation Bulletins, 1985-90

- . it should be associated with a target or standard;
- . it should include several indicators for each program;
- . it should be chosen to suit the needs of the users and the sorts of decisions for which they will want to use the information;
- . it may need to be chosen in consultation with the parties involved with the operation of the organisation;
- . it should be collected into the same form by the same methods as long as the program continues so that term trends can be followed; and
- . it can usefully be reported by a mixture of statistical and narrative material.

3.18 In the sections that follow, each of the above characteristics is discussed, and illustrated with examples relating to the performance of social responsibilities that have been taken from the evidence collected by the Committee.

Outcome Orientation for Performance Information

3.19 Performance information should be about outcomes, not inputs, processes, outputs or workloads. An example of information about outcomes is that provided by Australia Post in its annual report. This information covers:

- . Australia Post's operating profit against a targeted rate of return on assets;
- . the timeliness of delivery, which is at present expressed in terms of the percentage of enveloped articles delivered within advertised times and within one working day later;¹⁴
- . the real basic postage rate, which is expressed as percentage change relative to movement in the consumer price index; and

14. These measures are to be replaced by the single measure of elapsed time from posting to delivery (Evidence, pp. 746-7)

labour productivity growth, which is expressed as the percentage growth in turnover, at constant prices, per paid work year.¹⁵

3.20 Another example is the type of information that the new telecommunications carriers will be supplying to Austel in relation to their universal service obligations to provide a telephone service to all Australians. During the Inquiry, Austel told the Committee that the sorts of measures that were being considered as indicators of the quality of service provided were the time taken to connect a call, the number of dropouts in relation to the number of calls connected, fault response time, the capabilities of phones for disabled people and their access to payphones.¹⁶

3.21 Because it is sometimes difficult to measure outcomes, outputs are substituted for them. The Australian Centre for International Agricultural Research for example, can measure the success of its research projects in terms of the development of new technologies¹⁷ and the means by which they are reported to the agricultural communities in Australia and the developing countries where it works. It is much harder to measure the impact of publications and even harder to measure the impact of the new technologies on agricultural practices and production in Australia and overseas. The Australian Centre for International Agricultural Research relies on the numbers of requests it receives from overseas to indicate the impact of its work. Furthermore, it knows from a recent study that one of its books about sorghum has reached the major agencies in Australia's sorghum growing areas and is extensively used in libraries there. It would, however, be prohibitively time consuming and expensive to attempt more extensive evaluations of the Centre's impact.¹⁸

3.22 The full impact of research work may often be delayed and unanticipated. An example of this 'sleepier' effect is seen in a 1982 study by the Australian Institute of Family Studies on young people's experience of leaving home. The study was not widely used until it was drawn on by a 1989 study on youth homelessness by the Human Rights and Equal Opportunity Commission. The Institute anticipates a similar situation with its 1987 publication about the division of matrimonial property, Settling Up, which is likely to be utilised more extensively when the relevant legislation is reviewed.¹⁹

15. Evidence, p. 745.

16. Evidence, p. 684.

17. Australian Centre for International Agricultural Research. Annual Report, 1989-90, p. 3.

18. Evidence, pp. 667-70.

19. Evidence, p. S502.

3.23 Policy advice is another field for which it is often hard to find suitable outcomes on which to report. The Office of the Economic Planning Advisory Council uses as measures of its work the numbers of requests for its papers and for staff to present seminar papers and the frequency with which its papers are cited by the Organisation for Economic Co-operation and Development.²⁰ The usefulness of advice in decision-making and the success of programs based on the advice provided are other possible measures. New Zealand Ministers use a pro-forma to rate the quality of the advice given to them.

3.24 Even when desired outcomes can be identified, it may be impossible to attribute them to whatever program or policy is under consideration. This is because external factors may also have affected the outcomes, making it difficult to isolate the direct results of particular policies or actions from the effects of these other factors.

Time, Cost, Ethical and Practical Limitations to Performance Information

3.25 Time, cost and ease of collection are obvious limitations to the collection of information. The effect of ethical considerations may be harder to anticipate. For example, the Australian Film Commission stated that if it required ethnic information on grant applications, it might lay itself open to accusations of racial discrimination.²¹ The Public Service Commission, in collecting EEO statistics, recognises that individuals have the right not to identify themselves as being disabled, Aborigines, Torres Straits Islanders or from non-English speaking backgrounds. As a consequence, it has no information about these characteristics for a quarter of Commonwealth public servants. This deficiency in the data clearly could influence the validity of the conclusions drawn from them, and is being reviewed by an interdepartmental committee with a view to improving the quality of the Commonwealth's personnel records.²²

Quantitative and Qualitative Information

3.26 Performance information may be quantitative or qualitative. It may consist of facts, perceptions and opinions; for example, information about access to a service, the quality of the service and client attitudes to and satisfaction with it

20 Senate Standing Committee on Finance and Public Administration. Report on Annual Reports Tabled July 1990- June 1991, June 1991, pp. 6-7.

21. Evidence, p. S109

22. Evidence, p. 517-8.

are indicators of its effectiveness. In its annual report for 1989-90 and the explanatory notes to the 1990-91 budget, the Health Insurance Commission provided this mix of information about Medicare. This is shown in Appendix I of this Report.

3.27 In using quantitative information, it is important to ensure that the outcomes measured are homogeneous. The Economic and Budget Review Committee of the Victorian Parliament gives an example of this:

... one could seek to use as a performance indicator for a Parliamentary Committee the number of reports (or number of pages of reports) which it produced. Given, however, that such an indicator would not differentiate between rubbish and first rate contributions to the policy debate, it could only be regarded as a very partial measure of performance.²³

3.28 There has been a tendency to regard quantitative indicators as having greater worth than qualitative ones and to see them as more objective. However, as the Minister for Finance points out:

Performance information does not need to be numerical to be useful; some of the most valuable information available to managers will be descriptive.²⁴

The Public Service Commission commented, in relation to the use of performance indicators for EEO programs, that:

The Department of Finance was very far ahead of a lot of agencies in terms of saying that the qualitative performance indicators are of equal worth to the usual number crunching quantitative performance indicators. It has taken some time for that clear thinking to come through to some of the agencies.²⁵

23. Parliament of Victoria, Economic and Budget Review Committee. Program Budgeting, April 1990, p. 59.

24. Minister of for Finance. Portfolio Program Estimates 1991-92. 1991-92 Budget Paper No. 3, AGPS, Canberra, 1991, p. x.

25. Evidence, p. 517.

Comparison with a Target or Standard

3.29 Performance information should be associated with a target or standard, for example, ideal outcomes or the results of similar programs operating elsewhere in Australia or overseas.

3.30 One of the most ambitious efforts at standard setting that came to the Committee's attention was one of the components of the Citizen's Charter proposed by the Government of the United Kingdom. The Charter is intended to 'raise quality, increase choice, secure better value, and extend accountability' in the provision of public services.²⁶ Among other things, the Charter will involve all public services in publishing local and national performance targets and comprehensive information about the standards achieved. Those services that achieve the standards set will be entitled to use the 'Chartermark'.

3.31 No such overarching system applies to Australian public sector bodies, but comparisons are frequently made with the performance of comparable organisations. For example, Australian National (Rail) is able to compare its operations with those of State and North American railway systems.²⁷ Telecom compares its annual charges for residential and business telephone services with those of countries belonging to the Organisation for Economic Co-operation and Development,²⁸ as does Australia Post for its standard letter rate.²⁹

3.32 In comparing the performance of similar organisations, care has to be taken that they are indeed similar to one another. Telecom pointed out to the Committee that:

Comparisons of the price of one element of the standard telephone service will most frequently lead to misleading conclusions in terms of telecommunications costs to consumers or of pricing efficiency. For example, a charge of 22 cents is applied by Telecom Australia for local calls ... while, in New Zealand, local calls made by residential customers are uncharged. However New Zealand annual residential rental, at \$A259, is nearly twice the amount levied by Telecom Australia.

26. The Prime Minister. The Citizen's Charter: Raising the Standard, HMSO, London, 1991.

27. Evidence, pp. S372-3.

28. Evidence, p. S790-1.

29. Evidence, p. S811.

Telecom concluded that:

In order to conduct meaningful comparisons of the telecommunications charges effective in different countries or at different times, a basket of fixed (e.g. rental) and usage (e.g. call) charges must be adopted.³⁰

3.33 Furthermore, it may be hard to find an appropriate standard for comparison in that a number of statutory authorities and GBEs are the only ones of their kind. For example, there was no other institution like the Australian Institute of Family Studies anywhere in the world until the French, British, Japanese, Canadian and New Zealand governments, impressed by the Australian Institute of Family Studies, established similar organisations.³¹

3.34 Alternatively, there may be no established standards for certain types of operation. The Pipeline Authority told the Committee that as far as pipelines are concerned, 'there are no Australian standards, or industry standards, in the environmental area'.³² The Australian Centre for International Agricultural Research made a similar point.³³ Both organisations referred to their operations as 'trail blazing' and 'exploring new territory'.

3.35 Where no established standards exist and their usefulness is recognised, the value of making a concerted effort to develop them becomes obvious. Such a situation has arisen in relation to establishing the means of assessing the efficiency and effectiveness of Australian government trading enterprises. At the Special Premiers' Conference in July 1991, it was agreed that a national framework for monitoring their performance be developed. The Industry Commission, working under the auspices of a Commonwealth-State Steering Committee, will develop national performance indicators using both accounting and non-financial measures.³⁴

30. Evidence, p. S788.

31. Evidence, p. S502.

32. Evidence, p. 18.

33. Evidence, p. 36-7.

34. Communique from the Special Premiers' Conference, Sydney, 30 July 1991, p. 16.

Multiple Indicators

3.36 Performance information should include several indicators for each program because no single indicator can reflect all aspects of a particular program. An example of multiple indicators is provided by the gender equality indicators developed by the National Agenda for Women. There are fourteen of them, expressed as comparisons between men and women. They include school retention, higher education and TAFE enrolments, education level attained, labour force participation, occupation segregation, women in decision making positions in management and in the Parliament, superannuation coverage, income level, income support, the availability of child care and its use, and the use of pain relievers, tranquillisers and sleeping pills.³⁵ Another example is given by the Defence Housing Authority's planned indicators of the quality of life of its tenants. They might include access to shopping centres, public transport and work places, the number of children in child care, amenities in the area and tenant satisfaction.³⁶

3.37 When the Department of Finance carried out its review of the performance of Australian museums, it used only a limited number of indicators: attendance figures, cost per visitor, area of exhibition space, proportion of total space devoted to exhibitions and cost per square metre of exhibition space.³⁷ The Department of the Arts, Sport, the Environment, Tourism and Territories challenged the adequacy of these measures for reflecting the whole range of museum activity and suggested the inclusion of others as well. These include:

- the nature, size and composition of collections, measured against approved collection policies;
- the state of preservation of the collection;
- the proportion of the collection adequately catalogued and documented;
- the extent of in-house research;

35. Office of the Status of Women, Department of the Prime Minister and Cabinet. National Agenda for Women: Mid-Term Implementation Report of the 1988-1992 Five-Year Action Plans, AGPS, Canberra, August 1990, pp. 77-94.

36. Evidence, p. S359.

37. Department of Finance. What Price Heritage? The Museums Review and the Measurement of Museum Performance, Department of Finance, Canberra, March 1989, pp. 44-5.

nature and quality of educational programs; and perhaps some measure of the quality of the experience for visitors.³⁸

Meeting the Needs of Users

3.38 Performance information should be chosen to suit the needs of the users and the sorts of decisions for which they will want to use the information. Program managers require a level of detail that allows them to modify their programs to produce better outcomes. By comparison, the reader of an annual report usually needs far less.

3.39 The Committee endorses the comments made by the House of Representatives Standing Committee on Finance and Public Administration that:

The amount of information being generated for the purpose of parliamentary accountability raises the question of whether there is now more information available than the Parliament can deal with adequately. What is important about the information for the Parliament is the quality of the information, not the quantity. The Parliament and its committees do not have the resources to address vast quantities of raw data. Information that has already been filtered by means of evaluation, assessment and review is of most use to Parliament.³⁹

Consulting with Users

3.40 Performance information may need to be chosen in consultation with the parties involved with the operation of the organisation, including the staff and clients. Involving all these parties helps to ensure that all of them believe in its validity. This has been done by Austel in setting indicative performance standards for Telecom's provision of a telephone service. Austel's Consumer Advisory Council has provided, and will continue to provide, advice about the aspects of the service

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38. Department of the Arts, Sport, the Environment, Tourism and Territories. What Value Heritage? A Perspective on the Museums Review and the Performance of Museums. A Discussion Paper, November, 1990.
39. House of Representatives Standing Committee on Finance and Public Administration. Not Dollars Alone: Review of the Financial Management Improvement Program, AGPS, Canberra, September 1990, p. 99.

which should be monitored and how these should be measured. Following the Government's acceptance of a review committee recommendation, statutory marketing authorities are now developing performance indicators in consultation with peak industry bodies.⁴⁰

Use of the Same Indicators over Time

3.41 Performance information should be collected in the same form by the same methods as long as the program continues so that long term trends can be followed. A good example of this is provided by Australia Post's 1989-90 annual report which contains information for a number of indicators for the last five years.⁴¹ The Health Insurance Commission provides similar information for Medibank Private and Medicare.⁴²

3.42 The Committee noted the observation by the Senate Standing Committee on Finance and Public Administration about the scrutiny of program performance statements by the Senate Estimates Committee that:

... a great deal of the most important performance information required comparison over a much longer period than the 12 month budget cycle for any meaningful conclusions to be drawn from it.⁴³

3.43 In its report on Program Budgeting, the Economic and Budget Review Committee of the Victorian Parliament recommended that public sector agencies be required by law to report particular selected performance indicators and that these indicators be altered only with the approval of either House of Parliament. If adopted by the Victorian Government, this recommendation would prevent agencies from presenting the best possible picture of their performance by selecting which

40. Media release on 18 October 1990 by John Kerin MP, Minister for Primary Industries and Energy giving the Government response to the Review of the Commonwealth Primary Industry Statutory Marketing Authorities. Report to the Minister for Primary Industries and Energy by Review Committee, AGPS, Canberra, April 1990.

41. Australia Post. Annual Report, 1989-90, pp. 3-10.

42. Health Insurance Commission. Annual Report, 1989-90.

43. Senate Standing Committee on Finance and Public Administration. Estimates Committee Documentation and Procedures, April 1991, p. 60.

indicators to report in any one year, and would enhance the public's and Parliament's confidence that they were receiving a balanced assessment of the agencies' performance.⁴⁴

Choice of Format

3.44 Performance information can be reported usefully by a mixture of statistical and narrative material. Which method is used in any report depends on the nature of the information to be conveyed. Leaving aside their financial statements, the annual reports of most statutory authorities and GBEs rely largely on narrative material to describe the year's activities and discuss some of the issues with which they have dealt. The Trade Practices Commissions' 1989-90 annual report, for example, used statistical material in the section on corporate planning and management, but relied almost entirely on narrative to deal with competition and microeconomic reform, compliance with the Trade Practice's Act 1974, initiatives to improve market conduct, and educational and information.

3.45 The blending of statistical and narrative material enhances the *comprehensibility of information*, a fact that was recognised by the judging panel of the Royal Australian Institute of Public Administration when it gave a best report award for 1989-90 to the Australian Tourist Commission.⁴⁵ Two pages of this report are reproduced in Appendix J.

Conclusions

3.46 The Committee believes that the use of best practice in measurement and reporting by government organisations is an absolutely essential link in the accountability of these organisations to the Parliament and to the public. It recognises that the principles of performance measurement listed above are widely known and used by many organisations. Nonetheless, it believes that it is necessary to stress the importance of using the best measures possible. The Committee considers that such measures should be employed to report on the performance of social responsibilities by statutory authorities and GBEs, as well as on their performance of other aspects of their operations. Furthermore, it is important that these bodies keep abreast of developments in performance measurement and ensure that they are using the best methods available.

44. Parliament of Victoria, Economic and Budget Review Committee. Program Budgeting, (no publisher shown), April 1990, p. 65.

45. Royal Australian Institute of Public Administration ACT Division (Inc). Report of Judges on the 1989-90 Annual Report of Commonwealth Departments and Statutory Business Undertakings, May 1991, p. 21.

3.47

The Committee recommends that:

- the information provided by statutory authorities and government business enterprises to the Parliament and the public about the performance of their social responsibilities:
 - emphasise outcomes against set targets, with several indicators for each program;
 - include quantitative or qualitative data that is:
 - expressed statistically or in narrative form; and
 - collected in the same form by the same methods as long as the program continues so that long term trends can be followed; and
 - consist of material suited to the needs of the users and chosen in consultation with those involved with the operation of the organisation; and
- statutory authorities and government business enterprises examine new developments in performance measurement and reporting and adopt any that they consider appropriate.

3.48 In making these recommendations, the Committee draws particular attention to the comments made by the House of Representatives Standing Committee on Finance and Public Administration, that the Parliament has a need for 'information that has already been filtered by means of evaluation, assessment and review'.

Developing and Using Performance Information

3.49 The Committee recognises that the process of developing good performance information can be a long one. The early stages of developing measures for the performance of museums by their staff were described by an officer of the

Department of the Arts, Sport, the Environment, Tourism and Territories with the start being to:

... revisit their mission statements, look at what the objectives of that mission statement were and how they were going to get there. Having done that, we ... asked them to work out what might be generic criteria for national collecting institutions.

They have come up with some drafts of ... three [desired] outcomes that they believe would be pertinent to their organisations. Then they ... developed criteria for each organisation, because each organisation has different needs and different requirements. They went away ... with a lot of draft pieces of paper which they were then going to ... work through their own organisations ...⁴⁶

3.50 The experience of the Department of the Prime Minister and Cabinet in developing the gender equality indicators in the National Agenda was described to the Committee:

We have definitely found ... that it is important to...actually start by measuring what you feel are the key indicators and then developing from there. ... we are now in the process of getting ABS [Australian Bureau of Statistics] to have another look at the gender equality indicators, examine whether there are other indicators currently around which could actually be added to them and, through that process, actually improve the monitoring over time.

When we first started with the gender equality indicators, it was, in some ways, a leap of faith, but that leap of faith has then added a capacity, with departments ringing up and saying, 'We feel that there are better indicators in the area of education'. As a result, we are now having a re-examination of them.⁴⁷

46. Evidence, p. 424.

47. Evidence, p. 175.

3.51 Given the relatively recent introduction of the requirement to use performance information and the slow development of suitable indicators, it is not surprising that the Senate Standing Committee on Finance and Public Administration found that:

... three significant recent reports on program budgeting in the Australian and Victorian Public services have concluded that performance reporting remains underdeveloped.⁴⁸

3.52 Progress in the development of performance information has generally been slow because of a lack of resources. Experience and skills in the development and use of performance indicators, particularly effectiveness indicators, have been limited and have had to be acquired. Furthermore, there is a cost in developing and maintaining performance indicators.

3.53 The Committee recommends that:

statutory authorities and government business enterprises develop in their staff an expertise in the development and use of performance information relating to those bodies' social responsibilities; and

the Department of Finance assist statutory authorities and government business enterprises to develop expertise in the use of performance information.

3.54 Such an expertise is of particular significance in view of the need for good performance information to use in evaluating programs and policies. With the introduction of the Financial Management Improvement Program, evaluation has become a more central part of the management process than before, as well as being an important element in the information included in program performance statements.⁴⁹

48. Senate Standing Committee on Finance and Public Administration. Estimates Committee Documentation and Procedures, April 1991, p. 53.

49. Department of Finance. 1991-92 Program Performance Statements: Guidelines.

Chapter 4

MEASURES OF PERFORMANCE OF SOCIAL RESPONSIBILITIES BY COMMONWEALTH ENTITIES

Indications to date are that the development and refinement of mechanisms by most authorities to identify, measure, and report on the performance of their social responsibilities is still some way off.¹

The Commonwealth Auditor-General

Introduction

4.1 This chapter examines the performance information relating to social responsibilities that are generally required across a number of organisations. These are the social responsibilities referred to in paragraph 2.12 that are imposed by legislation, regulation and Ministerial direction. In focusing on these responsibilities, the Committee recognises that in many cases the special functions for which individual statutory authorities were created can be regarded as social responsibilities. To consider the performance information used by each statutory authority would have imposed too great a work load on the Committee. It therefore decided to limit its examination to the more generally applicable social responsibilities.

4.2 There are several areas of social responsibility that are generally applicable across most, if not all, statutory authorities and GBEs. They are:

- responsibilities towards employees, such as occupational health and safety, equal employment opportunity (EEO), training and industrial democracy;

- responsibilities towards clients in terms of the social justice concerns of access to services, the equity with which they are delivered and the possibility for clients' participation by providing advice to service providers;

1. Evidence, p. S79.

responsibilities towards the environment; and

responsibilities to the wider Australian and world communities, for example, the requirement to buy Australian made goods when possible, Ministerial directions not to engage in trade with South Africa, participation in professional and international associations and aid to developing countries in the form of technical advice and training.

4.3 *Measures of performance of the above responsibilities are collected for a number of different purposes. They are used by the organisation in improving its performance and there is also, in many cases, a requirement to report on them so that the organisation's performance is open to external scrutiny. Reporting takes place in annual reports and program performance statements; it also occurs in special reports, such as EEO annual reports and reports to agencies like the Public Service Commission and Worksafe Australia which collect comprehensive statistics about such matters as EEO and occupational health and safety across the public sector. Appendix H lists the legislation that imposes social responsibilities on statutory authorities and GBEs, and identifies the Acts with measuring and reporting requirements.*

4.4 In addition to the measures specific to each area of social responsibility, there is the more general measure provided by the complaints received about an organisation's performance.

Responsibilities Towards Employees

4.5 While many employee-related responsibilities have been imposed on statutory authorities and GBEs, relatively few require extensive measurement and reporting. For most employee-related responsibilities, such as avoiding racial or sexual discrimination, and providing maternity and long service leave, an organisation's performance can be judged on the number of times that it fails to act as prescribed by law or regulation. Such failures are rare and are revealed by appeals to bodies like the Merit Protection Agency and the Human Rights and Equal Opportunity Commission.

4.6 In the sections that follow, the Committee considers several responsibilities for which particularly significant measures and reports are or can be made. In considering these responsibilities, the Committee has found it useful to distinguish between the budget-dependent statutory authorities whose staff are

employed under the Public Service Act 1922 and most of the GBEs and the statutory marketing authorities which have more independence in how they manage their staff.

Equal Employment Opportunity

4.7 EEO programs single out particular groups of people in pursuing the principles of merit, access and equity in human resources management in the public sector. They form a special focus of human resources management at present while these principles are fully integrated into the management style of the public sector.² The principles of merit, access and equity apply to all persons in relation to their employment in the public sector, that is, in relation to recruitment, mobility, promotion, discipline and appraisal for performance pay.

4.8 The Committee received several submissions that dealt with EEO. The evidence of the Public Service Commission provided much of the material that is presented in this section.³

Measuring the Performance of Equal Employment Opportunity Programs

4.9 Legislation relating to EEO programs for statutory authorities and GBEs is found in section 22B of the Public Service Act 1922, in the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 and in the enabling acts of the larger statutory marketing authorities.

4.10 Since 1984 when Section 22B of the Public Service Act 1922 was amended, the heads of statutory authorities (and departments) have been required to develop and implement EEO programs for women and the three designated groups, Aborigines and Torres Strait Islanders, people of non-English speaking background and people with disabilities. The statutory authorities that are covered by this Act are those that are staffed under the Public Service Act 1922 and headed by a person with the powers of a Secretary of a department. Section 22B of the Act was also extended by regulation to a number of other statutory authorities. All the statutory authorities covered by the Public Service Act 1922 for EEO purposes are shown in Appendix K.

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2. Evidence from the Public Service Commission, p. 522.
 3. Evidence, pp. S643-56.

4.11 EEO programs include the examination and elimination of discriminatory employment practices, the provision of information to and consultation with staff and unions about the programs, the collection of data relevant to the programs, the allocation of staff and other resources to the programs and the development of quantitative and other indicators for evaluating the programs' effectiveness. The EEO Unit of the Public Service Commission is responsible for issuing guidelines for the development, implementation and review of programs and monitoring the authorities' efforts in these respects.

4.12 The success of EEO programs is measured, wherever possible, primarily in terms of specified quantifiable outcomes. Examples of the types of performance indicators used are recruitment rates and improvement in career progression for the target groups, and decreases in resignation rates and occupational segregation of these people in comparison with other staff. Qualitative information about the programs' strategies and the actions resulting from them is also reported, for example, the courses held for target group members and managers, the views of staff about the degree of success of the programs and evidence that managers are taking EEO initiatives.⁴ Qualitative evaluation of EEO programs is particularly important for smaller agencies for which meaningful quantitative staffing outcomes are more difficult to obtain than they are for larger entities.⁵

4.13 The Equal Employment (Commonwealth Authorities) Act 1987 applies to Commonwealth authorities that employ 40 or more staff and are not covered by other EEO legislation. The authorities covered by this Act are shown in Appendix L. The Act details how EEO programs are to be constituted and stipulates that authorities should collect information about the number of employees of either sex and of persons in the designated groups who are in particular jobs or job classifications. This information is to be used to assess how effectively the program's objectives are being achieved.

4.14 The Department of Industrial Relations is responsible for the Equal Employment Opportunity (Commonwealth Authorities) Act 1987. It has developed guidelines which outline the provisions of the Act for the Commonwealth authorities affected by it, and advises them of their responsibilities under the legislation. Unlike the Public Service Commission, the Department Industrial of Relations does not provide advice to these authorities on how to carry them out, nor does it monitor the authorities' performance.

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4. Public Service Commission. EEO Programs Guidelines 1 and 2 Updated. AGPS, Canberra, 1990, p. 53.
 5. This point was made, for example, by The Pipeline Authority and the Australian Centre for International Agricultural Research (Evidence, pp. 23, 41).

4.15 The EEO obligations of three of the larger statutory marketing authorities are set out in the establishing legislation of these authorities, but are specified in less detail than those of other statutory authorities. The statutory marketing authorities concerned are the Australian Meat and Livestock Corporation, the Australian Wheat Board and the Australian Wool Corporation⁶. They are required to report on their plans and progress in their annual reports. EEO considerations were not included in the Dairy Produce Act 1986, which governs the operations of the Australian Dairy Corporation. However, the Act was amended in April 1991 to impose requirements relating to EEO on the Australian Dairy Corporation. The remaining four statutory marketing authorities employ fewer than 40 employees. No EEO obligations have been imposed on them.

Reporting on Equal Employment Opportunity Programs

4.16 Reporting on the performance of EEO programs differs for the three groups of organisations. Those statutory authorities covered by the Public Service Act 1922 report on the operation of their programs to the PSC, which monitors their performance and provides them with advice. The Public Service Commissioner also reports annually to the Prime Minister on the achievements across the public sector in relation to equal employment opportunity. As indicated in paragraph 2.14, these statutory authorities have been encouraged to include details of their EEO programs and progress in their annual reports, if they wish. These reports are to be prepared following the Guidelines for the Preparation of Departmental Annual Reports which refers to the Public Service Commission's guidelines for reporting on EEO programs within departmental annual reports.⁷

4.17 Under the current reporting regime, the organisations covered by the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 must report within three months of the end of the year which the report covers to either the Public Service Commission or their Minister. Alternatively they may, within the same time span, report on EEO matters in their annual reports. As indicated in the Committee's Report 309, annual reports are not normally prepared sufficiently quickly to meet the three month deadline for reporting on EEO and, consequently,

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6. The Committee obtained evidence from the Australian Wool Corporation before 1 July 1991 when its functions were divided between three new statutory bodies: the Wool Realisation Commission, a new Wool Corporation, and the Wool Research and Development Corporation.
 7. Public Service Commission EEO Programs Guidelines 1 and 2 Updated, AGPS, Canberra, 1990, pp. 58-9.

all organisations covered by the Act produce separate, annual EEO reports.⁸ In Report 309, the Committee recommended that the Act be amended to extend the reporting deadline for EEO matters so that EEO reports can be included in annual reports.

4.18 All the organisations covered by the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 have opted to report to their own Ministers, who check that the requirements of the Act have been met and table the reports in the Parliament. The Ministers of six different departments are thus the 'quality controllers' for EEO for this group of organisations.⁹ Thirteen of these organisations were asked to provide information about the response that they had received from their Ministers. Only one, the Commonwealth Serum Laboratory, had no formal response from the Minister, although the Department of Housing, Community Services and Health had provided useful comments on early drafts of its EEO plan.¹⁰

4.19 The Committee examined the 1989-90 annual reports of the four larger statutory marketing authorities, and found that all of them included information about their commitment to EEO and the development and implementation of their programs. None of them reported any statistics relating to the achievements of their EEO programs, although the legislation of the Australian Meat and Livestock Corporation, the Australian Wheat Board and the Australian Wool Corporation in force at the time of the Inquiry required them to do this. Only the Australian Wool Corporation acknowledged this obligation and hinted at the incapacity of the Corporation's personnel records to provide the necessary data.¹¹

4.20 The three statutory marketing authorities with responsibilities to implement EEO programs provided the Committee with information about the response that they had received in response to their EEO reports. The Australian Wool Corporation had received no response from either the Minister or the Department of Primary Industries and Energy¹², except to the extent that EEO

8. Joint Committee of Public Accounts. Annual Reporting Guidelines for Statutory Authorities, Report 309, AGPS, Canberra, 1991, pp. 38-40.

9. Evidence, p. 531.

10. The organisations which provided information to the Committee were Aussat, Australia Post, the Australian Defence Industries Ltd, ANL Ltd, the Civil Aviation Authority Australia, the Commonwealth Bank of Australia, the Commonwealth Serum Laboratories Ltd, the Federal Airports Corporation, OTC Ltd, Qantas Airways Ltd, the Snowy Mountains Hydro-Electric Authority and Telecom Australia.

11. Australian Wool Corporation. Annual Report, 1989-90, p. 15.

12. Evidence, p. 598.

was included in its annual corporate plans which were agreed with the Minister.¹³ The Minister commented on the information about EEO in the Australian Wheat Board's 1987-8 annual report but has not done so since then¹⁴, and the Australian Meat and Livestock Corporation has never received any response from the Minister.¹⁵ The Australian Dairy Corporation is still in the process of developing its first EEO plan.

4.21 The Committee concludes that the four largest statutory marketing authorities (the Australian Dairy Corporation, Australian Meat and Livestock Corporation, Australian Wheat Board and Australian Wool Corporation) are not subject to the same level of reporting and scrutiny as applies to Commonwealth authorities under the Equal Employment (Commonwealth Authorities) Act 1987. They are not even subject to the same level of scrutiny and reporting as private sector institutions of comparable size, whose policies and practices with regard to equal employment opportunity for women is governed by Affirmative Action (Equal Employment Opportunity for Women) Act 1986. The Committee understands that the draft guidelines on the duties, obligations and standards of behaviour for the directors of statutory marketing authorities include reference to EEO. It welcomes this initiative as an indication of how seriously progress in relation to EEO is taken.

4.22 From its review of the information it received about EEO, the Committee concludes that the measurement of and reporting on EEO varies considerably among statutory authorities, GBEs and statutory marketing authorities. It considers that there should be greater uniformity in the way in which measures and reports are made and reiterates the recommendations that it made in its Report 309, on the Annual Reporting Guidelines for Statutory Authorities, that:

every statutory authority be required to report on equal employment opportunity in its annual report; and

the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 be amended so that the time frame for lodging equal employment opportunity reports is extended to four months to more readily enable authorities to include their equal employment opportunity reports in their annual reports.¹⁶

13. Evidence, p. 595.

14. Letter from the Australian Wheat Board dated 16 July 1991.

15. Letter from the Australian Meat and Livestock Corporation dated 14 August 1991.

16. Joint Committee of Public Accounts. Annual Reporting Guidelines for Statutory Authorities, Report 309, AGPS, Canberra, 1991, p. 40.

4.23 As a means of further standardising the measuring and reporting of the performance of EEO programs, the Committee considers that a similar format, such as that detailed by the Public Service Commission, should be used by all statutory authorities.

4.24 The Committee therefore recommends that:

all statutory authorities and government business enterprises, including statutory marketing authorities, report in their annual reports on their equal employment opportunity programs, following the guidelines for annual reporting set out by the Public Service Commission.

4.25 The Committee also notes the variation in the extent to which authorities' EEO programs and progress are monitored. Statutory authorities and GBEs covered for EEO purposes by the Public Service Act 1922 receive guidance from the Public Service Commission, following the Commission's scrutiny of their EEO reports. Other organisations have had greater responsibility in seeking out appropriate advice and information. The Committee considers that progress in establishing EEO requires careful, consistent, continuing monitoring. It is of the view that the Ministers responsible for statutory marketing authorities and for statutory authorities and GBEs covered by the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 must ensure that the scrutiny of the EEO programs of these bodies is of the highest standard.

4.26 The Committee recommends that:

the Ministers responsible for statutory marketing authorities, and statutory authorities and GBEs covered by the Equal Employment Opportunity (Commonwealth Authorities) Act 1987, ensure that the scrutiny of the equal employment opportunity programs of these bodies is of the highest standard.

Occupational Health and Safety

4.27 From September 1991, statutory authorities and GBEs will be covered by the Occupational Health and Safety Act 1991. This Act requires agencies to report on their occupational health and safety activities and record both in their annual reports and to Comcare (the Commission for the Safety, Rehabilitation and

Compensation of Commonwealth Employees). Quantitative data is to be included on dangerous occurrences and accidents resulting in death, serious injury or incapacity sustained at or near the agencies' work places. The precise manner in which this information is to be recorded is set out in regulations. Qualitative information is also to be reported, for example, descriptions of the measures taken during the year to ensure the health, safety and welfare of employees and contractors at work and details of the mechanisms by which these are put in place such as employer-employee agreements and the work of committees. Comcare will report on the information that it receives for all Commonwealth employees.

Industrial Democracy

4.28 Requirements relating to industrial democracy apply to statutory authorities and GBEs that are staffed under the Public Service Act 1922 or are required to comply with section 22C of the Act because an officer within the authority has the powers equivalent to a departmental secretary. Appendix M shows the statutory authorities and GBEs that are required to develop and implement industrial democracy plans.

4.29 Guidelines issued by the Department of Industrial Relations specify that annual reports should include a general statement of the authority's philosophy on industrial democracy and its achievements and benefits.¹⁷ The guidelines also detail the areas that should be covered, for example, the status of the plan, the consultative mechanisms in place, the resources available, the extent to which industrial democracy principles are applied in the corporate planning process, special issues facing the authority or GBE and its priorities.

4.30 The Committee notes that some statutory authorities and GBEs which are not required to develop, implement and report on industrial democracy in their organisations, nonetheless, do so. Australia Post told the Committee that:

... because we are so labour intensive, human relations issues are extremely critical to us and we think it is quite proper to report on what we have been doing in those areas and some of the successes that we have been having.¹⁸

17 Department of Industrial Relations. Guidelines on the Implementation of Industrial Democracy Plans in the Australian Public Service, AGPS, Canberra, 1990, pp. 24-5.

18. Evidence, p. 770.

4.31 The Department of Industrial Relations provides assistance to authorities and GBEs with their industrial democracy plans. It also requires periodic reports from these entities which cover the entity's philosophy and commitment, specific outcomes and actions, training needs related to industrial democracy and participative practices, information sharing between management, staff and unions, opportunities for participation by EEO-designated groups, the achievement of objectives and future intentions and actions to achieve them.¹⁹ The Department of Industrial Relations reports occasionally on the implementation of industrial democracy across the public sector.²⁰

Training

4.32 In the past, many organisations have provided training for their staff and reported on this in their annual reports. An increased emphasis has recently been placed on training with the enactment of the Training Guarantee (Administration) Act 1990. Under this Act, employers with an annual, national payroll of \$200,000 (equivalent to 8-10 employees) are required to spend a specified minimum sum each year on training their work force in approved courses. These employers report each year to the Commissioner of Taxation on their expenditure on training compared to the minimum sum they should have spent and, if less than the minimum has been spent, they pay a sum equivalent to the shortfall to the Commissioner. The Act does not contain any reporting requirements for individual employers, but the Commissioner is to report annually on its operation, for example, with respect to compliance with the Act and revenue collected.

4.33 Given the importance of training in producing and maintaining an efficient work force, the Committee considers that the annual reports of statutory authorities and GBEs should mention whether they provided the minimum amount of training required under the Act and the nature of the training activities undertaken.

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19. Department of Industrial Relations. Guidelines on the Implementation of Industrial Democracy Plans in the Australian Public Service, AGPS, Canberra, 1990, p. 22.
 20. For example, Department of Industrial Relations. Report to the Prime Minister on Industrial Democracy in the Australian Public Service, AGPS, Canberra, 1991.

4.34 The Committee recommends that:

- . statutory authorities and government business enterprises document in their annual reports:
 - whether they have provided the minimum amount of training required under the Training Guarantee (Administration) Act 1990; and
 - the nature of the training provided - where appropriate this should be reported as specified in the Guidelines for the Preparation of Departmental Annual Reports.

Responsibilities Towards Clients - Social Justice

4.35 In its submission to the Inquiry, the Department of the Prime Minister and Cabinet commented in some detail on the Government's social justice strategy.²¹

4.36 As part of its objective of creating a fairer society, the Government has distinguished four principles of social justice. They are:

- . equity - ensuring that economic benefits are distributed equitably;
- . access - ensuring that access to Government programs is fair and equal;
- . participation - ensuring that all Australians have the opportunity to participate in personal development, community life and decision-making; and
- . equality - ensuring that everyone has the same civil, legal and industrial rights.

Equity, access and participation are all elements relevant to the delivery of services by statutory authorities and GBEs and are susceptible to measurement and report.

21. Evidence, pp. S534-6, 540-1.

4.37 Statutory authorities that operate within the budget framework of program management and budgeting are required to include their social justice objectives among their program goals and to report on their performance in relation to these objectives. Reports are made in program performance statements and, by some statutory authorities, in their annual reports.

4.38 In evidence to the Committee, the Department of the Prime Minister and Cabinet stated that:

There needs to be a greater realisation that the PMB [program management and budgeting] requirements relating to social justice and use of the Women's Budget Statement to report progress affecting the status of women also apply to budget funded SAs [statutory authorities].²²

4.39 The Department of the Prime Minister and Cabinet expanded on this point:

This is a fairly new requirement on all departments and...we consider that we have a bit of a way to go, generally, on the reporting of social justice concerns under program management and budgeting framework. To begin with, the framework itself for some departments is relatively new, and they are still coming to terms with that. Taking the next step forward with incorporating social justice considerations into that reporting is another education campaign, and something for them to undertake. It is even a further step - depending on how far they are away from their own departments and portfolios - for some statutory authorities to take it into account.

The larger authorities have been very good, probably as good as anyone else. You could single out authorities like the ABS [Australian Bureau of Statistics] and the Australian Broadcasting Corporation. Those ones who are more in tune ... closer to budget than others, are taking it quite seriously.²³

22. Evidence, p. S536.

23. Evidence, pp. 172-3.

Access and Equity

4.40 A separate requirement is the development of access and equity plans as part of the access and equity strategy administered through the Department of the Prime Minister and Cabinet's Office of Multicultural Affairs. The access and equity strategy is designed to overcome barriers of language, race and culture in the delivery of Government programs and services and to ensure that Australian residents who suffer from these barriers are not disadvantaged. Access and equity considerations are included in the organisations' corporate goals, their program budgeting objectives, their mainstream strategies, their normal performance indicators and their overall management culture.

4.41 At present, the requirement to develop access and equity plans is restricted to departments and their outriders, but the Office of Multicultural Affairs is currently evaluating the Government's access and equity strategy and considering the extension of access and equity planning to other Commonwealth entities. For example, rather than being covered by its department's plan, a statutory authority might opt to produce one of its own. Although GBEs and commercially oriented statutory authorities have not been given access and equity strategy requirements, 'many adopt similar strategies on their own initiative, not least of all because it makes good commercial sense'.²⁴

4.42 Agencies with access and equity plans are required to report in their annual reports on the barriers identified for different cultural and linguistic groups, including for the women of these groups, actions taken to overcome these barriers, measurable improvements in access to or use of services by different cultural groups and any continuing barriers to access and equity and proposed solutions.²⁵

4.43 The Committee considers that the principles of social justice, particularly those relating to access and equity, should be incorporated as closely as possible into the objectives of statutory authorities. In order to strengthen the emphasis of these statutory authorities on considerations of access and equity, the Committee makes the recommendations set out below.

24. Evidence, p. S541.

25. Office of Multicultural Affairs, Department of the Prime Minister and Cabinet. Access and Equity (A & E) Revised Requirements and Guidelines, AGPS, Canberra, 1990, p. 25.

4.44 The Committee recommends that:

budget-dependent statutory authorities that have not yet incorporated social justice concerns within their program management and budgeting frameworks expedite its introduction; and

the Department of the Prime Minister and Cabinet consider extending the requirement for access and equity plans and their associated reporting regimes to statutory authorities and the community service obligations of government business enterprises.

4.45 In relation to the last part of this recommendation, the Committee notes that Access and Equity plans for some CSOs might need to be drawn up in the light of requirements imposed by regulatory bodies. For example, a plan for Telecom's obligation to provide a universal telephone service would have to take into account Austel's requirement for Australia's telecommunications carriers.

Participation

4.46 In its submission to the Inquiry, the Federal Bureau of Consumer Affairs considered at some length the issue of participation by the community in the running of statutory authorities and GBEs.²⁶ Such participation was mooted in the Government's 1986 discussion paper on the operation of these bodies and confirmed, following responses to the paper.²⁷ Participation of two kinds was foreshadowed. In some circumstances it would be appropriate for community interests to be represented on the boards of statutory authorities and GBEs but, where broader community input was sought and a range of services were being provided, the use of an advisory committee or consultative council might be the more convenient approach. Both consultative councils and consumer representatives on boards are seen as having the potential to improve the quality and range of advice

26. Evidence, p. S241-8.

27. Minister for Finance and Minister Assisting the Prime Minister for Public Service Matters. Statutory Authorities and Government Business Enterprises: a Policy Discussion Paper Concerning the Efficiency and Accountability of Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, June 1986.
Minister for Finance. Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, 1987.

given to the management of Government bodies and to provide information on consumer needs, views and problems relating to the services provided. They are most effective when fully integrated into the decision making processes of statutory authorities and GBEs.

4.47 Overseas experience shows that consultative councils can provide a focal point for consumer complaints and monitoring service quality. They are especially valuable in the case of monopoly GBEs because customers are unable to express their dissatisfaction with prices and the quality of service by using an alternative supplier. Furthermore, as the Federal Bureau of Consumer Affairs pointed out:

... the diffuseness of the consumer interest, the relative lack of organisation of consumers compared with other interest groups and the lack of resources available to consumer groups often results in consumer view points not being adequately expressed and sometimes overlooked.²⁸

4.48 The Committee notes that a number of consultative councils have been established, for example by Australia Post and Telecom Australia. Furthermore, Austel's legislation permits it to convene advisory committees and has opted to consult with consumers in relation to its choice of quality of service indicators. While recognising that there may be organisations for which such consultation may not be appropriate, the Committee regards it as a generally useful development and believes it should be extended to organisations that do not already have consultative mechanisms.

4.49 The Committee recommends that:

statutory authorities and government business enterprises establish consultative councils where none at present exist.

4.50 The Committee believes that the establishment of consultative councils and the effectiveness with which they function should be monitored. As the Department of the Prime Minister and Cabinet oversees the operation of the Government's social justice strategy, the Committee considers that it should undertake this monitoring function.

28. Evidence, p. S244.

4.51 **The Committee recommends that:**

the Department of the Prime Minister and Cabinet:

- **oversee the establishment of mechanisms by which statutory authorities and government business enterprises can consult with their clients; and**
- **monitor the effectiveness with which these consultative groups function.**

4.52 The Committee notes that Telecom's annual report for 1989-90 contained a report on matters discussed by the Telecom Australia Consultative Council and by the Telecom Small Enterprise Policy Panel.²⁹ The existence of airport consultative committees, composed of officers of the Federal Airports Corporation, government officials and representatives of the unions, the aviation industry and local government, are mentioned for a number of airports in the Federal Airports Corporation's 1989-90 annual report. Australia Post also intends to report on its newly established Postal Services Consultative Council in its annual report.³⁰ The Committee considers that information about the activities of the consultative councils of statutory authorities and GBEs should be included in their annual reports.

4.53 **The Committee recommends that:**

the annual reports of statutory authorities and government business enterprises include information about the matters raised during the year by their consultative or advisory councils and any actions taken as a result.

4.54 A range of other means of community input into the operation of statutory authorities and GBEs exists. Examples of such input are participation in the public inquiries of regulatory bodies, such as Austel and the Australian Broadcasting Tribunal, and responding to requests for public comment as occurs

29. Australian Telecommunications Corporation. Annual Report 1990, p. 43.

30. Evidence, p. 765.

with the zoning and development plans of the Great Barrier Reef Marine Park Authority and inquiries held under the Environment Protection (Impact of Proposals) Act 1974.³¹

4.55 The Committee also received information about consultative processes with more restricted interest groups, such as those served by the Defence Housing Authority, various users of the airports operated by the Federal Airports Corporation and the industry-specific groups with which the Trade Practices Commission deals, as well as specialist advisory groups such as Austel.³²

4.56 Finally, the Committee noted a special case of participation in the operations of the statutory marketing authorities. Statutory marketing authorities are directly accountable, not only to the Parliament, but also to the growers and industries that fund their operations. The operations of the statutory marketing authorities were reviewed in 1990 by a committee led by Professor J G Davis. The review committee found that two of the nine statutory marketing authorities in existence at the time reported to annual general meetings of levy payers, and the others to peak industry bodies. Following a recommendation of the Davis report, the Government has accepted that these authorities should be formally accountable to their levy payers at an annual general meeting.³³ The annual general meeting will have the power to vary the levy and to register a vote of no confidence in the board.

4.57 The review committee stressed that:

... an annual general meeting as the central means of accountability should not undermine the important role of peak industry bodies in representing their members interests in dealing with the SMAs [statutory marketing authorities]. These bodies should continue to be the primary organisations involved in ongoing formal and informal consultations...³⁴

31. Evidence, pp. S280, S464.

32. Evidence, pp. S359, S487, 325-6, 681.

33. Commonwealth of Australia. Review of the Commonwealth Primary Industry Statutory Marketing Authorities. Report to the Minister for Primary Industries and Energy by the Review Committee, AGPS, Canberra, April 1990.

Media release by John Kerin MP, Minister for Primary Industries and Energy, 18 October 1990.

34. Commonwealth of Australia. Review of the Commonwealth Primary Industry Statutory Marketing Authorities. Report to the Minister for Primary Industries and Energy by the Review Committee, AGPS, Canberra, April 1990, p. viii.

As noted in Chapter 3, consultation will extend, among other things, to developing performance indicators for the statutory marketing authorities.

4.58 The Committee observed that the statutory marketing authorities regularly distribute information to all levy payers. Furthermore, five of the nine statutory marketing authorities in existence at the end of the 1989-90 financial year provided information in their annual reports about consultation and communication with their constituents.³⁵ The Committee believes that annual reports should also contain mention of the meetings held by statutory marketing authorities with their levy payers and peak industry bodies.

4.59 The Committee recommends that:

statutory marketing authorities include information in their annual reports about:

- meetings held with their levy payers and their levy payers' representatives; and
- the more significant issues raised at these meetings.

Freedom of Information

4.60 If people are to participate in the life of their communities and in making informed decisions about matters that affect them, access to information is essential. Information can be obtained from government agencies, including many statutory authorities, under the Freedom of Information Act 1982. The Committee notes that this Act requires statutory authorities to include in their annual reports information about their actions in relation to the Act. Furthermore, the Attorney-General reports annually on the operation of the Act, providing details of the freedom of information operations of individual agencies. The Committee considers that the information that is already provided about freedom of information activities is sufficient.

35. The five statutory marketing authorities concerned are the Australian Horticultural Corporation, the Australian Meat and Livestock Corporation, the Australian Pork Corporation, the Australian Wheat Board.

Responsibilities Towards the Environment

4.61 The Department of the Arts, Sport, the Environment and Territories included extensive information about the environment in its submission to the Inquiry. The Committee has drawn on much of this information in writing this section of the Report.³⁶

4.62 Public concern about the state of the environment has led in recent years to a tightening of controls over the activities of enterprises of all sorts that may impact on the environment. The actions of Commonwealth statutory authorities and GBEs are influenced or controlled by two Commonwealth laws, the Environment Protection (Impact of Proposals) Act 1974 and the Australian Heritage Commission Act 1975 and may be bound by the laws of the States and Territories in which they operate. More recently, the Government announced the introduction of a number of energy efficiency measures for its buildings.³⁷ In addition, the Minister for the Arts, Sport, the Environment and Territories is developing a waste minimisation strategy and considering the establishment of an Environment Protection Agency, both of which may be expected to affect the operations of statutory authorities and GBEs.

4.63 Commonwealth bodies have not in general been bound by State and Territory environmental regulatory laws, which has caused concern to some States. However, when the Department of the Arts, Sport, the Environment and Territories conducted a survey of polluting activities by Commonwealth agencies, it found that they 'have generally conscientiously accepted their social responsibilities in relation to avoiding environmental problems, even where there has been no legal compulsion to do so'.³⁸

4.64 Some agencies have opted to comply with local laws although not legally required to do so. Attempts were made to require all statutory authorities and GBEs to observe State and Territory environmental legislation through the Governments and Government Instrumentalities (Application of Laws) Bill 1990. The Bill was, however, withdrawn by the Government in February 1991.

36. Evidence, pp. S569, S573-6.

37. Minister for Primary Industries and Energy and Minister for Resources. Joint Statement: Energy Efficiency Package Will Reduce Greenhouse Emissions, 23 October 1990.

38. Evidence, p. S574. An example of an agency's responses to the Commonwealth Pollution Inventory was provided by OTC Ltd (Evidence, pp. S428-30).

4.65 More recently, specific environmental requirements have been built into the legislation of several statutory authorities, for example, the Civil Aviation Authority, the Federal Airports Corporation and the Australian and Overseas Telecommunications Corporation. Acting under the Telecommunications Act 1991, the Minister for Transport and Communications has circulated a draft National Code for, among other things, the protection of Australia's natural environment and heritage through the production of corporate environmental plans. The Act also requires consultation with the Department of the Arts, Sport, the Environment and Territories, the Australian Heritage Commission and State and Territory authorities in relation to activities with environmental and cultural impacts.

4.66 Statutory authorities and GBEs are subject to the Environment Protection (Impact of Proposals) Act 1974 which applies to proposed Commonwealth decisions about policies, programs and individual projects which could have a significant environmental impact. This law requires government agencies to submit impact assessments for major undertakings to the Department of the Arts, Sport, the Environment and Territories. It also prohibits them from proceeding with these undertakings until the assessments have been scrutinised by officers of the Department, submitted to public review and in some cases public inquiry, and approved by the Minister for the Arts, Sport, the Environment and Territories.

4.67 The Australian Heritage Commission Act 1975 requires statutory authorities and GBEs to notify the Commission of any proposed action that would adversely affect a place on the National Estate register. Authorities may only proceed if the Commission is satisfied that there is no feasible and prudent alternative and if all measures that can reasonably be taken to minimise the adverse effect will be taken.

4.68 Environmental legislation varies from State to State and council to council, but little of it imposes the duty of monitoring on any agency of its own impact on the environment. Most of the monitoring that occurs is carried out and reported by State or council monitoring bodies. In New South Wales, where the public may initiate legal action to enforce compliance with certain environmental laws, members of the public may choose to monitor and publicise agencies' performance.³⁹

4.69 Environmental monitoring is not required by the Environment Protection (Impact of Proposals) 1974 nor the Australian Heritage Commission Act 1975 either. Nor do they require any report on matters covered by these Acts to be

39. B J Preston. Environmental Litigation, The Law Book Company Ltd, 1989, p. 2.

made by agencies covered by them. The only reports made in this area are produced by the Australian Heritage Commission as summaries of the matters brought to its attention.

4.70 The Committee considers that greater attention should be given to monitoring and reporting on the impact of the activities of statutory authorities and GBEs on the environment. It notes that the Australian Nuclear Science and Technology Organisation produces a publicly available report each year on the results of surveys of radioactivity in the neighbourhood of the Lucas Heights Research Laboratories.⁴⁰ Such a report is as an example of the type of material that could be produced.

4.71 The Committee reiterates the recommendations made in its Report 309, Annual Reporting Guidelines for Statutory Authorities, that:

the annual reporting guidelines for statutory authorities include requirements for reporting under the Australian Heritage Commission Act 1975 and the Environment Protection (Impact of Proposals) Act 1974; and

annual reports of statutory authorities should provide a summary of an authority's energy use and energy efficiency improvement measures undertaken during the year.⁴¹

4.72 Furthermore, in the light of the evidence presented to this Inquiry, the Committee is of the opinion that the requirements placed on statutory authorities and GBEs in relation to reporting on their environmental responsibilities should be strengthened. In addition to the subjects covered by the recommendations listed above, the Committee sees value in a statement by each agency in its annual report about how it has handled the full range of its environmental responsibilities. Furthermore, when monitoring of its activities has been carried out, whether by itself or an external agency, this should also be mentioned and the outcome of the monitoring acknowledged.

40. E L Hoffman and J Arthur. Environmental Survey at Lucas Heights Research Laboratories, 1989, Australian Nuclear Science and Technology Organisation, Lucas Heights Research Laboratories, September 1990.

41. Joint Committee of Public Accounts. Annual Reporting Guidelines for Statutory Authorities, Report 309, AGPS, Canberra, 1991, p. 42.

4.73

The Committee therefore recommends that:

- . statutory authorities and GBEs include in their annual reports a statement about their actions in relation to the full range of their environmental responsibilities;
- . this environmental statement include indications of whether best practice has been used;
- . where activities with a major environmental impact have been monitored, the nature of the monitoring and the results achieved be reported; and
- . any violations of accepted standards and steps taken to rectify the problem be reported.

4.74

The Committee recognises the complexity of environmental issues. It notes that the science of predicting impacts on the environment and selecting appropriate indicators for monitoring is at an early stage of development⁴² and the considerable effort required to establish suitable data storage. In view of the significance of the environment's health for the future health of Australia's people, flora and fauna, the Committee considers that there is an urgent need to encourage the development of appropriate systems of measurement in this area.

4.75

The Committee recommends that:

- . the Department of the Arts, Sport, the Environment and Territories develop measures of environmental health that might be used by statutory authorities and government business enterprises, the activities of which have a continuing, significant impact on the environment.

4.76

The Committee also notes that perceptions of the appropriate approach to environmental concerns are changing. For example, in the past environmental impact assessment has been perceived simply as a hurdle in the process of obtaining approval for a development; now the need for full consideration

42. Evidence, pp. 422-3 and R. Buckley. Precision in Environmental Impact Prediction: First National Environmental Audit, Australia, Centre for Resource and Environmental Studies, Australian National University, 1989.

of environmental aspects in every decision from initial concept to the final completion of a project is increasingly recognised. This goal of integrated environmental planning and management requires that environmental concerns be incorporated into an organisation's operating processes in a way similar to that by which social justice principles are being pursued. Not only does this facilitate environmental awareness and responsibility, it also provides a structure within which environmental activities can be monitored and reported.

4.77 The Committee recommends that:

statutory authorities and government business enterprises:

- incorporate environmental concerns into the planning processes of statutory authorities; and
- within this framework, establish suitable systems for monitoring, auditing and reporting on major environmental impacts.

4.78 The Committee considers that the ultimate goal should be the production of state of the environment reports for Australia. As the Department of the Arts, Sport, the Environment and Territories pointed out, the publication of state of the environment reports is one way of reporting on the general level of compliance with environmental responsibilities across the nation. This is a topic on which the OECD is working actively at present, as part of its efforts to analyse the relationship of environmental concerns with trade, aid and technology. Australia has produced two state of the environment reports, one in 1985 and the second in 1986. Funds have not been available since 1987 to produce further reports. The Committee considers that such reports are a valuable resource for assessing the health of Australia's environment.

4.79 The Committee recommends that:

the Department of the Arts, Sport, the Environment and Territories produce state of the Australian environment reports on a biennial basis.

Complaints as a Possible General Indicator of Performance

4.80 In this section, the Committee considers the possibility of using complaints as a general indicator of performance that complements the more specific measures discussed in the preceding sections of this Chapter.

4.81 Complaints may be made to the organisations that are the cause of the complaint, to consultative councils as mentioned in paragraph 4.47 above or to external monitoring agencies such as the Ombudsman and the Administrative Appeals Tribunal. In its report on the annual reporting guidelines for statutory authorities, the Committee recommended that the annual reports of statutory authorities should provide details of reviews by, among others, the Ombudsman and judicial and administrative tribunals.⁴³ The Committee also noted that, under their enabling legislation, these bodies report independently on the performance of individual agencies.

4.82 Studies of consumer behaviour show that relatively few dissatisfied customers make complaints about products or services to the supplier. For example, in a sample of US customers, 31% with losses that averaged \$142 complained and only 2% with losses valued under \$50. There are various reasons for not complaining: it may involve too much time and effort, the dissatisfied person may not know to whom to complain and may not believe that a complaint will have any effect.⁴⁴

4.83 It is clear that complaints about performance are, at best, indirect indicators of performance. For Australia Post, for example, events such as the pilots' strike or an orchestrated campaign of complaints have had major impacts on the volume of complaints received. Australia Post suggested that 'we would have to be careful about evaluating simply on the basis of number and type of complaint'.⁴⁵ The House of Representatives Standing Committee on Transport, Communications and Infrastructure was informed by Austel that 'the frequency of complaints is of limited value in objectively assessing quality of service and is more an indication of the level of customer satisfaction/education'.⁴⁶

43. Joint Committee of Public Accounts. Annual Reporting Guidelines for Statutory Authorities, Report 309, AGPS, Canberra, 1991, p. xiii.

44. D. Collins. The Impact of a Customer Service Strategy on Profit and Performance, paper given to an AIC conference on the Strategic Management of GBEs, Sydney, July 1991.

45. Evidence, pp. 766-7.

46. The House of Representatives Standing Committee on Transport, Communications and Infrastructure. Telecom's Handling of Customer Complaints. AGPS, Canberra, May 1991, p. 37.

4.84 In view of the indirect relationship of complaints to performance, the Committee considered that it would be inappropriate for organisations to rely extensively on numbers of complaints as a means of assessing their performance. Instead, it would be more appropriate to provide an overview in annual reports of the content of frequent complaints and indicate how they differ from previous years and what actions have been taken in response to them. Such reports, in conjunction with the reports of matters considered by consultative and advisory councils, should indicate what aspects of an organisation's operations are causing concern to clients.

4.85 The Committee recommends that:

statutory authorities and government business enterprises include in their annual reports information about the nature of complaints received, and indicate any changes over time and the actions taken to remedy the problems identified.

'The Social Responsibility Summary'

4.86 It was suggested to the Committee that there would be value in encouraging organisations to produce a single statement about the performance of their social responsibilities. This would take the form of a summary which records all the statistics that appear in other, more detailed reports relating to an organisation's performance. The Committee considers that this proposal merits attention. It would stimulate the search for and use of measures of performance of social responsibilities. It would gather together information that is, at present, scattered in reports or not reported at all. It would allow the reader to gain, at a glance, an impression of performance over the whole range of social responsibilities. With such a summary of performance, conclusions could be drawn more readily than if the same information were scattered or expressed in a variable manner in different places and at different times. The summary would also serve to enhance the accountability of these organisations to the Parliament and the public.

4.87 The Committee notes that the concept of a social responsibility summary needs to be developed. It considers that the Department of the Prime Minister and Cabinet, with the assistance of the Department of Finance, should consider the feasibility of developing a suitable format for a social responsibility summary for the use of government bodies.

The Committee recommends that:

- . the Department of the Prime Minister and Cabinet and the Department of Finance develop a format for a social responsibility summary for the use of government bodies.

Chapter 5

ASSESSING THE VALUE OF SOCIALLY RESPONSIBLE BEHAVIOUR

Introduction

5.1 This Chapter examines the means by which the value of the social responsibilities of Commonwealth bodies can be assessed. The Committee recognises that the value of social responsibilities can be looked at in a number of ways and at a number of different levels. It can be understood in terms of financial cost and benefit to the individual, the government body supplying the service, the nation and the world. It can also be expressed in relation to non-financial attributes such as the well-being of individuals and the orderly, equitable functioning of society at both a national and global level. Clearly, attaching values to the costs and benefits of social responsibilities at these different levels varies in feasibility and complexity.

5.2 With the continuing focus on increasing the efficiency and effectiveness of public sector programs, some aspects of costing the provision of services are receiving much attention. For example, the introduction of program management and budgeting is facilitating the reporting of costs and achievements of programs, and government business enterprises are required now to cost the performance of some of their social responsibilities, particularly their CSOs. While much work has been carried out on CSOs, especially those of Telecom, more is needed.

5.3 The value to the community of the services provided by Commonwealth agencies such as Telecom is even harder to estimate than the cost of providing them and has received little formal attention.

Measuring the Value of Social Responsibilities

5.4 Many aspects of socially responsible behaviour are formally required of organisations in both the public and private sectors, and have been imposed to achieve particular goals that are regarded as beneficial to national and community prosperity. As the definition of social responsibilities in paragraph 2.2 indicates, socially responsible behaviour ranges across areas from how the environment is treated, through considerations of product integrity, to relationships between people inside and outside organisations. Many of these behaviours have multiple impacts

on the human and physical environment, some of which may not be immediately apparent. Even when they can all be identified, the task of attaching a value to them may be difficult, if not impossible, except in the most general of terms.

5.5 An example of the sorts of difficulties that can be encountered in trying to attach values to socially responsible behaviour is provided by the impact of environmental law. Laws that prohibit pollution reduce the likelihood of health-related problems among people, help to make the physical surroundings in which they live more aesthetically pleasing and so increase their feelings of well-being. Such laws also reduce the likelihood of destruction or damage to plants and animals and so enhance the present and future productivity of the land and the preservation of the nation's genetic diversity. It might be possible to estimate the value of some of these parameters, for example, the savings to the health service from the absence of diseases caused by pollution or how much more people are willing to pay to live in clean and pleasant surroundings than in less congenial ones. It is, however, impossible at present to put any monetary value on the preservation of genetic diversity in plant and animal life.

5.6 Another example of the complexity of measuring the value of socially responsible behaviour is provided by the Government's policy of universal access to a telephone for every Australian household. This may be illustrated by the case of an elderly or disabled person who lives alone and relies extensively on the telephone to keep in touch with friends and family. The ease with which such people can contact their carers may preclude the need to place them in institutions and thereby avoid significant costs. It might be possible to estimate the financial savings due to the possession of a telephone, but it is much harder to nominate a value for the increased quality of life that easy contact with friends and family provides. According to the Australian Telecommunications Employees Association/Australian Telephone and Phonogram Officers' Association, 'the social research on the value of a telephone service is extraordinarily thin'.¹

5.7 Commenting on the question of the benefits that flow from the provision of a standard telephone service, Telecom told the Committee that:

It is the difficulty of economic and accounting costing, the capabilities of which somehow cannot pick up the totality of benefits that flow from certain initiatives.²

1. Evidence, pp. 719, 727.

2. Evidence, p. 658.

In the face of such 'intangibles', Telecom suggested that:

... [it] has to come back to perhaps a measure of the effectiveness of what CSOs or other programs can achieve as opposed to their absolute costing.³

5.8 Surveys can be useful here. For example, Ann Moyal's study of women's use of and attitudes towards the telephone showed the great importance that women attach to possession of a telephone.⁴ Surveys have also been used to gauge the extent of customer satisfaction with services provided by statutory authorities and government business enterprises. An instance of this is Telecom's surveys of customer satisfaction with different aspects of its operations, which show relatively high levels of satisfaction.⁵ Interpreting the data from such surveys can present problems because:

You have to be very careful ... that you do not lead the person being surveyed to give you the answer you want to hear ... [There is] the difficulty you have in composing the questions so that you get a completely unbiased answer.⁶

5.9 A submission from the Australian Institute of Aboriginal Studies (now the Australian Institute of Aboriginal and Torres Strait Islander Studies) sounded a note of caution in respect of efforts to place values on the performance of social responsibilities:

It would require much more than a cursory inspection of the Institute to delineate the social responsibilities from "other" responsibilities.

It would then be a very lengthy project to identify how to assess the value of the social responsibilities or, indeed, whether the Institute was making sufficient effort to meet those responsibilities.

3. Evidence, p. 658.

4. A. Moyal. Women and the Telephone: a Study Prepared for Telecom Australia, April, 1990.

5. Australian Telecommunications Corporation. Annual Report, 1989-90, p. 29.

6. Evidence, p. 686.

Criteria could be set in place for the purpose, which would tie up a lot of intelligence from the public service and could well have the effect of stifling initiative in many statutory authorities.⁷

5.10 The Committee concludes that:

- there is considerable variation in the complexity involved in attaching values to social responsibilities, and in some cases it may be impossible; and
- there needs to be evidence of the cost-effectiveness of valuing social responsibilities before such an exercise is undertaken.

The Cost of Being Socially Responsible

5.11 The evidence received by the Committee about the financial costs of socially responsible behaviour came largely from GBEs and concentrated, in particular, on those responsibilities that apply to them and not to businesses in the private sector. Two types of responsibility were distinguished. Firstly, there are those which relate to inputs and are sometimes called 'the costs of public ownership'. They result from directions to meet government requirements such as purchasing policies and specific conditions of employment. Secondly, there are the obligations relating to outputs which result from directions to provide specific goods and services or maintain a specified pricing structure. These latter obligations are usually referred to as 'community service obligations' or 'CSOs'.

5.12 As the following sections will show, most of the work on the cost of meeting social responsibilities has been directed towards CSOs, particularly those of Telecom in its provision of a standard telephone service.

Costs Relating to Inputs

5.13 Relatively little work has been put into the costing of input obligations, perhaps because many of these costs represent only a very small proportion of most organisations' total budgets. For example, the cost to the

7. Evidence, p. S451.

Pipeline Authority of dealing responsibly with its impact on the environment involves thousands of dollars across an operation worth hundreds of millions of dollars.⁸

5.14 Information provided to the Committee by the Department of Transport and Communications for five of its GBEs illustrates some of the costs of public ownership.⁹ For example, Telecom, which had a revenue of \$8,878.9m in 1989-90¹⁰, spent \$1.1m administrative review processes. Australia Post, which had a revenue of \$1,980.5m in 1989-90¹¹, told the Committee that it spends \$21,630 per annum on complying with the Ombudsman Act 1976 and \$36,400 on the Freedom of Information Act 1982. Australian National (Rail), which had a revenue of \$423m in 1989-90¹², spends \$5,000 per annum on matters relating to the Ombudsman Act 1976 and has spent \$140,000 on maternity leave since 1987.

5.15 The Committee was given information by several organisations about the costs of running their EEO programs. Australian National estimated its cost of complying with EEO legislation at \$39,300 per annum, while Australia Post, which had a staff of 34,789 in 1989-90¹³, reported that it employed nine people full-time to provide advice and service to managers on EEO matters. Some of these costs are, however, not peculiar to GBEs. Private sector organisations with 100 or more employees are required to develop and implement affirmative action programs for women under the Affirmation Action (Equal Employment Opportunity for Women) Act 1986.

5.16 Australia Post estimated the total cost of meeting its non-CSO obligations in 1989-90 at \$87 million. This sum includes:

- the cost of complying with the Australian Heritage Commission Act 1975 as a result of the ownership by Australia Post of a large number of historical buildings;
- the excess cost of more generous long service and superannuation arrangements than those incurred by comparable companies in the private sector;

8. Evidence, p. 17.

9. Evidence, pp. S796-8.

10. Australian Telecommunications Corporation. Annual Report, 1990, p. 53.

11. Australia Post. Annual Report, 1990, p. 54.

12. Australian National Railways Commission. Annual Report, 1989-90, p. 77.

13. Australia Post. Annual Report, 1990, p. 57.

- . the excess cost of inspection and audit by the Auditor-General over that charged by private sector auditors;
- . the loss on registered publications, which was estimated at \$24 million;
- . the cost of applying administrative law;
- . the cost of the pensioner redirection concession; and
- . the cost of petitions to the Governors or Governor-General.¹⁴

Community Service Obligations

5.17 The Committee received evidence on CSOs from several organisations. One of the more extensive treatments of the subject was provided by the Department of Transport and Communications.¹⁵ Information from the Department has been useful to the Committee in compiling the material in this part of its Report.

Defining Community Service Obligations

5.18 A variety of definitions have been proposed for output CSOs. They all contain the elements of government direction and uneconomic conditions of delivery. For example, the definition of output CSOs adopted by the Department of Transport and Communications was developed by the Industry Commission and the Bureau of Transport and Communications Economics. It states that CSOs are 'services provided because of a government requirement, at prices which do not result in full recovery of the costs of providing those services'.¹⁶

5.19 Examples of output CSOs are Australia's telephone and letter post services and some of its rail services. Telecom is required under the Telecommunications Act 1991 to supply a standard telephone service 'which is reasonably accessible to all people in Australia on an equitable basis'. Australia Post is subject to a similar requirement under the Australian Postal Corporation Act 1989 in its provision of a uniformly priced standard letter service. Australian National (Rail) runs Tasrail and its mainland passenger services as CSOs.

14. Australia Post. Annual Report, 1990, pp. 11, 32 and evidence, pp. S256-7.
 15. Evidence, pp. S549-63, 400-17.
 16. Evidence, p. S552.

5.20 The CSOs of these organisations have been established as part of social policies that recognise that access to transport and communications is a basic need in Australian society. CSOs may also be employed to help to open up new territory as the railways did during the European settlement of Australia. Other purposes for which they may be instituted are to develop new industries or retain a capability in established ones.

5.21 An example of an institution that has been directed to maintain existing capabilities is the Australian Defence Industries. It must observe the Government's priorities for the retention of indigenous capabilities for repairing, overhauling and adapting military equipment and providing munitions, spares and other consumable stores. This direction has not been specifically nominated as a CSO but, as the Australian Defence Industries pointed out:

To the extent that retention of those capabilities is not supported economically by revenue receipts from year to year there may be a Community Service Obligation aspect of capability retention.¹⁷

5.22 The Australian Industries Corporation can be required by the Government to help to develop new industries by providing investments in the national interest. These investments are made in undertakings that the Government deems important but the Corporation would not support on commercial grounds.¹⁸

5.23 The reforms of GBEs since 1987 have placed greater emphasis on the commercial performance of these organisations than in the past. This commercial orientation has heightened the tension between the requirements of maximising profits and, at the same time, providing uneconomic services.¹⁹ To cope with this situation, a number of changes have been made that relate to the measurement and reporting of the performance of CSOs. These changes concern the definition of CSOs which, in the past has not been at all precise, and their identification, costing and reporting.

17. Evidence, p. S112.

18. Evidence, p. S398.

19. These tensions were also drawn to the Committee's attention by Telecom and Australia Post (evidence, pp. 657, 761).

5.24 The need for a clear definition has been recognised as an essential precondition for the accurate costing of CSOs.²⁰ For example, until recently the legislated obligations imposed on Telecom and Australia Post are to 'reasonably meet the social, industrial and commercial needs of the Australian community'. This objective was sufficiently vague as to create uncertainty about exactly what level of service should be provided to uneconomic sectors of these GBEs' business.

5.25 CSOs are now being more clearly defined in legislation as, for example, in relation to Australia Post, Australian National (Rail), the Civil Aviation Authority and the Australian Maritime Safety Authority. Furthermore, a GBE's policies and strategies for its CSOs are included in its corporate planning processes and reported in its annual report. An example of the type of requirements imposed is shown in Appendix N.

5.26 With the passage of the Telecommunications Act 1991, the process has been taken a step further. The definition of telecommunications CSOs (now known as universal service obligations) is included in this Act and Austel has been charged with monitoring how the universal service obligations are delivered by the carrier licensed to deliver them (at present, Telecom/OTC) and the associated costs. Furthermore, it is recognised that the precise definition of the universal service obligation may change over time as new technologies are established and community expectations of a basic service change.

5.27 The Department of the Prime Minister and Cabinet suggested to the Committee that a further sharpening of focus on the definition of CSOs would result from extending program management and budgeting to CSOs.²¹ The Committee concurs with this point of view and recommends that the usefulness of program management and budgeting in focusing on and measuring the achievement of CSO goals be considered.

5.28 The Committee recommends that:

the Department of Finance examine the advisability of extending program management and budgeting to the community service obligations of government business enterprises.

20. For example, this point was made by the Departments of Finance (Evidence, p. S515) and the Prime Minister and Cabinet (Evidence, p. S542).

21. Evidence, p. S543.

Costing Community Service Obligations

5.29 One aspect of the 1987 reforms was the Government's intention that the costs to GBEs of meeting their CSOs should be 'transparent' to the Parliament and the public. Such transparency allows assessment of the efficiency with which CSOs are met and provides essential input for government decisions about the funding of CSOs. The CSOs and other non-commercial objectives of GBEs are now to be separately identified and costed, and explicit reporting requirements ensure that sufficient information is provided to assess the performance by GBEs in meeting their CSOs.

5.30 The cost of providing a CSO is the shortfall of revenue earned from the service compared with the long run economic cost of providing it. The costing of CSOs that is now required of GBEs has, however, proved difficult in some cases because:

- although the principles and economics of identifying and measuring costs in a particular operating service are well known, the task of actually carrying out the process had never been attempted before Telecom's CSOs were costed²²;
- where commercially viable and CSO services share the same infrastructure, costs need to be apportioned between the two services;
- there has been disagreement over how costs should be estimated, for example, whether the method of fully distributed cost favoured by Telecom or long run avoidable cost advocated by the Bureau of Transport and Communications Economics should be used²³; and
- sufficiently disaggregated accounting systems have not been in place to collect the necessary data.

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22. The Director of the Bureau of Transport and Communications Economics giving evidence to the Economic and Budget Review Committee of the Victorian Parliament on 14 December 1991 (transcript of evidence, p. 91). He also stated that now 'the correct methodology is well resolved' (transcript of evidence, p.102).
23. Bureau of Transport and Communications Economics. The Cost of Telecom's Community Service Obligations, AGPS, Canberra, 1989. Telecom's position is set out in its submission to the Inquiry (Evidence, pp. S283-307).

5.31 The Committee understands that the attempt to cost Telecom's CSOs may represent the first detailed effort to cost CSOs that has been made anywhere in the world.²⁴ It is also more advanced than the exercises being carried out by any other Commonwealth GBE. It is therefore useful to look at the progress that has been made here.

5.32 One of the criticisms of the delivery of Telecom's CSOs has been the imprecise definition of these obligations and the consequent degree of discretion left to Telecom in interpreting that definition. The Telecommunications Act 1991, which came into force on 1 July 1991, imposes CSOs which are:

- . to supply the standard telephone service to people in Australia, ensuring that it is reasonably accessible to all on an equitable basis wherever they reside or carry on business; and
- . to supply payphones on the same basis.

The Act includes arrangements by which regulations can be made to specify what that standard telephone service is, and allows for complaints to be made to Austel about possible failures by Telecom to meet its universal service obligations. If Austel finds that Telecom has failed to fulfil its universal service obligations, it must direct Telecom to fulfil them.

5.33 Following the report by the Bureau of Transport and Communications Economics on the cost of Telecom's CSOs, the Government issued a direction to Telecom in December 1989 to adopt an avoidable cost methodology in costing its CSOs. This requirement has now been written into the new Act.

5.34 This method was chosen because:

... it measures the net costs of supplying services to ... loss-making CSO customers, given that a network would have already existed to provide other profitable services. The concept is really looking at ... the difference between the revenues that would be lost if you did not supply those areas

24. The Director of the Bureau of Transport and Communications Economics told the Economic and Budget Review Committee of the Victorian Parliament on 14 December 1990 that 'to our knowledge the exercise had not been done anywhere in the world before' (transcript of evidence, p. 91).

as against the costs that you would save ... It really identifies the actual additional costs that Telecom is incurring by providing those services.

In contrast, the fully distributed cost approach, which is usually accepted or talked about as the alternative approach, effectively distributes all costs of the enterprise down to a particular level. In the fully distributed cost model that Telecom developed it was down to the exchange level. The process compares the actual costs as distributed - for example, all overheads distributed to an exchange on the basis of lines connected to that exchange - with revenue only identified to those exchanges...It then looks at the extent to which the profitability of that exchange does not reach the average profitability of Telecom.

... the avoidability measure is really the only approach that does identify the actual additional costs that are being incurred by the enterprise; it is an accepted concept, whereas a fully distributed cost approach is more associated with accounting mechanisms rather than getting at the fundamental decision making information that you need to identify whether you would or would not have supplied those customers with service if the obligation did not exist.²⁵

5.35 The Committee heard from the Department of Finance about the general usefulness of avoidable cost methodology in costing the CSOs of other GBEs:

I would think that in approaching the costing of other CSOs the avoidable cost principle is applicable and we should in the first instance, given that the Government has endorsed it in relation to Telecom CSOs, approach it on those terms. It is very hard to make a broad statement about whether avoidable costs will always work with every CSO, but I would think it would be the first approach we would adopt.²⁶

5.36 The Department of Transport and Communications, at its appearance before the Committee at a public hearing, indicated that the costing of the CSOs of the other GBEs in its portfolio was being approached on an avoidable cost basis.

25. Evidence, pp. 406-7.

26. Evidence, p. 77.

The exception to this is the loss making railway services of Australian National, the costs of which are made up by a revenue supplement by the Commonwealth Government.

5.37 The Department also indicated that the telecommunications CSOs are conceptually the most difficult with which to cope because they have a:

... fixed network with calls moving over it and it is very hard to identify the hierarchy of the network and where in fact you might want to draw the line between profitable and unprofitable services...[The CSOs of] Australia Post [are] almost as difficult because of the concept of mail paths and actually identifying traffic volumes over those paths.²⁷

The Department added that:

... there are some concerns that they [Australia Post's estimates of the costs of its CSOs] are not refined adequately and that there might be the possibility of some double counting.²⁸

5.38 Australia Post is working to improve the method by which it estimates the costs of its CSOs. It divides the cost of its CSO into two parts: one relates to the requirement for uniform pricing of letters where losses are sustained on high cost mail paths and on delivery to remote places, and the second to the maintenance of access to Australia Post's retail network.²⁹ Unlike some other GBEs, Australia Post had in place an adequate financial base from which to make costings when the requirement to CSOs was introduced.³⁰

5.39 The Committee notes that considerable reservations have been expressed about the costing of CSOs. The Communications Law Centre of the University of New South Wales claimed that the Bureau of Transport and Communications Economics' costing of Telecom's CSOs was carried out before the objectives and definition of those CSOs had been adequately refined.³¹ The

27. Evidence, p. 410.

28. Evidence, p. 408.

29. Evidence, p. 748.

30. Evidence, p. 761.

31. Communication Law Centre, University of New South Wales. Objectives and Definitions for CSOs, August 1990, pp. 14-6.

Chairman of Telecom indicated that there were 'significant reservations about the efficacy of the models and data sets to accurately measure the CSO costs'.³² The Australian Telecommunications Employees Association/Australian Telephone and Phonogram Officers' Association drew the Committee's attention to the conclusions of the United States General Accounting Office that the resources needed to cost CSOs are extraordinarily large and a degree of imprecision in the costing exercise is inevitable.³³ Sir Bryan Carsberg, the Director-General of the British Office of Telecommunications, in speaking of the British experience, said:

Accounting estimates of cross subsidy should be regarded with suspicion - they are almost certainly invalid.³⁴

5.40 The Committee also notes that the Economic and Budget Review Committee of the Victorian Parliament, in its report on CSOs, recommended the adoption of the avoidable cost methodology for its GBEs. The Economic and Budget Review Committee did, however, indicate that estimates of the costs of CSOs based on long run avoidable costs could be inadequate when significant costs are incurred jointly by commercially viable and CSO services. Under these circumstances, the Economic and Budget Review Committee suggested that the avoidable cost figure should be regarded as a minimum level of cost attributable to a CSO.³⁵

5.41 On the basis of the evidence presented to it, the Committee notes two significant features of costing CSOs. One is the relatively recent development of the methodology and the other the reservations that have been expressed about its usefulness and accuracy. These features suggest to the Committee that, as practical experience of costing CSOs is gained, the positive and negative aspects of this experience should be monitored.

32. Australian Telecommunications Corporation. Annual Report, 1989-90, p. 11.

33. Evidence, pp. 718-9.

34. Sir Bryan Carsberg The Integration of Telecommunications and Broadcasting Regulation in the UK, paper given to the Cable TV Conference, UK, September, 1990, p. 9.

35. Economic and Budget Review Committee. Out on the Table: the Cost of Community Service Obligations, Thirty-Second Report to the Parliament, November 1991.

5.42 The Committee recommends that:

- the Bureau of Transport and Communications Economics monitor the costing of community service obligations by government business enterprises, with a view to:
 - clearly defining the extent to which such costing is valid; and
 - recommending how the system of costing might be improved.

Reporting Community Service Obligations

5.43 GBEs are now required to report the costing of their CSOs in their annual reports. The Committee noted that Telecom estimated the cost of meeting its CSOs in 1989-90 as \$237 million³⁶. Australia Post's estimate for the same period for its CSOs of providing a uniform rate of postage and reasonable access to the letter service was \$73 million. The breakdown of this figure between the different parts of its CSOs is as follows:

Uniform charge:	high cost mail paths	\$16m
	delivery	\$30m
Access to post offices and agencies		\$27m. ³⁷

5.44 The Committee concludes that the method by which the costs of CSOs of GBEs are estimated has been selected by the Government and the process of making these estimates begun. For some GBEs, the costing of CSOs has proved a difficult task and requires more work on refining the details of the methodology of avoidable cost. Reporting of these costs is made in some cases but needs to be more explicit, as recommended later by the Committee.

36. Australian Telecommunications Corporation. Annual Report, 1989-90, p. 11.

37. Evidence, p. 748.

Balancing Costs and Benefits

5.45 The Committee notes that, with some social responsibilities, it is easier to estimate the cost of performing them than it is to attach a value to the benefits that are gained. A case in point is equal employment opportunity, for which the costs of running a program can be calculated but for which the benefits are less easily quantified. The general feeling among the organisations from which the Committee heard was that the benefits were greater than the costs. For example, the Secretary of the Department of Finance told the Committee:

Let me suggest that many of these social responsibilities may well be achieved at no cost. Some of them may even be quite productive. My own view would be that EEO, for example, is quite productive and that, in fact, we were not recognising available talent. Recognising available talent can be very much in our own interests if we want to increase cost effectiveness. So I do not really accept the proposition that *pursuit of social responsibilities is in some sense at a great cost.*³⁸

5.46 Another example of the difficulty that can be encountered in balancing costs and benefits is found by anyone who scrutinises attempts to evaluate the costs of CSOs against the values that they confer on the community. The dilemma here lies in the different terms in which the two factors are expressed: the costs of CSOs in the form of money and their values in the form of more generalised data, such as the obvious, pervasive effect of telephone ownership and the way in which it integrates into the community otherwise isolated people - the elderly, the homebound, people with disabilities and those living in remote places - and enhances their well-being and ease of living.

5.47 While the costs and benefits of observing such social responsibilities as EEO can be considered within the operations of an organisation, the costs and benefits of meeting CSOs have to be considered for both the organisation and the community together. The case for telecommunications is made in the previous paragraph and another is provided by Bureau of Transport and Communications Economics' assessment of the effect of closing Tasrail:

To carry the increased freight which ... would transfer to road in the event of Tasrail's closure, would require a very substantial rise in the number of heavy transport vehicles on

38. Evidence, p. 86.

the road. In AN's [Australian National] assessment, an additional 80,000 to 100,000 fully loaded semi-trailer movements per year would be required to carry the 2.2 million tonnes carried by rail in 1986/87.

Associated with the estimated increase in the road freight task and the consequent increase in heavy vehicle traffic is the relative accident risks involving heavy vehicles. Australian accident data indicates that heavy road vehicles are involved in 2.36 fatal accidents per one billion GTKs [gross tonne kilometre]. By comparison, the relative accident risk figures for rail [is] 0.25 ...

By using these relative accident figures and Tasrail's GTK figure for 1988/89, it has been calculated that the transfer of Tasrail's freight task to road is likely to result in three fatalities and 14 injuries per annum. The cost to Tasmania would be in the vicinity of \$1.7 million per year.³⁹

The savings to the Government from closing Tasrail would be \$15 million in the first year and \$2.5 million annually thereafter.

5.48 A more extensive quantitative analysis has been carried out for rail transport by the Industry Commission. In addition to accidents, the Commission considered the relative costs of different forms of land transport in relation to their contribution to atmospheric pollution and greenhouse gases, noise pollution and congestion.⁴⁰

5.49 The Committee considers that these types of analysis are most useful in bringing to the attention of the Government and the community a wider perspective on the costs of providing services. It believes that the use of such analyses should be encouraged. It would be helpful, for example in relation to making decisions with environmental impacts, to be able to weigh the cost to the community or the nation of taking protective measures against the cost of the consequences of not taking those measures. The Committee recognises that this type of exercise is not always easy to carry out, and suffers from certain limitations. However, the Committee believes that more effort should be put into carrying out cost-benefit and cost-effectiveness analyses.

39. Evidence, pp. S374-5.

40. Industry Commission. Rail Transport, Volume 1: Report, Report No. 13, AGPS, Canberra, 21 August 1991.

5.50

The Committee recommends that:

- . the Department of the Prime Minister and Cabinet, the Department of Finance and the responsible portfolio departments consider introducing proceedings for assessing both the cost and the benefits of social responsibilities which may be non financial and difficult to quantify;
- . when the performance of these social responsibilities is evaluated the widest possible implications of their performance should be considered;
- . particular emphasis be placed on such analyses being carried out before major changes to the operations of statutory authority and government business enterprises are introduced; and
- . the results of such analyses be made public and referred to in the annual reports of those organisations.

5.51 On an even larger scale, the Uniting Church in Australia draws attention to the need to consider the relationship between the actions of individual organisations or groups of organisations and their impact on the world community. It points out, for example, that:

... effluent and fumes from industry ... might be discharged without directly affecting Australians, but contribute to global problems.⁴¹

5.52 The Committee concludes that the financial costing of the provision of services is generally easier than attaching a monetary value to the benefits conferred by that service. This means that the sort of cost-benefit analysis that the Bureau of Transport and Communications Economics carried out for the closure of Tasrail, although desirable, cannot always be performed. Under these circumstances, costing the provision of services can be seen largely as a useful exercise for the management of this function by the supplying organisation and the Government. Judging the benefits of the services provided may involve relying on qualitative, less easily quantified data, which should be seen as carrying equal weight to financial information.

41. Evidence from the Avenue Church, Blackburn, Victoria, p. S819.

Chapter 6

SCRUTINISING PERFORMANCE AND OTHER MEANS OF PROMOTING SOCIALLY RESPONSIBLE BEHAVIOUR

... to see that the social responsibilities of Government bodies, either as directed by the government or as may be implied, are carried out in a real fashion and are not just the subject of pious platitudes.¹

The Uniting Church in Australia, Blackburn, Victoria

Introduction

6.1 The previous Chapters of the Report have dealt with the measurement and reporting of social responsibilities by statutory authorities and GBEs. While measuring and reporting focus the attention of these bodies on their social responsibilities, the Committee believes that scrutiny and feedback are important elements in reinforcing the attention paid to the performance of social responsibilities. Scrutiny and feedback also serve to encourage accountability on the part of government entities to the Parliament and the public.

6.2 In this chapter, the Committee considers the nature and consistency of the scrutiny of reports of performance of social responsibilities, the limits of this scrutiny and measures other than scrutiny that might encourage socially responsible behaviour.

6.3 Measures of performance may be the subject of scrutiny at one or more levels:

· by Members of Parliament and Senators who ask questions in the Houses of Parliament;

· by committees of both Houses of the Parliament, including the Senate Estimates Committees;

1. Evidence, p. S19.

- . by Ministers;
- . by external auditors, such as the Australian National Audit Office, and specialist review panels such as that appointed to assess the work of the Australian Centre for International Agricultural Research²;
- . by regulatory bodies such as Austel and the Australian Broadcasting Tribunal;
- . by agencies with special responsibility for particular social responsibilities, like the Public Service Commission in relation to progress in establishing Equal Employment Opportunity;
- . by consultative and advisory committees and special interest groups (see paragraphs 4.42 - 4.53); and
- . by the members of the public who read annual reports.

The Extent of Scrutiny

6.4 Chapter 4 details the regular forms of scrutiny to which each area of social responsibility is subject. In reviewing this material, the Committee notes that, for responsibilities towards employees and clients, there are fairly comprehensive reporting requirements and generally well-established monitoring processes. The recommendations made by the Committee relate to procedures that should improve the measuring and reporting of these responsibilities.

6.5 The reporting and scrutiny of performance of responsibilities towards the environment is less developed than for the other areas of social responsibility. If the Committee's recommendations concerning environmental reporting are accepted (see paragraph), more information will be available in the public domain. The scrutiny of this information, under the processes at present in place, would be provided by the Parliamentary committees responsible for examining annual reports and by the Department of the Arts, Sport, the Environment and Territories in relation to state of the environment reports. The Committee stresses the importance of this aspect of parliamentary scrutiny.

2. Evidence, p. S666.

Feedback from the Scrutiny Process

6.6 In recent years there has been a trend towards devolving to individual agencies responsibilities that were once centrally administered. This includes a number of management and personnel management areas. As the Department of the Prime Minister and Cabinet argued, one of the significant benefits of this development is that:

... if managers have to worry about reporting on EEO or industrial relations or whatever, ... they might worry more about the practice because they are carrying responsibility for the reporting ... if it is somebody else doing it, then it is somebody else's worry.³

Against this background, the scrutiny of reports of performance by each agency assumes particular importance.

6.7 The Committee considers that the scrutiny process is most useful when it involves regular feedback to statutory authorities and government business enterprises on their performance. In Chapter 4, the Committee notes several areas in which regular feedback is provided. For example, the Public Service Commission provides advice about EEO programs, approves agencies' plans and monitors their progress. The Department of Industrial Relations has a similar role in relation to industrial democracy. The feedback from Comcare comes in the form of both reports on agencies' occupational health and safety records and the adjustment of the premiums charged to reflect the agencies' safety records. Under the Telecommunications Act 1991, Austel will monitor the quality of the standard telephone service which Telecom/OTC, as the nominated carrier for universal service obligations, provides and some related services like directory assistance.

6.8 The annual reports of all government entities are scrutinised by the standing committees of the Senate, which produce annual reports of their findings. In their 1991 reports, the attention of these committees was directed largely towards vetting the extent to which the reports comply with the annual reporting guidelines for statutory authorities, and commenting on the information provided about the entities' performance. The comments on each agencies' report are generally brief, although one committee opted, in its last report, to devote considerable space to the

3. Evidence, p. 178.

annual report of one statutory authority and was able to provide extensive suggestions about how the performance information it contained might be improved.⁴ With the exception of the Senate Standing Committee on Finance and Public Administration, however, the committees' reports did not deal with the social responsibilities that have been the major focus of this report.

6.9 The Committee noted that some statutory authorities had failed to act on the Senate committees' suggestions for improving these authorities' annual reports. It regards this as an unfortunate situation and believes that statutory authorities should take account of any suggestions the committees make and let the committees know why they are not doing so, when they find a suggestion inappropriate.

6.10 The Committee recommends that:

statutory authorities and government business enterprises act on suggestions for improving their annual reports that they receive from the Senate standing committees, and inform the relevant committee of the reasons for not accepting any suggestions that they find inappropriate.

6.11 In the case of occupational health and safety, EEO, industrial democracy and freedom of information, feedback is also provided by the incorporation of the statutory authorities' reports in service-wide compilations of statistics from which each authority's performance can be compared with that of others⁵. Austel will report in its annual report on the extent to which Telecom/OTC meets quality of service standards.

6.12 The Committee notes in Chapter 4 that, for some social responsibilities, the feedback is variable: the EEO programs of agencies operating under the Public Service Act 1922 report to and are scrutinised by the Public Service

4. Senate Standing Committee on Legal and Constitutional Affairs. Scrutiny of Annual Reports, 1991.

5. See the details for each agency in Comcare's Annual Report, 1989-90, pp. 151-159, the service-wide descriptions in the Public Service Commission's Annual Report, 1989-90, pp.80-103, 167-199 and the Department of Industrial Relations' Report to the Prime Minister on Industrial Democracy in the Australian Public Service, AGPS, Canberra, 1991 and the Annual Report by the Attorney-General to the Parliament on the Operation of the Act (Freedom of Information Act 1982) 1989-90.

Commission and those covered by the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 report to and are monitored by their Minister. With respect to statutory marketing authorities the Committee noted that no comparable form of scrutiny exists.

6.13 Program management and budgeting has yet to be implemented by all statutory authorities and the Committee has recommended its extension to the CSOs of GBEs. With program management and budgeting comes the associated requirement to include social justice concerns in programs and to report on how these concerns have been met, particularly in program performance statements.⁶ Regular feedback on agencies' performance in terms of satisfying social justice concerns is therefore potentially available from Senate Estimates Committees. However, as the Senate Standing Committee on Finance and Public Administration pointed out, the level of scrutiny that the Estimates Committees are able to give to the documentation they receive is limited.⁷ The Committee also noted that the Office of Multicultural Affairs provides advice on access and equity plans and the Department of the Prime Minister and Cabinet is evaluating the implementation of the access and equity strategy for the first time since its inception in 1986. More regular feedback is not, however, available.

6.14 Feedback and scrutiny from the other sources identified in paragraph 6.3, for example that from questions in the Houses of the Parliament or scrutiny by parliamentary committees, may be sporadic. The feedback and scrutiny from other sources is ongoing, like those provided by the consultative and advisory committees of statutory authorities and the consultative processes that take place between employees and employers in connection with EEO, industrial democracy and occupational health and safety. Such mechanisms supplement the Parliament's oversight of individual areas of social responsibility.

Other Approaches

6.15 There are limits to the extent to which the measuring, reporting and monitoring of performance by the means outlined in this Report can stimulate and enforce socially responsible behaviour. For this reason, the Committee explored some additional ways of ensuring the accountability of government bodies.

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6. Department of Finance. Program Performance Statements: Guidelines, 1991, p.21.
 7. Senate Standing Committee on Finance and Public Administration. Estimates Committee Documentation and Procedures, April 1991, pp. 59-64.

Appointments of Board Members and Senior Executives

6.16 The Committee notes in Chapter 3 that there are some aspects of socially responsible behaviour that cannot be readily defined. Good corporate citizenship is an example of this. As the Auditor-General told the Committee:

... there are many organisations, both public and private, which are absolutely first-rate corporate citizens but you could not tell by reading their annual reports.⁸

6.17 The Auditor-General, the Department of the Prime Minister and Cabinet and the Australian Institute of Aboriginal Studies (now the Australian Institute of Aboriginal and Torres Strait Islanders Studies) all pointed out that what is important in ensuring good corporate citizenship is appointing the right people to the boards of statutory authorities and GBEs.⁹ The process of making appointments to positions with significant responsibility on the boards and among senior executives of statutory authorities and government business enterprises is outlined in the Cabinet Handbook.¹⁰ The Department of the Prime Minister and Cabinet described this process as involving:

... consultation with relevant Ministers and the affected organisation, and assurances from prospective nominees, particularly in respect of potential conflicts of interest and personal financial affairs.

Provision usually exists through enabling legislation for suspension or termination of appointment if there is misconduct in or outside the office; or failure to disclose conflicting interests or to attend to the duties of the office. The appointment process and the standards implied by the suspension or termination provisions support the achievement of the Government's policy objectives by encouraging the appointment of board members who are expected to maintain high standards of probity and propriety.¹¹

8. Evidence, p. 135.

9. Evidence, pp. 140, 695, S451, S537.

10. Cabinet Handbook, AGPS, Canberra, 1988.

11. Evidence, p. S538.

6.18 The Committee believes that the guidelines contained in the Cabinet Handbook should stress other considerations as well. Paramount among these is evidence of the potential appointees' character and ability to lead and manage.

6.19 The Committee recommends that:

the Cabinet Handbook guidelines for the appointment of board members and senior executives of statutory authorities and government business enterprises draw attention to the need for candidates to have a character of high repute and qualities appropriate to the appointment in every case.

Codes of Conduct

6.20 While the calibre of the senior people in an organisation is of great importance, the values with which other members of the organisation approach their work is also very significant. During the Inquiry, the Committee was given information about the means by which proper behaviour on the part of employees is encouraged or enforced by statutory authorities and GBEs.

6.21 The staff of statutory authorities that are employed under the Public Service Act 1922 are bound by the relevant public service regulations and guidelines on behaviour by public servants.¹² Parallel requirements exist in legislation such as the Privacy Act 1988 and Freedom of Information Act 1982.

6.22 The staff of other statutory authorities and GBEs are not so bound. However, several GBEs indicated to the Committee that they were using codes of conduct for their employees.¹³ Qantas, for example, has codes that deal with such topics as ethics, compliance with laws, personal conduct while at work, conflicts of interest, gifts and entertainment, discrimination and harassment.¹⁴ Following the

12. Public Service Board, Canberra. Personnel Management, Volume 3, Guidelines on Official Conduct of Commonwealth Public Servants. AGPS, Canberra, 1987.

13. Some of the organisations with corporate codes of conduct are the Commonwealth Bank of Australia (Evidence, p. S 625), Qantas (Evidence, pp. 339-40) and Telecom (Evidence, p. S740).

14. Evidence, p. 348.

Government's acceptance of a recommendation of a review committee, guidelines on the duties, obligations and behaviour expected of the board members of statutory marketing authorities are being drafted.¹⁵

6.23 The Committee received little evidence about the effectiveness or otherwise of codes of conduct. It noted, however, that a group of business and professional organisations chaired by Mr Henry Bosch, AO, produced a statement about corporate practices and conduct, in which it advocated that:

Public companies should develop, publish and enforce codes of ethics.

Such a code should:

- . commit the company to the highest standards of behaviour; ... [and]
- . be sufficiently detailed as to give a clear guide to the behaviour of all employees.¹⁶

Such codes are seen as a means of improving the quality of self regulation by commercial organisations and as an adjunct to regulation of business operations. They are, however, only effective if taken seriously. The same can be said of the voluntary industry codes of practice, the development of which is being encouraged by regulatory bodies like Austel and the Trade Practices Commission.¹⁷

6.24 One way of increasing the likelihood that codes of conduct will have the desired effect is to emphasise them repeatedly, for example, by using them in

15. Media release by John Kerin MP, Minister for Primary Industries and Energy, 18 October 1990.

16. Corporate Practices and Conduct, Business Council of Australia, 1991, p. 9.

17. Evidence from Austel, pp. 693-4.

staff training sessions¹⁸ and displaying them in the work place. The Committee notes with approval the comment that:

Conscience is ... a valuable internal mentor, but it tends to reach its maximum driving torque if its precepts are reinforced by repetition ...¹⁹

6.25 The Committee endorses the use of codes of conduct to provide guidance about acceptable standards for the operation of all aspects of statutory authorities and GBEs, and recommends their use.

6.26 The Committee recommends that:

government business enterprises and statutory authorities not covered by the Public Service Act 1922 develop codes of conduct for their organisations.

Organisational Procedures

6.27 Another way of encouraging and enhancing socially responsible behaviour involves having appropriate organisational arrangements in place. This was illustrated by the comments of the Public Service Commission about the EEO programs which it supervises.

... where there is a set of standards that is acceptable and agreed to by the range of organisations; where there are training programs, material and information dissemination; where there is a professional resource such as the EEO unit available to an organisation; where an organisation has a range of people identified as part-time or full-time EEO coordinators and that is part of its corporate plan, structure and philosophy as well, then surely the infrastructure is there for good things to happen.²⁰

18. Evidence, pp. 11, 348.

19. T. Greenwood, Conflicts of interest in the board room, paper prepared for the Australian Institute of Company Directors Conference, February 1991, p. 1.

20. Evidence, p. 521-2.

6.28 The Commonwealth Bank made the same point when it attributed its success with its EEO program to that program being:

... part of the explicitly stated responsibilities of every manager in the bank. It is just built into the managers' duty statements and they are, in fact, held accountable for it in their annual performance review ... It is written into the managers' targets which are set for them each year and they are accountable for making sure that they operate their units, branches, administrative units or whatever they are in accordance with our EEO principles. We build it into our training programs and everything else, so it is just part of the way we run and train our staff.²¹

6.29 These two excerpts from the evidence received by the Committee illustrate a number of the organisational features needed to promote socially responsible behaviour. There are also other useful processes such as internal audits and program evaluation, and financial incentives and disincentives for senior staff to meet targets in the performance of the organisation's social responsibilities.

6.30 Regular external audits of the methods used to discharge social responsibilities have not been carried out in the past. As the Auditor-General pointed out, the Australian National Audit Office does not at present have the necessary expertise²², although some of these skills are being developed as it undertakes its first two environmental audits.²³ Other types of review of organisational structure have, however, been carried out, for example, the review of Telecom's handling of customer complaints by the House of Representatives Standing Committee on Transport, Communications and Infrastructure.²⁴

21. Evidence, p. 257.

22. Evidence, p. 142.

23. Evidence, pp. 692-3.


24. The House of Representatives Standing Committee on Transport, Communications and Infrastructure. Telecom's Handling of Customer Complaints, AGPS, Canberra, May 1991.

6.31 The Committee believes that it is important that attention be paid to establishing procedures that are most likely to enhance socially responsible behaviour and to monitoring the success of these procedures in achieving their objectives. It is beyond the scope of this Inquiry to consider and recommend action in relation to the best procedures and means of monitoring. The Committee wishes, however, to signal that it regards this as a significant aspect of ensuring socially responsible behaviour.

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Hon G F Punch, MP
Chairman
1 April 1992

TERMS OF REFERENCE

The Joint Committee of Public Accounts is conducting an inquiry to review the measurement and reporting of the performance of Commonwealth Statutory Authorities and Government Business Enterprises in terms of their social responsibilities. The social responsibilities include Community Service Objectives specifically assigned by the Government and other responsibilities which it could be argued apply to all citizens (such as minimising avoidable pollution from operations)

The scope of the inquiry is to:

- . assess the present state of development of measures of performance of terms of social responsibility;
- . review the extent and quality of use of such measures by Commonwealth entities in reporting to the Parliament and the public;
- . consider the criteria which should be applied to determine what social responsibility performance measures should be reported to the Parliament; and
- . determine and make recommendations on appropriate forms of measuring and reporting of social responsibility issues by Commonwealth entities.

The inquiry will not assess the value of social responsibilities undertaken by Commonwealth bodies but rather will endeavour to identify means by which information can be provided in future to enable such assessments to be made.

SUBMISSIONS RECEIVED

Listed below are organisations and individuals that provided the Committee with submissions to the Inquiry. Some departments and agencies made more than one submission to the Inquiry.

Department and Agencies

Aboriginal Development Commission
 Aboriginal Hostels Limited
 Action for Public Transport
 Albury-Wodonga Development Corporation
 AUSSAT
 Australia Post
 Australian Broadcasting Tribunal
 Australian Broadcasting Corporation
 Australian Centre for International Agricultural Research
 Australian Customs
 Australian Defence Industries Pty Ltd
 Australian Dried Fruits Corporation
 Australian Federation of Consumer Organizations
 Australian Federation of Business and Professional Women Inc.
 Australian Film Commission
 Australian Film, Television and Radio School
 Australian Horticultural Corporation
 Australian Industry Development Corporation
 Australian Institute of Aboriginal Studies
 Australian Institute of Family Studies
 Australian National
 Australian National Line
 Australian National Audit Office
 Australian Nuclear Science & Technology Organisation
 Australian Pork Corporation
 Australian Sports Commission
 Australian Telecommunications Employees' Association/Australian
 Telephone and Phonogram Officers Association
 Australian Telecommunications Authority (AUSTEL)
 Australian Tobacco Board
 Australian Wheat Board
 Australian Wine and Brandy Corporation
 Australian Wool Corporation

Blackburn Uniting Church
Botany Municipal Council
Civil Aviation Authority
Commonwealth Bank of Australia
Defence Housing Authority
Department of Transport and Communications
Department of the Arts, Sport, the Environment, Tourism and Territories
Department of Industrial Relations
Department of Finance
Department of Social Security
Federal Airports Corporation
Federal Bureau of Consumer Affairs
Great Barrier Reef Marine Park Authority
Health Insurance Commission
Humanist Society of Victoria
Insurance and Superannuation Commission
Office of Film and Literature Classification
OTC Limited
Public Service Commission
QANTAS
Reserve Bank of Australia
Snowy Mountains Engineering Corporation
Social Responsibility and Justice Committee, Uniting Church in Australia
Special Broadcasting Service
State Chamber of Commerce and Industry (Vic)
Superannuation Fund Investment Trust
Telecom Australia
The Department of The Prime Minister and Cabinet
The Pipeline Authority
The Wilderness Society
Trade Practices Commission

Individuals

Miss M C Peake
M Dunkel-Quiros

**PUBLIC HEARINGS AND WITNESSES TO THE INQUIRY,
INSPECTIONS AND BRIEFINGS**

PUBLIC HEARINGS

Date of Hearing

22 February 1991

Witnesses

Mr G J Antioch, Chief Finance Officer,
Department of Finance

Mr G W J Carter, Senior Adviser,
Accounting, Department of Finance

Mr R Comer, General Manager, Administration
and Finance, Pipeline Authority

Dr M S Keating, Secretary, Department of Finance

Mr P Ryan, Executive Member, Pipeline Authority

Dr J G Ryan, Deputy Director, Australian
Centre for International Agricultural Research

Mr C D Thurlow, Centre Secretary, Australian
Centre for International Agricultural Research

Observers

Australian National Audit Office

Mr J Bowden

Department of Finance

Mr D Russell

4 March 1991

Witnesses

Mr R M Brown, Public Officer, Australian Federation of Consumer Organisations

Ms A M De Salis, Assistant Secretary, Social Justice Secretariat, Department of the Prime Minister and Cabinet

Ms E A Delaney, Department of the Prime Minister and Cabinet

Dr C D Hauff, Government and Legal Branch, Department of the Prime Minister and Cabinet

Mr M J Jacobs, Deputy Auditor-General, Australian National Audit Office

Mr W G Nelson, Executive Director, Australian National Audit Office

Ms M A O'Loughlin, First Assistant Secretary, Social Policy Division, Department of the Prime Minister and Cabinet

Mr A Smith, Representative, Australian Federation of Consumer Organisations

Mr E Sondalini, Senior Officer Grade C, Social Justice Secretariat, Department of the Prime Minister and Cabinet

Mr J C Taylor, Auditor-General, Australian National Audit Office

Mr P Thomas, Acting Assistant Secretary, Infrastructure Branch, Department of the Prime Minister and Cabinet

Dr J R Verrier, Assistant Secretary, Department of the Prime Minister and Cabinet

Observers

Australian National Audit Office

Mr B Nelson

Department of Finance

Mr D Russell

27 March 1991

Witnesses

Mr R J Collien, General Manager, Human Resources, Federal Airports Corporation

Mr M S J Collins, General Manager, Commercial Federal Airports Corporation

Dr E Donaldson, Medical Services Director, Qantas Airways Ltd

Ms C M Garrigan, Training and Development Coordinator, Human Resources Development, Qantas Airways Ltd

Ms M Issaris, Equal Opportunity Coordinator, Qantas Airways Ltd

Mr E E Kiel, General Manager, Technical and Standards, Federal Airports Corporation

Mr P A Levy, General Manager, Personnel, Commonwealth Bank of Australia

Mr K S Lewis, Head of Safety, Qantas Airways Ltd MA12 Qantas Jet Base, Kingsford Smith Airfield

Mrs J A Looman, Director, Community Relations, Special Broadcasting Service

Mr M J McCormack, Customer Relations Executive, Commonwealth Bank of Australia

Mr J F Moffatt, General Manager, Operations and Regional Trunk Airports, Federal Airports Corporation

Dr R G Munro, Manager, Equal Employment Opportunity, Commonwealth Bank of Australia

Mr D V Murray, Chief General Manager, Retail, Commonwealth Bank of Australia

Mrs S A O'Neill, Chief Manager, Planning and Research, Retail Banking, Commonwealth Bank of Australia

Mr I K Payne, Deputy Managing Director, Commonwealth Bank of Australia

Mr R W Stokes, Director, Policy and Coordination, Special Broadcasting Service

Mr W A Swingler, Managing Director, Federal Airports Corporation

Mr B E Thompson, General Manager, General Aviation, Federal Airports Corporation

Mr A W P Gray, General Manger, Finance and Administration, Federal Airports Corporation

Mr D F Wallace, Government Affairs Director, Qantas Airways Ltd

Observers

Australian National Audit Office

Mr B Nelson

Department of Finance

Mr D Russell

1 May 1991

Witnesses

Mr J F Ashe, Assistant Secretary, Environment Assessment, Department of the Arts, Sport, the Environment, Tourism and Territories

Mr A S Blunn, Portfolio Secretary, Environment Assessment, Department of the Arts, Sport, the Environment, Tourism and Territories

Mr G R Dempster, First Assistant Secretary, Arts, Film, Cultural Heritage Division, Department of the Arts, Sport, the Environment, Tourism and Territories

Mr R S Elder, Assistant Secretary, Domestic Aviation Division, Department of Transport and Communications

Dr G A Feeney, Assistant Secretary, Land Transport Policy Division, Department of Transport and Communications

Ms D Hawgood, Acting Assistant Secretary, Portfolio and Public Relations Branch, Department of Industrial Relations

Mr W J Henderson, Acting First Assistant Secretary, Corporate Management Division, Department of Industrial Relations

Mr K J Hollis, Acting Principal Adviser, Department of Industrial Relations,

Mr N J Jacobs, Acting Assistant Secretary, Development Services Branch, Department of Industrial Relations

Ms P A Kazan, Director, Equal Employment Opportunity Unit, Human Resources Policy Division, Public Service Commission

Mr A Kerr, Deputy Commissioner, Public Service Commission

Mr G W Luther, Assistant Secretary, Policy
Coordination, Department of Transport and
Communications

Mr I R Rischbieth, Assistant Secretary, Domestic
Aviation Division, Department of Transport and
Communications

Ms C Santamaria, First Assistant Secretary,
Corporate Management and Territories Division,
Department the Arts, Sport, the Environment,
Tourism and Territories

Mr A J Shaw, First Assistant Secretary,
Telecommunications Policy Division, Department
of Transport and Communications

Mr A J Slatyer, Acting First Assistant Secretary,
Broadcasting Policy Division, Department of
Transport and Communications

Mr J Whitelaw, Acting First Assistant Secretary,
Environment Protection Division, Department of
the Arts, Sport, the Environment, Tourism and
Territories

Observers

Australian National Audit Office

Mr B Nelson

Department of Finance

Mr D Russell

3 May 1991

Witnesses

Mr E J Benjamin, Director, Corporate Affairs,
Telecom Australia ;

Mr D C H Carty-Salmon, General Counsel,
Australian Wool Corporation ;

Mr M C Castro, Manager, Strategic Planning,
Australia Post

Mr C Cooper, Federal President, Australian Telecommunications Employees Associations - Australian Telephone and Phonogram Officers Association

Mr R C Davey, Chairman, Australian Telecommunications Authority

Ms A E Davis, Manager, Consumer Affairs Branch, Australian Telecommunications Authority

Dr E A Evans, Group Manager, Research and Development, Australian Wool Corporation

Mr S M Fish, Manager, External Relations, Telecom Australia

Mr J R Holmes, Corporate Secretary, Telecom Australia

Mr K Morgan, Federal Research Officer, Australian Telecommunications Employees Association - Australian Telephone and Phonogram Officers Association

Mr G P Ryan, Secretary, Australia Post

Mr G B Ward, Director, Corporate Pricing, Telecom Australia

Observers

Australian National Audit Office

Mr B Nelson

Department of Finance

Mr D Russell

INSPECTIONS

The Committee inspected the Commonwealth Bank of Australia and the Federal Airports Corporation on 26 March 1991.

BRIEFINGS

The Committee was briefed by Mr B Lennie of the Sydney Water Board on 4 December 1990 and the Trade Practices Commission on 5 March 1991.

Two members of the Committee received an informal briefing from the Australian Institute of Family Studies on 2 May 1991.

LIST OF EXHIBITS

1. Opening the Door to Better Communications. An Introduction to the Telecom Australia Consumer Council.
2. Telecom Small Enterprise Policy Panel. Telecom Meets Small Business.
3. Draft of 'Agreement, Structure and Procedures for the Telecom Consumer councils'.
4. Consumers' Telecommunications Network. Telecommunications Community Service Obligations. Submission to an Interdepartmental Committee, January 1991.
5. Telecom Australia Consumer Council. Prices Accord for Telephone Customers. press release, 23 April 1990.
6. Special Broadcasting Service. Corporate Plan 1990-93.
7. SBS Policy Statement on Combating Racism.
8. SBS Objectives of Aboriginal Broadcasting.
9. Special Broadcasting Service. Prominent Australians of non-English speaking background to advise on SBS radio rescheduling of air-time', press release, 6 March 1991.
10. SBS Television. English at Work.
11. SBS TV Program Classification Standards and Guidelines.
12. Special Broadcasting Service. Annual Report, 1989-90.

13. Special Broadcasting Service. Industrial Democracy Revised Plan, 1989.
14. Qantas. Corporate Policies and Procedures Manual excerpts dealing with ethics, compliance with laws, personal conduct of employees whilst at work, conflict of interest, gifts and entertainment, discrimination, harassment policy and discrimination complaints, 1982-90.
15. Australian Wool Corporation. Wool Research and Development Council, Annual Report, 1989-90.
16. Opening the Door to Better Communications. Introduction to the Telecom Australia Consumer Council.
17. TACC News, Newsletter of Telecom's National and Regional Consumer Councils, No. 7, April 1991.
18. Australian Telecommunications Employees Association - Australian Telephone and Phonogram Officers' Association. Telecommunications - Can Telecom Maintain CSOs with Competition?
19. Spirit Team Workshop, Qantas. You in Qantas
20. Copies of Qantas News.
21. Confidential documents supplied by Telecom Australia.
22. Documents relating to the Federal Airports Corporation tabled by the Hon G F Punch, MP (Chairman):
 - . a minute from A F Rainbird, Deputy Secretary of the Department of Transport and Communications, dated 10 May 1988 titled 'Airport Needs of Sydney Basin';
 - . a briefing paper for the Minister and the Minister from Transport and Communications Support from J W E Huggett, First Assistant Secretary, Airports Division, Department of Transport and Communications dated 5 May 1988, titled 'Sydney Airport Briefing';

. a facsimile copy dated 24 May 1988 of a discussion paper prepared by Gary Milner, Technical Services, Federal Airports Corporation, Sydney; and

. minutes of a meeting about the Sydney Basin Study between T. Allen and G. Clarke of the Department of Transport and Communications and B. Thompson and G. Milner of the Federal Airports Corporation, held on 29 June 1988.

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**INFORMATION PROVIDED BY THE COMMITTEE TO INDICATE
WHAT MIGHT BE UNDERSTOOD BY THE TERM, 'SOCIAL
RESPONSIBILITY'**

Social responsibilities are those activities which may:

- not have purely financial implications;
- be community service obligations required of certain government bodies;
- be required of government entities and would not normally be imposed on or required of a purely commercial entity in a similar enterprise;
- be perceived social objectives incorporated in the organisation's corporate plan;
- have been adopted voluntarily by an organisation; or
- be other activities which are considered by government entities as social responsibilities.

Social responsibility activities could include:¹

Environment	Energy
Pollution control	Conservation
Prevention or repair of environmental damage	Energy efficiency of products
Conservation of natural resources	Other energy related disclosures
Other environment disclosures	Products
	Safety
Fair business practices	Reducing pollution from product use
Employment of minorities	Other product related disclosures
Advancement of minorities	Service provision
Employment of women	Remote areas
Advancement of women	Disadvantaged groups
Employment of other special interest groups	Disabled groups
Support for minority business	Community involvement
Socially responsible practices abroad	Community activities
Other statements on fair business practices	Health related activities
	Education and the arts
	Other community activity disclosures
Human resources	Other social responsibility disclosures
Employee health and safety	Other disclosures
Employee training	Additional information
Other human resource disclosures	

1. R Gray, D Owen and K Maunders, Corporate Social Reporting, Prentice Hall International, London, 1978, p. 24.

GOVERNMENT BUSINESS ENTERPRISES AS AT MARCH 1992

This list of GBEs was provided to the Inquiry by the Department of Finance.

Aerospace Technologies Australia
Australian Airlines Ltd
Australian Defence Industries Pty Ltd
Australian Industry Development Corporation
Australian Maritime Safety Authority
Australian National Railways Commission
Australian National Line Ltd
Australian Postal Corporation (Australia Post)
Australian and Overseas Telecommunications Corporation *
Civil Aviation Authority
Commonwealth Banking Corporation
Commonwealth Funds Management
Commonwealth Serum Laboratories Commission
Defence Housing Authority
Export Finance and Insurance Corporation
Federal Airports Corporation
Housing Loans Insurance Corporation **
Pipeline Authority
Qantas Airways Ltd
Snowy Mountains Engineering Corporation
Snowy Mountains Hydro-electric Authority

* Australian and Overseas Telecommunications Corporation was formed from the merger of the Australian Telecommunications Corporation (Telecom) and Overseas Telecommunications Corporation (OTC).

** Housing Loans Insurance Corporation is in the process of being sold.

STATUTORY MARKETING AUTHORITIES AS AT JANUARY 1992

Australian Dairy Corporation
Australian Honey Board
Australian Horticultural Corporation
Australian Meat and Livestock Corporation
Australian Pork Corporation
Australian Wheat Board
Australian Wine and Brandy Corporation
Australian Wool Corporation *

* As from 1 July 1991, the Australian Wool Corporation was replaced by the Wool Realisation Commission, a new Wool Corporation, and the Wool Research and Development Corporation.

**LEGISLATION RELATING TO THE SOCIAL RESPONSIBILITIES
OF STATUTORY AUTHORITIES AND GOVERNMENT BUSINESS
ENTERPRISES**

- (a) Legislation relating to the social responsibilities of SAs and GBEs mentioned by them in submissions to the Inquiry.

Administrative Appeals Tribunal Act 1975
 Administrative Decisions (Judicial Review) Act 1977
 Archives Act 1983
 Audit Act 1901
 Australian Heritage Commission Act 1975 *
 Australian Public Service Act 1922 *
 Commonwealth Employees Rehabilitation and Compensation Act 1988
 Environment Protection (Impact of Proposals) Act 1974 *
 Equal Employment Opportunity (Commonwealth Authorities) Act 1987 *
 Freedom of Information Act 1982 *
 Long Service Leave (Commonwealth Employees) Act 1976
 Maternity Leave (Commonwealth Employees) Act 1973
 Merit Protection (Australian Government Employees) Act 1984 *
 National Occupational Health and Safety Commission Act 1985 *
 Occupational Health and Safety Act 1991 *
 Ombudsman Act 1976 *
 Privacy Act 1988 *
 Racial Discrimination Act 1975 *
 Sex Discrimination Act 1984 *
 Superannuation Acts 1976 *
 Training Guarantee (Administration) Act 1990 *

- (b) Other legislation relating to the social responsibilities of SAs and GBEs identified by the Committee

Air Navigation Act 1920
 Banking Act 1959
 Cash Transaction Reports Act 1988
 Cheques and Payment Orders Act 1986
 Child Support Act 1988 **
 Circuit Layouts Act 1989
 Commonwealth Borrowing Levy Act 1987
 Commonwealth Borrowing Levy Collection Act 1987
 Commonwealth Electoral Act 1918
 Commonwealth Motor Vehicles Liability Act 1957
 Community Employment Act 1983

Copyright Act 1968
Environment Protection (Nuclear Codes) Act 1978
Environment Protection (Sea Dumping) Act 1981
Human Rights and Equal Opportunity Commission Act 1986
Income Tax Assessment Act 1936 **
Industrial Relations Act 1988
Navigation Act 1912
Ozone Protection Act 1989
Patents Act 1952
Plant Variety Rights Act 1987
Protection of the Sea (Civil Liability) Act 1981
Protection of the Sea (Discharge of Oil From Ships) Act 1981 *
Protection of the Sea (Prevention of Pollution from Ships) Act 1983
Public Service Act 1922
Telecommunications Acts 1989 and 1991
Trademarks Act 1955
Trade Practices Act 1974
Quarantine Act 1908
Wildlife Protection (Regulation of Exports and Imports) Act 1982
World Heritage Properties Conservation Act 1983

* Reporting requirements are contained in the Act

** Whilst there is a general exemption for statutory authorities under s.23(d) of the Act, some legislation specifically overrides this e.g. Australian Postal Corporation Act 1989.

APPENDIX I

**INFORMATION ABOUT MEDICARE FROM AN ANNUAL REPORT
AND EXPLANATORY NOTES**

Excerpts about Medicare from the Health Insurance Commission's 1989-90 Annual Report, pp. 14-18, 19, and the Department of Community Services and Health's Explanatory Notes, 1990-91, Budget Related Paper No. 6.4A, pp.174-5.

Program overview

Medicare, which was introduced on 1 February 1984, is a universal health insurance program providing reimbursement to eligible Australians for medical and other services listed in the *Medicare Benefits Schedule*.

The Commission pays Medicare benefits on behalf of the Commonwealth at the prescribed rate of 85 per cent of the fee listed in the Schedule for each service. The maximum gap between the Medicare benefit and the Schedule fee is \$20.

When a patient has paid \$150 in gap amounts for medical services in a single financial year, Medicare will pay 100 per cent of the Schedule fee for all subsequent services in that year. This provision does not apply to medical services rendered to private patients in hospital.*

Charges a medical practitioner may choose to levy in excess of the Schedule fee are not covered by Medicare.

Medicare benefits for medical services provided to private patients in public or private hospitals are paid at the rate of 75 per cent of the Schedule fee, not 85 per cent. The full gap (up to 100 per cent of the Schedule fee) is, however, redeemable from the patient's private insurer.

The Commission's responsibilities do not extend beyond the payment of Medicare benefits for medical and other professional services, and associated administrative activities. The Commonwealth, however, as part of the Medicare program, also finances shared ward accommodation in public hospitals, treatment by hospital doctors and accident and emergency services in hospitals. Accommodation costs for private hospital patients or private patients in public hospitals is not provided.

Financial performance

Medicare benefits paid as at 30 June 1990 totalled \$3 782.9 million, against a 1989-90 budget estimate of \$3 782.3 million. The total Medicare benefits expenditure for the year was \$3 776.3 million (excluding health program grants of \$3.3 million) compared with \$3 394.8 million in the previous year.

Accrued management expenses totalled \$154.2 million (\$136.5 million being funded in 1989-90) or 4.09 per cent of the total benefits liability, compared with 4.56 per cent in 1988-89.

A summary of Medicare financial performance over the five years to 1990 is provided in table iv.

*The Government announced, in the 1990 Budget, its intention to change maximum gap and "safety net" amounts shown here

Table iv
Medicare: Financial performance 1985-86 to 1989-90

	Units	85-86	86-87	87-88	88-89	89-90
Benefits expenditure	\$m	2 637.8	2 867.6	3 091.9	3 394.8	3 776.3
Management expenses	\$m	131.3	132.3	145.8	155.0	154.2
Management expenses/ benefits	%	4.98	4.58	4.72	4.56	4.09

Enrolments and claims processing

Medicare enrolment and claims processing information over a five year period is provided in table v. More detailed information is provided in the Medicare statistical supplement to this report.

Direct billed services have risen each year since Medicare's inception and now represent 58.4 per cent of all services claimed. Table vi shows increases in the proportion of services direct billed Australia-wide and in each state over five years. General practitioner services are the most frequently direct billed with 67.5 per cent of these services billed in this way in 1989-90.

During 1989-90, 81 per cent of Medicare claims were processed within seven calendar days of receipt. This excludes cash claims paid immediately to claimants over-the-counter at Medicare offices throughout Australia.

During 1989-90 a significant number of pathology claims were received from laboratories electronically. This is a major advance in claims processing efficiency.

Veterans' treatment accounts

The Commission is responsible for processing veterans' treatment accounts on behalf of the Repatriation Commission and for preparing cheques for payment of those claims. Details of benefits paid on behalf of the Repatriation Commission in 1989-90 are provided in the financial statements.

Attitudes to Medicare Community

Independent research is undertaken annually on behalf of the Commission to monitor consumer attitudes to the Medicare program and satisfaction with service standards. This survey is important for assessing Commission performance and understanding the perceptions of client groups.

Fieldwork for the latest survey, carried out by Australian National Opinion Polls (ANOP) in June 1990, shows 95 per cent of Australians are satisfied with Medicare claims payment services. Community support for the Medicare program has grown steadily since its inception and reached 71 per cent in 1989-90 with only 7 per cent of consumers believing the Medicare program should be abolished. A high level of satisfaction with the way Medicare claims are handled was expressed by both supporters and opponents of the program.

Table v
Medicare: Enrolments, claims and benefits 1985-86 to 1989-90

	Units	85-86	86-87	87-88	88-89	89-90
Enrolment						
<i>(as at 30 June each year)</i>						
Persons enrolled	millions	16 175	16 505	16 847	17 196	17 516
Active cards	millions	8 529	8 728	8 946	9 184	9 403
Average persons per card	persons	1.91	1.91	1.90	1.90	1.89
Claims						
Services processed	millions	121.4	128.6	134.8	142.9	145.4
Benefits processed*	\$m	2 608.7	2 881.8	3 090.6	3 394.6	3 805.4
Average benefit per service	\$	21.50	22.41	22.92	23.76	26.17
Average period service						
to receipt	days	26.2	25.3	24.4	24.9	24.9
to receipt and lodgement						
to processing	days	3.1	3.7	3.6	4.6	4.1

Table vi
Medicare: Proportion of services direct billed 1985-86 to 1989-90

State/Territory	85-86 %	86-87 %	87-88 %	88-89 %	89-90 %
Australian Capital Territory	24.5	27.0	31.7	37.9	42.5
New South Wales	54.3	58.4	59.8	61.6	64.1
Victoria	43.3	46.3	46.3	49.1	52.1
Queensland	48.2	50.1	52.4	55.7	59.8
South Australia	44.9	48.0	49.0	50.8	53.7
Western Australia	46.4	49.2	51.6	53.5	56.8
Tasmania	39.4	40.7	41.8	45.0	46.5
Northern Territory	57.7	60.6	62.2	64.7	63.1
Australia	48.3	51.8	53.1	55.4	58.4

Medical practitioners

In October 1989, an independent benchmark survey was undertaken on behalf of the Commission by research consultants Lenehan Lynton Bloom Blaxland to assess medical practitioners' satisfaction with Medicare claims processing standards. The survey shows 77 per cent of doctors are satisfied.

As a result of comments made by survey respondents, a Medicare information handbook for medical practitioners and reception staff is being produced and will be distributed in October 1990.

A quarterly newsletter, entitled Medicare Forum, addressing a wide range of Medicare issues is also being produced and mailed to medical practitioners. The first edition was released in June 1990.

Aboriginals and non-English speaking groups

A benchmark survey of Aboriginal and eight non-English speaking background groups' attitudes to the Medicare program was conducted in December 1989 and January 1990 by REARK Research Pty Ltd. The results of this survey indicate that 80 per cent of non-English speaking background groups and 95 per cent of Aboriginals are satisfied with Medicare claiming services. The results of this survey will assist the Commission in fulfilling its commitment to the Access and Equity program.

Medicare Benefits Schedule

Following a Federal Court challenge by a group of pathologists, the Medicare Pathology Schedule was found, on 1 November 1988, to be invalid. Subsequently, the Commission paid pathology benefits at the August 1986 rate (the date of the last valid Schedule) until a new Schedule of pathology fees could be introduced. The necessary changes to the Health Insurance Act 1973 were proclaimed on 28 June 1989 and the new Schedule took effect from 1 August 1989.

Changes to the Medicare Benefits Schedule during 1989-90 included a 5 per cent increase in benefits for all items (excluding pathology) on 1 September 1989 and the introduction on 1 December 1989 of content-based consultation items for use by general practitioners on the vocational register.

Less significant changes made on 1 September 1989 included a 5 per cent increase in benefits for all items on the Cleft Lip and Palate Schedule; a 5.83 per cent increase for items on the Optometrical Schedule; and the incorporation of benefits for radiopharmaceuticals into benefits for the related procedural item.

Table vii
Medicare: Survey of attitudes 1984 to 1990

	Sept 1984	Jan 1986	May 1987	May 1988	May 1989	June 1990
	%	%	%	%	%	%
Proportion of population who have claimed on Medicare	57	65	67	68	65	68
Satisfaction with Medicare claims payment services*						
satisfied	89	91	94	93	92	95
dissatisfied	10	6	4	5	6	3
unsure	1	3	2	2	2	2

*Among those who have made a Medicare claim

Medicare provider file and the general practitioners' vocational register

In April 1989, responsibility for the Central Register of Medical Practitioners was transferred to the Commission from the Department of Community Services and Health. The register, now known as the Medicare Provider File, records the name, practice location and qualifications of medical, optometrical and dental practitioners who provide services under the Medicare program, as well as information on hospitals and persons who may prescribe pharmaceuticals. The Commission began by maintaining the systems developed by the Department, but in July 1989 transferred operations to its own on-line system.

Also as part of its Medicare activities, the Commission is responsible for maintaining the General Practitioners' Vocational Register. This involves the Commission notating a registered practitioner's entry on the Medicare Provider File (in a similar way to which specialists are identified) to indicate the practitioner's eligibility to use new content-based consultation items in the Medicare Benefits Schedule.

This responsibility was conferred by regulation on 10 October 1989 when amendments to the Health Insurance Act 1973 were proclaimed. Proclamation was delayed while the legislation and its implications were considered by the Senate Select Committee on Health Insurance and Health Legislation.

The introduction of registration and content-based items with higher Schedule fees, are aimed at encouraging a higher standard of general practice. To register, an application must be submitted to the Commission following certification of eligibility by the Royal Australian College of General Practitioners (RACGP), a Vocational Registration Eligibility Committee or the Vocational Registration Appeals Committee. Continued registration is dependent on involvement in appropriate continuing medical education and quality assurance programs approved by the RACGP.

Excessive servicing and committee administration

An "excessive service" is defined by the Health Insurance Act as one which is "not reasonably necessary for the adequate medical (or dental) care of the patient". The Commission is responsible for implementing measures to prevent and detect excessive servicing.

The Commission monitors servicing levels through post-payment claims review and controls within its claims payment systems. Preventive counselling of medical practitioners who might otherwise be referred to committees of inquiry is conducted by medical advisers employed by the Commission.

One of the Commission's major aims at present is to improve relations with the medical profession through its medical advisers. These advisers currently conduct seminars for the profession throughout Australia to inform practitioners about the Medicare program. They also liaise informally and frequently with professional organisations. These forums provide an opportunity for the Commission to increase awareness of excessive servicing.

Suspected instances of excessive servicing are examined by committees and tribunals established for this purpose under the Health Insurance Act. The Commission provides secretariat services to the following committees and tribunals:

- Medical Services Committees of Inquiry (MSCI);
- Medical Services Review Tribunals (MSRT);
- Optometrical Services Committees of Inquiry (OSCI);
- Optometrical Services Review Tribunals (OSRT); and
- Medicare Participation Review Committees (MPRC).

The functions and powers of the committees and tribunals given administrative support by the Commission are contained in the Health Insurance Act 1973 (ss.79 to 106A).

Fraud prevention and detection

The Commission is also responsible for preventing, detecting and investigating instances of fraud and other Medicare offences under the Health Insurance Act and Crimes Act. Where there is sufficient evidence to suggest prosecution is warranted, the Commission refers these cases and the information obtained to the Australian Federal Police or the Director of Public Prosecutions.

PROGRAM 6
ELEMENT 6.1

Access and Equity:

- Turnaround time for payment of claims.

Lodgement to Processing (Days)

	1988-89	1989-90
Pay cheque to Card Holder	4.74	5.11
Pay cheque to Provider via claimant	3.64	3.64
Pay cash	0.04	0.06
Manual cheque	1.06	0.58
Pay cheque to claimant	5.40	4.62
Direct Bill	6.53	5.54
TOTAL	4.60	4.15

- Geographic distribution of Medicare offices.

The following table outlines the Health Insurance Commission branch office network as at the 30th June 1990.

State/Territory	City	Metropolitan	Country	Total
ACT	1	3	-	4
NSW	5	37	59	101
VIC	3	36	24	63
QLD	3	15	28	46
SA	2	12	5	19
WA	2	15	4	21
TAS	1	7	2	10
NT	1	1	1	3
<hr/>				
Australia	18	126	123	267

The Commission's branch office network has been established by carrying out a detailed demographic analysis to ensure that Medicare Offices are located in areas where they would benefit the majority of a region's population in the most cost effective way.

The Commission undertakes a continual process of monitoring claiming patterns and demographic factors to ensure adequate public access to Medicare.

PROGRAM 6
ELEMENT 6.1

Degree of Schedule fee observance

	Year Ended March	
	1989	1990
	Per cent	
All Services	71.0	71.3

Availability of multi-lingual Medicare information and interpreter services.

The Health Insurance Commission provides the following brochures written in 13 different languages:

- Understanding Medicare
- Dealing with Medicare

All Medicare offices retain a stock of these brochures. The Commission ensures that Medicare offices located in large ethnic communities have on hand an adequate supply of these brochures to meet the need of that ethnic community. The areas targeted are based upon statistics supplied by the Australian Bureau of Statistics.

Where possible the Commission tries to employ multi-lingual staff and deploy them in Medicare Offices where needed most.

The Commission also makes use of the telephone interpreter service if required.

Appropriateness of Financial Assistance:

Percentage of services direct billed.

	Year Ended March	
	1989	1990
All services	54.6	57.3

EXCERPT FROM THE AUSTRALIAN TOURIST COMMISSION'S 1989-90 ANNUAL REPORT

New Zealand

Growth remained sluggish during the year, due largely to more intense competition, the effects of the domestic aviation dispute and locally staged international sporting and artistic events.

Competition came in the form of budget packages and/or bargain fares to Asia, the South Pacific, Britain, Europe and the US West Coast.

Despite the fall-off in arrivals, Australia still picks up more than 50 per cent of all New Zealanders who travel abroad - and that doesn't include stopovers to more distant destinations. As well, New Zealanders managed to make up 20.47 per cent of Australia's total crop of short-term visitor arrivals during the period.

Although the aviation dispute affected arrivals, the extra money provided by the Federal Government for a recovery program enabled the Commission to mount a television campaign in New Zealand for the first time.

The campaign featured two 30-second television commercials which portrayed the sophistication and dynamism of Australia's major cities and attractions.

One ad, featuring Vivaldi's *Four Seasons* appealed to the older market while the other, which used the old Daddy Cool classic *Eagle Rock* as its theme, set out to lure the young

The ad became a news item in its own right when *Eagle Rock* re-entered the charts and rocketed to number one, achieving a spate of extra publicity for Australia and the campaign.

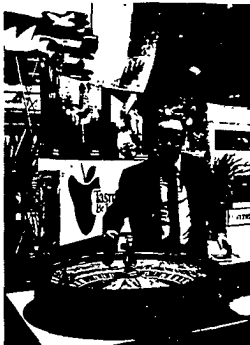
Faced with a "been there done that" attitude from a wide part of the market, the Commission's marketing strategy is to show that while Australia held considerable appeal for first-time visitors it also offered fresh alternatives for repeat visitors.

This approach was reflected in the television ads and carried through to ATC's latest *NZ Travel Guide*, while our new *Coming Events Calendar* was used to promote the tried and proven "travel with a purpose" strategy.

Bookings for forthcoming events like the musical hit *Phantom of the Opera*, which is to take place later this year in Melbourne, the World Netball Championships in July in Sydney, a Golden Oldies rugby series in May/June in Perth and the World Lions Conference on the Gold Coast and Brisbane in June, provide ample proof that the strategy continues to work well.

Incentive travel marketing was stepped up, with familiarisation visits for key incentive buyers and a new edition of *Incentive Australia* being published as a supplement in a leading business magazine

Emphasis continued to be placed on agent education, with a travel mission to Auckland, Wellington and Christchurch attracting 80 Australian suppliers, and a



combined consumer and travel trade show receiving support from 88 suppliers.

The ATC's participation in the 1990 Travel Agents Association of New Zealand (TAANZ) annual convention in Dunedin took a novel turn when a local radio station was taken over to present Aussie songs, humour, news and travel information during the four-day event.

A major project was the establishment of a Visit Australia Information Centre

Tourism Tasmania's boom at 1989 Destinations travel show in Auckland

in Auckland. Due to open in October 1990, the VAIC represents an exciting new shopfront method of marketing Australian product.

The NZ media played a major role in spreading the message about Australia's fresh destinations and dynamic get-aways, with 39 journalists and broadcasters touring the country under the Visiting Journalist Program during the year.

South Pacific

Arrivals from the South Pacific, which is marketed through ATC's Auckland office, remained static during 1989/90 due largely to a downturn from Fiji.

However, New Caledonia and French Polynesia hold considerable potential for growth and will receive extra marketing attention in future.

ATC staff again coordinated well-attended workshops in New Caledonia

New Zealand Decrease 12.6%



Consumer Advertising

Input

- ATC expenditure \$733,068
- Industry contributions \$381,200 (34.2%)

Method

- 2 x 60 second TV ads on 3 stations (356 spots)
- 13.5cm ads newspaper (390 insertions)
- 3 key segments targeted

Key Outputs

- TV campaign audience 2.1 million (85% reach)
- Newspaper campaign readership 1.6 million
- Eagle Rock ad recall 80%, positive response 95%

Consumer & Trade

Servicing

Input

- ATC expenditure \$109,935

Method

- Consumer and trade inquiries and requests
- Distribution of sales material

Key Outputs

- 7814 consumer inquiries
- 5614 trade inquiries
- 182 interviews with Aust travel companies
- 178,000 brochures to NZ

- and South Pacific trade
- 47,800 brochures to NZ consumers

Consumer & Trade

Promotions

Inputs

- ATC expenditure \$52,920
- Industry contributions \$155,620

Method

- NZ Travel Mission, 2 Travel Trade exhibitions, Club Billabong
- South Pacific Market Seminars in two countries
- 6 consumer promotions

Key Outputs

- 1487 agent business appointments generated
- Consumer promotions attended by 160,000

Public Relations

Input

- ATC expenditure \$98,000

Method

- 43 media releases
- 6 press conferences
- 32 interviews with staff

Key Outputs

- 780 media requests
- \$640,000 of editorial generated
- PR return on investment \$7:1

and Fiji, and seven wholesalers from New Caledonia and Fiji attended the Australian Tourism Exchange in Sydney in June.

Other activities included ongoing counselling sessions throughout the region and

support for a new Air Caledonie International weekly service to Melbourne. Publicity worth around \$100,000 was generated in New Caledonia, Tahiti and Fiji during the period.

**COMMONWEALTH STATUTORY AUTHORITIES AND
GOVERNMENT BUSINESS ENTERPRISES MONITORED BY THE
EEO UNIT OF THE PUBLIC SERVICE COMMISSION**

This list was provided to the Committee by the Public Service Commission.
(Evidence, p. 510-11).

Aboriginal and Torres Strait Islanders Commission
Aboriginal Hostels Limited
Administrative Appeals Tribunal
Albury-Wodonga Development Corporation
Australia Council
Australian Archives
Australian Broadcasting Tribunal
Australian Bureau of Statistics
Australian Centre for International Agricultural Research
Australian Customs Service
Australian Electoral Commission
Australian Federal Police
Australian Film Commission
Australian Industrial Relations Commission
Australian Institute of Marine Science
Australian Institute of Health
Australian Maritime Safety Authority
Australian National Audit Office
Australian National Gallery
Australian National Parks and Wildlife Service
Australian Nuclear Science and Technology Organisation
Australian Science and Technology Council
Australian Securities Commission
Australian Security Intelligence Organisation
Australian Taxation Office
Australian Telecommunications Authority
Australian Tourist Commission
Australian Trade Commission
Australian Trade Union Training Authority
Australian War Memorial
Bureau of Meteorology
Central Land Council
Commission for the Safety, Rehabilitation and Compensation of
Commonwealth Employees
Commonwealth Grants Commission

Commonwealth Ombudsman
Commonwealth Science and Industrial Research Organisation
Defence Housing Authority
Family Court of Australia
Federal Court of Australia
Great Barrier Reef Marine Park Authority
High Court of Australia
Human Rights and Equal Opportunity Commission
Immigration Review Tribunal
Industry Commission
Insurance and Superannuation Commission
Merit Protection and Review Agency
National Crime Authority
National Library of Australia
National Museum of Australia
National Occupational Health and Safety Commission
Northern Land Council
Office of the Parliamentary Counsel
Office of the Director of Public Prosecutions
Office of National Assessments
Pipeline Authority
Retirement Benefits Office
Special Broadcasting Service
Supervising Scientist for the Alligator Rivers Region
Trade Practices Commission

**AGENCIES GOVERNED BY THE EQUAL EMPLOYMENT
OPPORTUNITY (COMMONWEALTH AUTHORITIES) ACT 1987**

This list was provided by the Department of Industrial Relations.

Aboriginal Hostels
Aerospace Technologies of Australia
Anglo-Australian Telescope Board
Army and Air Force Canteen Service
AUSSAT
Australian Postal Corporation
Australian Airlines
Australian Broadcasting Corporation
Australian Defence Industries Ltd
Australian Film, Radio and Television School
Australian Industry Development Corporation Ltd
Australian Institute of Criminology
Australian National
Australian National Line Ltd
Australian Sport Commission
Australian Telecommunications Corporation (Telecom)
Civil Aviation Authority
Commonwealth Bank Group
Commonwealth Funds Management Ltd
Commonwealth Serum Laboratories
Federal Airports Corporation
Health Insurance Commission
Institute of Aboriginal and Torres Strait
Islander Studies
Office of the Official Secretary to the Governor-General
OTC Ltd
QANTAS
Reserve Bank of Australia
Snowy Mountains Hydro-Electric Authority
Snowy Mountains Engineering Corporation Ltd

**STATUTORY AUTHORITIES REQUIRED TO HAVE AN
INDUSTRIAL DEMOCRACY PLAN UNDER SECTION 22C OF THE
PUBLIC SERVICE ACT 1922**

This list was taken from a 1991 Department of Industrial Relations' Report to the Prime Minister on Industrial Democracy in the Australian Public Service, AGPS, Canberra. 1991, pp. 29-30.

Aboriginal and Torres Strait Islander Commission
Administrative Appeals Tribunal
Affirmative Action Agency
Australian Broadcasting Tribunal
Australian Bureau of Statistics
Australian Centre for International Agricultural Research
Australian Customs Service
Australian Electoral Commission *
Australian Government Retirement Benefits Office
Australian Industrial Registry
Australian Institute of Health
Australian National Audit Office
Australian National Parks and Wildlife Service
Australian Science and Technology Council
Australian Securities Commission
Australian Taxation Office
Australian Telecommunications Authority
Australian War Memorial
Automotive Industry Authority
Commission for the Safety, Rehabilitation and Compensation
of Commonwealth Employees (COMCARE)
Commonwealth Director of Public Prosecutions
Defence Housing Authority
Family Court of Australia
Federal Court of Australia
Great Barrier Reef Marine Park Authority
Human Rights and Equal Opportunity Commission
Industry Commission
Insurance and Superannuation Commission
Merit Protection and Review Agency
National Capital Planning Authority
National Crime Authority
National Library of Australia
National Museum of Australia

National Occupational Health and Safety Commission
Office of National Assessments
Office of the Commonwealth Ombudsman
Office of the Inspector-General of Intelligence and Security
Office of the Parliamentary Counsel
Prices Surveillance Authority
Public Service Commission
Special Broadcasting Service
Supervising Scientist for the Alligator River Region
Textiles, Clothing and Footwear Development Authority
Trade Practices Commission

- * The staff of this authority include both public service and non-public service staff.

**REQUIREMENTS IMPOSED ON AUSTRALIA POST IN
RELATION TO ITS COMMUNITY SERVICE OBLIGATIONS BY
THE AUSTRALIAN POSTAL CORPORATION Act 1989**

This information was provided to the Committee in Australia Post's submission (Evidence, p. S254-5).

The Act requires the Corporate Plan to -

- . include a statement of the strategies and policies that Australia Post is to follow to carry out its community service obligations (Sect. 36(c))
- . estimate the cost of carrying out Australia Post's community Service obligations, (Sect. 37 (d)), and
- . estimate the cost of Australia Post's other obligations under the Australian Postal Corporation Act or any other Act that require it to act otherwise than in accordance with normal commercial practice (Sect 37 (c))

At the end of each financial year, the Act requires Australia Post's annual report to -

- . include an outline of the strategies and policies that Australia Post is following to carry out its community service obligations (Sect 43(d))
- . include an assessment of the appropriateness and adequacy of strategies and policies that Australia Post is following to carry out its community service obligations (Sect. 43(f))
- . include particulars of any general policies of the Commonwealth Government applicable to the year (Sect. 43(g)(i))
- . include and assessment of the cost of carrying out the CSOs, of complying with general government policies, and of acting otherwise than in accordance with normal commercial practice (Sect. 44(g)(i), (ii) and (iv)).