OTHER SIGNIFICANT POLICY ISSUES

Extension of the Petroleum Resource Rent Tax

Outline of issue	The Government announced its intention to extend the existing Petroleum Resource Rent Tax (PRRT) to all Australian offshore and onshore oil and gas projects, including the North West Shelf. The extension to the PRRT is to commence on 1 July 2012. The Government's Joint Media Release No. 55 of 1 July 2010 provided a brief outline of how existing projects would be brought into the extended PRRT. To provide greater certainty to the oil and gas industry in the interim, details on how the extension to the PRRT is to be implemented are warranted.
Key Points	Uncertainty around the transition into the PRRT for existing projects, and for significant investment decisions that were in progress on announcement of the extension to the PRRT, needs early attention.
Sensitivities	During the caretaker period, the Government announced the composition of, and terms of reference for, the Policy Transition Group (the key consultative body assisting in the implementation of the new non-renewable resource taxation arrangements). However, there is still uncertainty around the transition into the extended PRRT, and how the PRRT will operate going forward, warranting clarification of significant issues in the short-term. This clarification would assist both the Policy Transition Group and the oil and gas industry. Clarification is particularly needed in respect of the 'starting base', which will shield past investments from PRRT liabilities, as is confirmation that the extension to the PRRT will be guided by policy parameters present in the existing PRRT regime.
Next Steps	We will provide a minute outlining the next layer of detail on the implementation of the extension to the PRRT.
Contact	**Graeme Davis** **6263 2078** **Revenue Group** **Business Tax Division**

Agreement with Andrew Wilkie on Poker Machines

Outline of issue	**On 2 September 2010, the Prime Minister signed an agreement with Mr Andrew Wilkie to pursue a number of reforms relating to poker machines (clause 7.5).**
Key Points	The agreement includes a 'best practice full pre-commitment scheme' across all States and Territories, dynamic warning displays and cost of play displays on machines, and daily withdrawal limits for ATMs in venues with poker machines. In the absence of agreement with the States by 31 May 2011 on any of these reforms, the agreement commits the Government: • to seek comprehensive legal advice about the Commonwealth's constitutional competence to legislate for these reforms (clause 7.3); and • subject to this advice — to seek unilaterally to legislate for these reforms (clause 7.7). You should also be aware that on 23 June the Government released the PC inquiry report into gambling and proposed to progress a national response through COAG. (We will brief you further on these processes).
Sensitivities	The introduction of effective harm minimisation measures will reduce state and territory gambling tax revenue.
Next Steps	We are investigating options for implementing the commitment to pursue unilateral legislation, including the possible use of the taxation power, which may be able to apply more broadly than other possible powers. The tax power has previously been used to underpin the Superannuation Guarantee Charge, regulation of superannuation providers and the Training Guarantee Levy.
Contact	**Contact: Paul Tilley** **6263 3909** **Revenue Group** **Tax System Division**

National Broadband Network

Outline of issue	While implementation of the National Broadband Network (NBN) is on track, there are several key policy issues that the Government will need to make decisions on in coming months.
Key Points	The NBN will transform the structure and competitive dynamics of the telecommunications sector. However, the outcomes will depend on several key issues to be addressed in the Government's response to the Implementation Study. Many of these issues have significant competition implications, including proposals for uniform pricing, the location of points of interconnect, and network design.
Sensitivities	NBN Co is seeking urgent decisions on outstanding issues from the Implementation Study. A Government response to the Implementation Study is required before NBN Co and Telstra can finalise Definitive Agreements on the NBN rollout.
Next Steps	An early priority for the Government should be to finalise its response to the NBN Implementation Study for the roll out of the NBN. The Government will also need to seek passage through the Parliament of related regulatory reforms.
Contact	**Brad Archer** **6263 2713** **Markets Group** **Infrastructure, Competition and Consumer Division**

Financial services reform

Outline of issue

On 26 April 2010, the Government announced the Future of Financial Advice reforms (the reforms) in response to the Parliamentary Joint Committee on Corporations and Financial Services' *Inquiry into financial products and services in Australia*, which investigated issues associated with recent financial product and services provider collapses, such as Storm Financial. The reforms focus on improving the quality of financial advice and enhancing retail investor protection.

Key Points

The reforms contain three key aspects which will apply from 1 July 2012:

- a prospective ban on commissions and other conflicted remuneration structures in relation to the distribution and advice of retail investment products;
- the introduction of a statutory fiduciary duty for financial advisers; and
- the introduction of a product neutral adviser charging regime which includes a requirement for retail clients to agree to the fees and to annually renew (by opting in) to an adviser's continued services.

Sensitivities

Industry is expecting consultation on the implementation details of the reforms to commence shortly after the election. If this process is stopped or delayed, it would risk creating uncertainty for stakeholders.

Industry has raised concerns about some aspects of the reforms. In particular, about the costs compared with the benefits of the annual renewal notice and about what they see as the impracticalities associated with it.

There appears to be general acceptance of the ban on commissions in relation to the distribution of investment products. However, there is some concern and anxiety within the industry about the treatment of commissions paid in relation to the distribution of risk insurance products. The Government had indicated it will consider whether to extend the ban on commissions to risk insurance products in 2011.

There are also concerns about how the ban on conflicted remunerations structures will apply to volume-related payments. We have indicated publicly that this issue will be considered during further consultations.

Next Steps

- In recent months, we have held one-on-one discussions and consultations with key stakeholders, and public information sessions in major capital cities. These discussions and consultations were designed to provide an overview of the reforms and give stakeholders an opportunity to ask questions and raise issues. We have indicated to stakeholders that a further series of public information sessions will be held in early 2011.
- Immediately following the election, and after providing you with an appropriate briefing, we propose to begin targeted consultation on the implementation of key aspects of the reforms. Between three and five

	consultation groups will be formed, each focusing on different aspects of the reforms. It is anticipated these consultations will run through the second half of 2010, and into the beginning of 2011. • We expect to release public exposure drafts of legislation in early to mid-2011, and legislation would be introduced into Parliament in the Spring sittings in 2011. Key aspects of the reforms will apply from 1 July 2012, although there may be a need for transitional arrangements beyond this date. • We intend to consult on whether to extend the ban on commissions to risk insurance in 2011.
Contact	**Geoff Miller** **6263 3970** **Markets Group** **Corporations & Financial Services Division**

Free trade agreements

Outline of issue	Current approaches to preferential free trade agreements (FTAs) are not meeting Australia's needs. The proliferation of FTAs has not built support for multilateral liberalisation and is delivering only modest preferential market access outcomes at the cost of reduced government policy reform flexibility.
Key Points	Australia has a strong interest in a robust rules-based multilateral system. Our first priority is to achieve a successful Doha Round outcome and to seek to integrate FTAs into the World Trade Organisation trading system. FTAs are not well-suited to addressing 'behind-the-border' barriers (for example, governance, competition policy and domestic regulations more broadly). It is in our interests to support reforms of these barriers both through bilateral cooperative mechanisms and regional mechanisms like Asia-Pacific Economic Cooperation. The forthcoming Productivity Commission (PC) review of 'Bilateral and Regional Trade Agreements', due for release in November 2010, will provide a useful platform to reposition Australia's FTA agenda. Australia has signed FTAs with New Zealand, the United States, Thailand, Singapore, the Association of Southeast Asian Nations and Chile. We are negotiating FTAs with China, Japan, Malaysia, the Gulf Cooperation Council and the Republic of Korea and participating in the Trans Pacific Partnership Agreement and the Pacific Agreement on Closer Economic Relations. [redacted].
Sensitivities	Australia is negotiating seven FTAs, including some with our most important trading partners and regional allies. The PC has found that the potential benefits of the FTAs under negotiation have been oversold and the negatives largely ignored. [redacted]

Next Steps	Consistent with PC perspectives, improve policies and processes to reposition the FTA agenda to better meet key economic and non-economic objectives. • Improve data and analysis underpinning the FTA agenda and institute measures, prior to negotiations and prior to signing, to enhance Cabinet scrutiny of the impacts and benefits of prospective FTAs. • Explore more flexible approaches to FTAs, as well as alternative mechanisms, to improve market access for Australian exporters and investors and encourage unilateral reform by our trading partners. • Do not delay reform to retain 'bargaining coin' and avoid bindings that limit future domestic policy flexibility. Exercise caution in accepting intellectual property, core labour standards or investor-state dispute settlement provisions.
Contact	**Patrick Colmer** **6263 3763** **Markets Group** **Foreign Investment and Trade Policy Division**

Foreign investment regime

Outline of issue	The regime has been amended in recent years, including changes to the rules for residential real estate in April 2010. Changes to the *Foreign Acquisitions and Takeovers Act 1975* (the FATA) to modernise its penalty regime were also announced in April 2010. Further changes are desirable to reduce the complexity of the regime, its excessive breadth of coverage and to put the regime on a firm legislative backing.
Key Points	While the regime has worked well to attract foreign investment in the national interest, further changes to the regime are desirable to address its complexity, its excessive coverage and poor targeting and its reliance on policy unsupported by legislation. The various monetary thresholds for screening purposes do not necessarily relate to strategic indicators of national interest. Concessions, largely through higher screening thresholds, were provided to the US under the Australia-US Free Trade Agreement. The OECD has been seeking the general extension of these concessions to all members [redacted] [redacted]
Sensitivities	It is very important that Australia continues to welcome foreign investment. While most foreign investment proposals raise no national interest issues, tensions around sovereign control of key assets (and sovereign involvement in commercial transactions) will recur as investment flows continue and their sectoral destination broadens. In this context, gauging the most appropriate response to investment proposals in which resource control and pricing raise national interest sensitivities will remain a key policy challenge. Foreign investment in rural land is attracting public debate in the context of food security. It is the subject of an ongoing Senate inquiry on food security, which will require a Government response. Compliance with the real estate regime is being strengthened, which has the potential to allay concerns about protecting the national interest.
Next Steps	[redacted] [redacted]

Contact	**Patrick Colmer** **Markets Group** **Foreign Investment and Trade Policy Division**	**6263 3763**

Development effectiveness

Outline of issue	The aid budget will approximately double over the next five years to meet the Government's commitment to increase Australia's Official Development Assistance (ODA) expenditure to 0.5 per cent of gross national income by 2015-16. This will need to be managed in a strategic and cost-effective way. Simply scaling up existing activities will not deliver value for money. The Pacific Island economies, which are a major focus of our aid program, face continuing challenges that will have implications for Australia. More than just increased aid is required to accelerate development outcomes in the Pacific.
Key Points	ODA is expected to increase from $4.3 billion in 2010-11 to around $8.6 billion in 2015-16. The Department of Finance and Deregulation (Finance) led Strategic Review scheduled for 2011 should consider the geographic and sectoral scope of the aid program to ensure that scaling up the aid budget by this magnitude can be delivered effectively and in line with Australia's priorities, and that AusAID has the required capacity. Around a quarter of Australia's ODA program is spent in Papua New Guinea (PNG) and the Pacific. [redacted] Each of these countries face its own specific challenges which will have implications for Australia. PNG authorities must manage the impact of a large LNG project that has recently begun construction. Treasury is currently assisting PNG consider options for the management of project revenue, possibly via a sovereign wealth fund, although this is a contentious issue. The efficient handling of this revenue flow is particularly important for PNG's economic development and will have implications for Australia's relations with PNG. Security issues may see greater calls for a considerably scaled-up engagement from the Australian Federal Police. Fiji has entered into discussions with the International Monetary Fund for a program. This should require strong commitments to pursue needed economic reforms. Without an IMF program, the Fijian economy will continue in a precarious state. Solomon Islands held general elections on 4 August and the choice of the Prime Minister will have important implications for the Regional Assistance Mission to Solomon Islands (RAMSI) and Australia. One of the greatest challenges to the incoming government is the fragile state of the Solomon Islands' economy. The drawdown of RAMSI will have to be carefully handled. [redacted] Treasury continues to have officers working in PNG and in Solomon Islands. Additional aid funding will not necessarily greatly

	accelerate development outcomes. More than just increased aid spending is required.
Sensitivities	There is a risk that the increase in the ODA budget, if not handled well, will result in less effective delivery and public criticism of the aid program. Economic problems in the Pacific could lead to further instability and place additional demands on Australia.
Next Steps	Aid and other development policies will require close scrutiny to ensure they meet basic value-for-money metrics. A Finance-led Strategic Review of the aid program, which is scheduled for 2011, will be an important step to help plan for the implications of a significant increase in ODA spending. Close monitoring of developments in the Pacific is important, along with assessing the effectiveness of existing assistance strategies.
Contact	**Paul Flanagan** **6263 3757** **Macroeconomic Group** **International Finance & Development Division**

Engagement in Asia

Outline of issue

The Asia Pacific region emerged from the Global Financial Crisis in better shape than any other region and strong growth has resumed. Within five years Asia's economy is expected to be around 50 per cent larger than it is today.

Regional groupings like the Asia Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS) provide important avenues to strengthen region-wide cooperation in promoting economic growth and financial sector stability as well as being important forums for Australia.

It is important to keep developing relationships with rising regional powers including Indonesia and Vietnam. It is also important to maintain our strong relationships with Japan, one of our major trading partners, and Singapore, whose influence is disproportional to its size.

Key Points

Trade provided the early momentum in APEC. With regional tariff barriers now low, a stronger structural reform agenda is crucial if APEC is to drive stronger growth and welfare gains.

The first EAS Finance Ministers' Meeting (FMM) was held in 2010. The impending membership of the United States (and Russia) in the EAS will make it hard to differentiate an EAS finance process from APEC.

Over the past few years, there has been a close relationship at Ministerial level with the Indonesian Finance Minister, although Indonesia has recently changed Finance Ministers. As part of AusAID's Government Partnership Fund, Treasury has two deployees in the Indonesian Ministry of Finance, working to build policy advising capacity. Strong ministerial engagement is crucial to the programs' success. A priority is to work on further deepening the Ministerial relationship with Indonesia.

Next Steps

- The APEC FMM in Kyoto on 6 November provides an important opportunity to provide further direction to APEC work on structural reform. You could also support efforts to have leaders endorse structural reform as a cross-cutting priority across APEC.
- Australia needs to clarify its objectives with respect to the EAS given the US intention to join.
- To underline the continued importance placed on the relationship with Indonesia, and our common interests on the G20 and in regional architecture, an early phone call to Finance Minister Agus Martowardojo would be advisable (a follow-up Minute to be provided).

Contact

Bill Brummitt **6263 3011**
Macroeconomic Group
International and G20 Division

Intergenerational Report (IGR)

Outline of issue	The Government has committed to deliver a comprehensive population strategy in the first half of 2011. Population sustainability is another expression for economic, social and environmental sustainability. All of these are priority areas of work for the Treasury, particularly in the context of the IGR which 'assesses the long-term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change'. As part of a population strategy (see Attachment C to the overview), the IGR could play an enhanced role by broadening assessments beyond economic and fiscal sustainability to environmental and social sustainability. IGR 2010 began this process, but there is scope to take this work further. Tabling the IGR as a Treasury (rather than a Government) document could aid credibility of the document as a key planning tool for all levels of government and give the Australian Government the opportunity to respond to its findings. Regardless of the 'ownership' of the IGR, there is merit in releasing regular public reports outlining aggregate, compositional and geographic population projections over a 20-year horizon to inform public policy at all three tiers of government. Inclusion annually in the Budget papers would be an option.
Key Points	The *Charter of Budget Honesty Act 1998* requires that the Treasurer publicly release and table an IGR at least every five years. In 2008, the Government committed to release an IGR every three years (that is, once during each term of government). The next IGR is scheduled for release by 2013. We suggest that you consider releasing the next IGR in 2012. Releasing the IGR as a Treasury document would not require legislative amendment. The Act simply requires that the Treasurer table the IGR in Parliament.
Next Steps	We will brief you further in the context of developing the comprehensive sustainable population strategy.
Contact	**Luise McCulloch** **6263 3204** **Fiscal Group** **Sustainable Population Strategy Taskforce**

Commonwealth debt market

Outline of issue	Commonwealth Government Securities (CGS) on issue are expected to peak at around $209.5 billion (market value) in 2012-13. With an improved fiscal position, the Government now needs to consider the future role and size of the CGS market and the long-term debt issuance strategy.
Key Points	Existing Government policy is to maintain a liquid CGS market to provide a sound foundation for Australia's financial system. There are three key reasons for maintaining a CGS market. • As the Government bond rate is a benchmark risk-free rate, maintaining the Government bond market helps keep interest rates and the cost of capital low across the economy. • Government bonds provide a safe haven for capital during times of instability. • Having a pre-existing market facilitates access to capital markets in the event that the Government needs to borrow to support a revenue deficit. The current legislative framework for borrowing and debt management is underpinned by seven Acts which have been developed in a piecemeal way. The current framework is neither simple nor coherent and contains extensive overlap between the Acts.
Sensitivities	From around 2003, the Government maintained a stock of around $60 billion of CGS to support the Treasury Bond and futures market. By 2008 it was clear that this had become too small and the Government began to increase the size of issuance to offset the tightness in the market. Consideration will need to be given to what size the market will need to be to continue to support the Treasury Bond and futures market once there is no longer a need to borrow to finance the deficit.
Next Steps	The Government could announce that a public conference will be held where officials from the Treasury, the Reserve Bank of Australia and invited international and domestic experts will meet to consider the future role and size of the Government Bond market in Australia. This will provide the opportunity to give context and improve the quality of the public debate on government debt. Given the age and the cumbersome nature of the current legislation it is also desirable to repeal the current seven Acts and re-enact them into one Act. A consolidation of the legislation would provide a clearer legislative framework for the operation of the Government's debt management activities.
Contact	**Jan Harris** **Fiscal Group** **Budget Policy Division** **6263 3747**

Health care reform implementation

Outline of issue	We are responsible for implementing the financing elements of the National Health and Hospitals Network (NHHN) Agreement. The key implementation issue for the financing elements is securing agreement from Western Australia to the financing arrangements and in particular the dedication of GST. There are a range of other more detailed implementation issues that will need to be progressed through the Ministerial Council for Federal Financial Relations. The implementation of the NHHN will be a substantial task. There are also pressures to undertake reform in mental health and aged care, which could add to the implementation task. Well considered implementation of the new national performance and accountability framework will be particularly important for system efficiency and sustainability.
Key Points	*Financing and Western Australia* Western Australia's decision not to participate in the NHHN reforms poses an implementation challenge. The key issue for Western Australia is the dedication of a portion of each state's GST to health and hospital services. *Intergovernmental Agreement* Even without Western Australia's agreement to the NHHN reforms, amendments to the *Federal Financial Relations Act 2009* (FFR) to give effect to the NHHN Agreement for other jurisdictions will need to be reintroduced into the Parliament and changes to the Intergovernmental Agreement on Federal Financial Relations (IGA) progressed. Western Australia has indicated that it is not prepared to agree to proposed amendments to the IGA notwithstanding that they preserve the current arrangements for Western Australia. As changes can only be made to the IGA by unanimous agreement of all parties, alternative approaches may need to be considered to give effect to the financing arrangements for other jurisdictions. Ideally, these issues should be resolved before the reintroduction of the legislation. *Implementing financial arrangements* Decisions need to be taken about responsibilities within the Commonwealth for the new payment arrangements, including which Minister is responsible for the NHHN Fund. Other issues that COAG agreed will need to be resolved by the Ministerial Council for Federal Financial Relations include finalising the arrangements for funding capital on a user cost of capital basis, mechanisms to ensure the states are better off, maintenance of effort arrangements, financial reporting requirements and details regarding the dedication of the GST.

	Broader NHHN implementation To maximise the benefits of the NHHN reforms, implementation should ensure that mechanisms are put in place that allow the new national governance authorities to work together effectively. Effective links between authorities are needed to ensure the right balance between efficiency, safety and equity in the health system. Finalisation of design detail around the proposed primary care transfer in particular will be required prior to developing Budget estimates for 2011-12 associated with the changes to the roles and responsibilities. This issue is likely to require intensive efforts in order to achieve a quick resolution and not put pressure on the timetable for the transfer of primary health care services.
Sensitivities	Any consideration of alternative approaches to secure Western Australia's participation in the NHHN agreement would be likely to create sensitivities with other jurisdictions. Proceeding with the FFR legislation is likely to be sensitive without the agreement of Western Australia to the revised IGA.
Next Steps	Advice will be provided in the coming weeks on the key implementation issues, including options for progressing the legislation in the absence of the agreement of Western Australia to the revised IGA. There remains scope for further health reform to promote more efficient, effective and responsive service delivery.
Contact	**Peter Robinson** **6263 4316** **Fiscal Group** **Social Policy Division**

Commonwealth-State relations

Outline of issue	Well-functioning federal financial relations are vital to the delivery of many of your election commitments and to supporting your reform agenda.
Key Points	There are two key issues that will need to be addressed to ensure continued productive working relationships between the Commonwealth and the States: ensuring that the framework for federal financial relations provides an appropriate foundation for collaboration; and making sure that there continues to be strong state commitment to horizontal fiscal equalisation. A new framework for federal financial relations commenced on 1 January 2009, providing greater clarity around responsibility for government service delivery, enhanced flexibility in the delivery of services, and incentives for implementing reforms and achieving outcomes. In return, the framework requires increased accountability and transparency and simpler, standardised public performance reporting. There has been significant progress in implementing the new framework. It has proved flexible and adaptable. On the other hand, the complexity and speed of implementation, combined with an ambitious COAG reform agenda, have presented challenges for the progress of reform and the underlying framework. In addition, recent focus on the Commonwealth Grants Commission methodology, including the impact of Western Australia's growing prosperity, has placed pressure on the principle of horizontal fiscal equalisation, a key element of federal financial relations since the 1930s.
Sensitivities	In implementing the new framework, there have been concerns at the Commonwealth level about ensuring timely delivery of services and implementation of reforms by the States, matched by concerns from the states about being given sufficient flexibility to deliver on reforms. In part, this is to be expected in the 'bedding-down' period. Still the Heads of Treasuries review of the framework, currently being undertaken at the request of COAG, offers the opportunity to improve the framework in the short to medium-term. This will ensure that both the Commonwealth and the states are able to garner the full benefits of the framework, in particular in relation to participation and productivity enhancing reforms and better service delivery. Separate to the review, growing pressures on horizontal fiscal equalisation may require consideration of whether adjustments are needed to ensure sustainability of the arrangements into the future.
Next Steps	We will provide you with advice on these issues in the coming months.

Contact	**Sue Vroombout** **Fiscal Group** **Commonwealth State Relations Division**	**6263 3744**

Service delivery

Outline of issue	Improvements to government service delivery through greater use of technology, improved coordination and management of information across Government agencies, plus better design and integration of processes, will enable enhancements to the client experience.
Key Points	Current service delivery mechanisms based on face-to-face interactions for simple transactions are unsustainable given Australia's growing and ageing population. Making these services more efficient and effective will reduce the cost of delivering these services, but also allow for a greater focus on people facing entrenched disadvantage. Enhancing technology will be a key component of these reforms. This has been the focus of a number of reviews in the past year.

Greater cooperation and coordination of policy design and implementation across agencies and portfolios are also needed to achieve citizen-centric service delivery.

The Secretaries Committee on Service Delivery (the Committee) will develop a strategy for service delivery reform across the Australian Government taking into account the recommendations of a number of reviews which have focused on service delivery, including the Blueprint for the Reform of Australian Government Administration, the Rosalky Review into the Future Directions for Australian Government Service Delivery and the Australia's Future Tax System review (AFTS).

The Committee is tasked with developing an overarching reform strategy targeted at:

- delivering more people-centric government administration through improving coordination of policy design and implementation, the adoption of new technologies and achieving better alignment of government processes across agencies;
- promoting and sharing common service delivery platforms and business processes; and
- planning more effective engagement between Commonwealth and state and territory governments and private and community sectors.

The Committee will prepare a Prime Ministerial Statement for release in the latter part of 2010, which would outline a 2020 vision for citizen-centred service delivery.

Fundamental to implementing the service delivery strategy will be integrating reforms being undertaken by the Department of Human Services (DHS).

The Committee will also consider options to extend the Standard Business Reporting (SBR) program to income reporting to DHS, workcover and Occupational Health and Safety (OH&S) reporting and possibly (at a later

	date) the reporting by not for profits/third sector and superannuation funds. Expanding the SBR program could further reduce the reporting burden on business. AFTS also covered significant ground relating to service delivery issues. In particular, the AFTS review found that people's interactions with the tax and transfer system tend to be complex and fragmented. AFTS considered that greater use of technology, improved coordination and management of information, plus better design and integration of processes will enable more automation of reporting. It would also empower clients to better understand and engage with the system through up-to-date access to their own tax and transfer accounts online. Many Commonwealth-funded services are delivered by state governments. Well-functioning federal financial relations are therefore vital to driving improvements to service delivery.
Sensitivities	Transformational reforms to service delivery are a significant project that is likely to involve substantial costs, long lead times and should be subject to the development of a business case and cost benefit analysis before proceeding. Development of new policy proposals to expand the SBR program to additional reports for existing agencies, new agencies or new business sectors will require careful consideration of costs and benefits, priority for government and business, and the ability to deliver. Furthermore, several of the options for expansion are reliant on other initiatives being in place. For example, the adoption of OH&S reporting will require the support of the States and Territories. Among other issues, reform to the current privacy and secrecy frameworks, as well as issues related to client identifiers, need to be considered.
Contact	**Richard Murray** **Executive** **Executive Director** **6263 3843**

Future scope of Standard Business Reporting (SBR)

Outline of issue	The government side of the SBR initiative was largely implemented on 1 July 2010. Recommendations about the expansion of SBR are contained in number of reports, including the review into Australia's Future Tax System, the Blueprint for the Reform of Australian Government Administration, the review into Australia's superannuation system and Productivity Commission Annual Review of Regulatory Burdens on Business and the Contribution of the Not-for-Profit Sector. The Government has agreed to adopt the recommendations from the APS Blueprint report, and work is underway with the Department of Finance and Deregulation on considering priority areas for expansion for SBR. The future expansion of SBR will be subject to the development of an appropriate business case and implementation material demonstrating the relative cost/benefit to business and government, as well as the likely support from software developers and businesses.
Key Points	Software developer, business and accounting communities continue to advocate for the single, standardised SBR approach for reporting to government. Australia co-chairs the SBR International Forum and is seen as a leader in the international arena, with a number of countries engaging with the Australian Program to support the development of their own SBR-like programs.
Sensitivities	SBR uses several international standards (for example, IFRS and XBRL) and, as such, has a key role in ensuring changes to these standards are done in a controlled way. Variations in these standards need to be managed to limit impacts on the viability of the SBR solution, businesses administration and costs, and software developer development cycles and costs.
Next Steps	Develop (through the Secretaries Committee on Service Delivery) options to be considered by the Government for the expansion of the SBR solution. In considering expansion of SBR, care needs to be taken in balancing the brand and integrity of the newly implemented SBR against the pace of expansion of SBR. This is necessary to ensure that voluntary take-up is not undermined. Work will commence firstly on those recommendations which have already been approved by the Government, and others once the Government response is known.
Contact	**Paul Madden** **6263 3612** **Markets Group** **Standard Business Reporting Management Group**