

Chapter 4

Past Estimates of the Financial Benefits of Functional Transfers

There have been numerous calls, though rarely formally proposed and fully developed, for national approaches to education, health, laws, and other government functions, both prior to and since Federation. Many of these proposals have been accompanied by qualitative claims or estimates of the financial and general benefits possible through such reform, and a small number have been supported by *quantified* financial benefit estimates of particular relevance to this current study. Such quantified estimates have generally lacked explanations, rationales and analyses sufficient to fully confirm their accuracy, but they at least demonstrate the impressions that various stakeholders have developed, and they often provide valuable insights into the magnitudes of financial benefits possible through national approaches, and methodologies that may help develop improved estimates.

Whereas Chapters 2 and 3 examined quantified claims and estimates of the financial benefits possible through New States, Regional Governments and Unification, Chapter 4 similarly explores the partial unification processes that would occur if one or more functions, or parts thereof, but not all functions, were transferred from the States and Territories to the Commonwealth government. Such functional transfers could occur through formal constitutional amendments adding functions to Section 51 of the Commonwealth Constitution, other formal constitutional reforms, or less formal plans for national approaches under existing constitutional arrangements.

Chapter 4 has four sections. The first assesses claims and estimates of the financial benefits possible if the education function, or part thereof, was transferred from the States and Territories to the Commonwealth, or if national approaches to education were otherwise adopted. The second and third similarly examine health care and law, order and safety functions respectively. The fourth then assesses selected combinations of two or more functions.

The financial benefit estimates considered in this chapter, and associated reform proposals, should be interpreted in light of the commonly observed fact that Australia's Commonwealth Constitution has left considerable residual powers to the state level. According to an OECD survey of 26 countries (Halligan 1997: 77), the Australian States:¹

are among the most powerful intermediate governments in the world because of the breadth of their functions and their substantial role in service delivery (in large part a function of the centralisation at the sub-national level, which occurs at the expense of local government).

The transfer of powers from the States to the Commonwealth has therefore, according to Greenwood (1949: 42), become increasingly necessary and appropriate as Australia's sense of unity has developed over time – economically, socially and generally:

At the time when Federation was achieved the sense of separateness was still strong and a limited form of union was all that was practicable, but the very success of the Federation brought into being a nation and the steady growth of national sentiment, reinforced by the revolution in communications and the closer integration of the economy, makes it only reasonable that there should be a corresponding growth in the powers entrusted to the Commonwealth Parliament.

The reforms examined in this chapter would shift Australia's system of government at least somewhat towards the unitary end of the federal-unitary continuum, whilst generally preserving a federal system, constitutionally at least (Thompson 1992: 157), but a unitary polity would result if all law, order and safety functions were fully transferred to the Commonwealth government.

Education

There have been numerous calls for national approaches to education in Australia, many of which have been supported by qualitative claims of the financial and general benefits of national systems, but very few quantified estimates of such financial benefits have been discovered. Appendix 4A describes recent proposals for national approaches to education and qualitative assessments of the benefits possible through national systems, and shows that there is considerable support for national approaches to at least some elements of the education function, from politicians and other stakeholders.

This section describes and briefly analyses two quantified claims made public in 2004 which provide rare and valuable insights into the magnitude of the financial benefits possible through national approaches to education, from Dr Brendan Nelson as Commonwealth Education Minister and Bruce Wilson as the Chief Executive Officer of the Curriculum Corporation.

Nelson Claims One in Four Education Dollars is Lost in Red Tape

Following the release of a report by Angus et al. (2004) in June 2004, Nelson (quoted in Maiden 2004: 3) claimed that "one in every four dollars spent on the nation's primary schools never

made it to the classroom as a result of state governments' "overly bureaucratic" administration practices", amounting to \$2.75 billion in the 2003-04 financial year. Nelson further claimed that "if state governments could reduce their administration costs by even 5 percentage points, this would release more than \$500 million per annum to support Australia's state government primary schools" (Maiden 2004: 3).

Angus et al. (2004: 36) explain that this 25 per cent (or "one in four") figure spent by government education systems but "not linked to schools", amounting to \$1,400 per student in government primary schools, includes the costs of "services based in districts, special schools, bus travel, some forms of staff leave, superannuation, contract cleaning, costs that are met by other government departments and the cost of capital which is included in accrual accounting figures". Much of this 25 per cent of total expenditure, therefore, is for essential activities carried out in support of education, so clearly cannot be accurately classified as "red tape" or excessive administrative expenditure, as Nelson claims. Nelson himself implies that a 5 per cent cost reduction, releasing some \$500 million per annum at primary school level alone, might be a more realistic goal.

If \$500 million could be released from bureaucracy at primary school level, along with a similar amount at secondary level and perhaps more within the tertiary education sector, then financial benefits of \$1 billion per annum, or more, might be possible, whether through a national approach to education or other measures. Results displayed in Part III of this thesis indicate that financial benefits of this order may indeed be possible if the current eight State and Territory education systems rationalised horizontally into a single Australia-wide education system.

Wilson's \$100 Million Estimate

Arguing in support of a single national curriculum framework, Wilson (2004: 16; see also Partis 2004: 14; Davis 2005: 5) observes that "we now have eight curriculum and assessment systems" in Australia in which "hundreds of people work away at solving the same set of problems", spending, "by some estimates, over \$100 million annually on activity which could be done once rather than eight times".

Curriculum and assessment in primary and secondary schools is clearly only one – albeit significant – component of total educational expenditure, so if annual savings in the order of \$100 million could be achieved through the establishment of single, rationalised school

curriculum and assessment systems, then even greater financial benefits could be achieved if a fully unified national education system were established.

The claims by Nelson and Wilson, as above, that \$100 million to \$1 billion or so could be saved each year if a fully national education system was established in Australia, are insufficiently developed to be considered reliable estimates, but they provide at least some expert support for the estimates presented later in Chapters 12 and 13.

Health

Numerous politicians and other stakeholders have recently called for a fully national health system under Commonwealth government control. Appendix 4B describes many of these proposals and accompanying claims of the financial and general benefits possible through a national health system.

Chapter 3 has already described estimates which suggest that financial benefits in the order of one billion dollars per annum could possibly be achieved if border anomalies, found to be especially costly in health care, can be overcome in a fully national health system. This section now considers further dollar or percentage estimates of the costs associated with Australia's current health arrangements, and the benefits possible if Commonwealth, State and Territory health bureaucracies and systems generally were rationalised to form a national health system.

Gottliebsen's 1996 Reference to an Estimate of Half a Billion Dollars

Writing in May 1996, finance commentator Robert Gottliebsen (1996: 6) recalled that "with Health: two years ago, when Graham Richardson was Health Minister, the Commonwealth, Victoria and Queensland reached an agreement" and that "initial savings through reduced duplication amounted to \$500 million, but with a bit more work, savings probably would be closer to \$1 billion". Significantly, this \$500 million per annum gain reported by Gottliebsen (1) was achieved despite the retention of separate Commonwealth, State and Territory health systems, and (2) left latent benefits, amounting to another \$500 million or so (in 1996 dollars), remaining to be achieved at some later stage through further reforms.

Dwyer, Knowles and Menadue Claiming in 1999 that Duplication Costs \$1.5 Billion

Professor John Dwyer, professor of medicine at the Prince of Wales Hospital, claimed in November 1999 that approximately \$1.5 billion of NSW's \$7 billion health budget "was not appropriately spent because of duplication" (quoted by Doherty and Ragg 1999: 2), and was supported in his claim by NSW Health Minister Craig Knowles and NSW Health Council chairman John Menadue.² According to Menadue, "several hundred million dollars" worth of "improvements and efficiencies" could be achieved within the NSW public hospital system (Doherty and Ragg 1999: 2).

With \$1.5 billion representing approximately 20% of \$7 billion, and "several hundred million dollars" (quoting Menadue as above) approximately 10% of \$7 billion, the claims by Dwyer and Menadue as above amount to claims that approximately 10% to 20% of the NSW health budget was being wasted by bureaucratic duplication and other inefficiencies in 1999 within the State of New South Wales alone, and possibly an even greater percentage if the interfaces between New South Wales and the Commonwealth and between New South Wales and the other States and Territories were taken into account.

Estimates Presented at August 2003 Health Summit

The following estimates were included in a paper presented at the Australian Health Care Summit (AHCS) in Canberra, on 19 August 2003 (Drummond 2003a: 3; see also 2002: 43-56; 2003b: 7-9), as follows (emphasis as in original):

- approximately **\$1 billion to \$2 billion per annum** could be saved *within the public health sectors* if Australia's eight state and territory public health sectors horizontally amalgamated into a single Australia-wide state-type public health sector.
- approximately **\$2 billion to \$4 billion per annum** could be saved *within the public health sectors* if Australia's state, territory and Commonwealth public health sectors all coalesced into a single national health sector/system, leaving health care/service regions more or less as in the present system.
- approximately **\$3 billion to \$6 billion per annum** could be saved within the health sector as a whole (i.e. public and private combined) if Australia's state, territory and Commonwealth public health sectors all coalesced into a single national public health sector, hence facilitating a single national private health sector as well.

Two papers presented at this Health Summit (Drummond 2003a; 2003b) are reproduced in full in Appendix 4C. These 2003 estimates, significantly, were established without knowledge and fully independently of the 1999 estimates by Dwyer, Knowles and Menadue, and other earlier estimates, as described above. These estimates have attracted a significant level of acknowledgement, and some degree of support and endorsement, from reform advocates,

politicians from various political parties, the media and other stakeholders. And whilst such acknowledgement and support does not amount to independent confirmation of technical accuracy, the prominent use of these 2003 estimates suggests that their magnitude, amounting to approximately 5% of annual Australia-wide health expenditure, aligns at least acceptably well with expert and stakeholder assessments.

Among the 192 media reports presented in Appendix 4B, describing proposals for national approaches to health or closely related issues, more than 50 claim or estimate that Australia's current health system hosts duplication of bureaucracy and effort, and waste and inefficiencies generally, amounting to approximately one to four billion dollars per annum across Commonwealth, State and Territory health administrations, and that an efficient national health system absent of such waste and duplication, run by the Commonwealth government or otherwise, could generate savings and benefits generally of at least \$1 billion per annum, relative to the current system.³ Most of these billion dollar claims and estimates in Appendix 4B appear to have derived from the estimates presented at the 2003 AHCS, as above, either directly or indirectly, or from the separate claims by Dwyer, Knowles and Menadue as above. Whilst most media reports have been supportive or at least open-minded towards these 2003 AHCS estimates, one article in the Queensland *Courier-Mail* newspaper (Jones 2004: 4) reports Senator Nick Minchin, the Federal Finance Minister, strongly challenging these estimates: "Senator Minchin said that in order to identify real savings from which to fund new spending, Labor had to detail to voters the specific programs it would cut". Senator Minchin's challenge here clearly *does* have legitimacy. In response, it can be confirmed that the 2003 AHCS estimates certainly *do* assume that the central office bureaucratic elements, within Australia's current nine Commonwealth, State and Territory health administrations, can and would be very significantly reduced in the process of rationalising to a single national system under Commonwealth control, with just one central health bureaucracy, administrative regions more or less unchanged from present arrangements, and scope for further rationalisation across finance departments and other government departments associated with health care.

Chapters 12 and 13 provide updated versions of the estimates presented at the 2003 AHCS which again indicate that benefits amounting to approximately \$1 billion per annum can be achieved, in the public health sector alone, if Australia's State and Territory health systems horizontally amalgamated (or integrated, or coalesced) into a single Australia-wide, State-Territory level health system, and that perhaps \$2 billion could be achieved following the complete integration of State, Territory and Commonwealth health departments and systems

into a fully integrated national system. And when the health function costs associated with border anomalies are taken into account, as described in Chapter 3, it is eventually estimated that overall benefits of \$2 billion to \$4 billion per annum could be achieved, in total across both public and private sectors, if Australia moved to a national health system, representing efficiency gains of approximately 5 per cent per annum, noting that total public sector health expenditure across all levels of government was approximately \$44 billion in 2001-02, and \$52 billion in 2003-04 (ABS Cat. 5512.0: 2001-02; 2003-04), and total Australia-wide health expenditure across both public and private sectors was approximately \$61 billion in 2000-01, according to the Australian Institute of Health and Welfare (AIHW 2004: 230, 242, 246), of which the Commonwealth government provided approximately \$28.7 billion (47%), State, Territory and local governments contributed \$13.8 billion (23%), and private sources contributed \$18.4 billion (30%). So a benefit of \$1.0 billion per annum amounts to approximately 2% of total public sector health expenditure; \$2.0 billion would amount to some 4%, and so on. So cost and benefit estimates in the order of one billion dollars per annum are clearly quite modest in percentage terms.

Iemma in 2004 and 2005

Several media reports in 2004 and 2005, as shown in Appendix 4B, describe plans of the NSW government to overcome administrative duplication within the NSW health system and hence save an estimated \$100 million to \$150 million, or possibly as much as \$700 million, each year. O'Malley (2004: 1), on 6 March 2004, reports claims, by then NSW Health Minister Morris Iemma, "that \$700 million could be saved by combining the corporate services of the state's 17 area services". The 9 March 2004 Editorial in the *Sydney Morning Herald* (2004a: 10) refers to further claims by Iemma that removing administrative duplication "may save \$150 million a year", and also refers to the "several hundred million dollars" claim of John Menadue, described earlier in this section:

There is an echo of earlier times in much of this. In 1999, during another perceived public hospital crisis, Mr Knowles set up the NSW Health Council. The council's head, John Menadue, said there were "several hundred million dollars" worth of "improvements and efficiencies" to be made.

Later in March 2004, Sofios (2004: 2) reported the claim that "\$150 million a year" could be saved by "reorganis[ing] area health services to cut duplication across 17 regions". By July 2004, however, the claimed savings had reduced to a still significant \$100 million (*Sydney Morning Herald* 2004b: 12), which represented about 1.0% of NSW's \$10 billion annual health

budget. On 2 August 2004, Allen (2004: 5) further describes how Iemma's claims "dovetailed" with similar claims made by the federal Labor party and a recent South Australian review:

NSW Labor's plan to save \$100 million in health costs under massive statewide reforms involving the loss of 650 administrative jobs is expected to lead to more direct funding, such as the hiring of 1600 extra nurses. The plans dovetail with federal Labor's proposal for a \$2 billion money-saving plan to eliminate "waste and duplication" from the health system in the commonwealth bureaucracy, and with a recent report on an overhaul of South Australia's health system. Federal opposition health spokeswoman Julia Gillard and NSW Health Minister Morris Iemma have developed an "excellent working relationship" in terms of synchronising policies that will eliminate duplication across the \$77 billion health system, say political sources.

A year later in August 2005, Iemma, as NSW Premier, claimed that a financial benefit of \$100 million per annum had actually been achieved as a result of the reforms he initiated in 2004 as Health Minister (Allen and Hewett 2005: 1).

Australia's population has been almost exactly three times that of NSW in recent years, so if intra-State bureaucratic duplication and inefficiencies amounted to \$100 million per annum in the NSW health system alone, then the corresponding Australia-wide figure might be approximately \$300 million per annum if all States and Territories hosted similar inefficiencies in proportion to their population. Alternatively, if such intra-State inefficiencies amounted to \$100 million per annum in all eight States and Territories, then the Australia-wide figure for such inefficiencies might total approximately \$800 million per annum. In any event, the NSW experience suggests that the Australia-wide total of intra-State duplication and inefficiencies may have been in the order of half a billion dollars per annum prior to the Iemma-led reforms in NSW, or approximately 1% of the total health expenditure of the States and Territories.

Rankin's 2004 Claim that "Billions" are Wasted in Duplication and Bureaucracy

In a September 2004 opinion piece in the *Canberra Times* newspaper, country general practitioner Tim Rankin (2004: 19) describes bureaucratic duplication within and among Australia's nine Commonwealth, State and Territory health administrations, observes that there are "hundreds of area health bureaucracies ... empire building and wasting billions in futile duplication and paper chasing", and hence claims that "what we really need is a truly national health policy" encompassing "medical costs, manpower, hospitals, [and] pharmaceuticals".

Estimates in February 2005 Productivity Commission Report on NCP

In the February 2005 report on its *Review of National Competition Policy Reforms*, the Productivity Commission (2005a; see also 2005b) refers extensively to the need to reform

Australia's health system and states that "in the Commission's judgement, the human service area that currently offers the largest potential benefits from a nationally coordinated reform approach is health care" (Productivity Commission 2005a: XXXIV), despite the fact that health is not mentioned at all in the terms of reference for this review, nor in any of the titles of the report's 12 chapters.⁴ The Commission (2005a: 367) suggests that it is reasonable to aim for a 10 per cent efficiency improvement across the health sector, amounting to "around 1 per cent of GDP at the present time and, given likely expenditure trends, as much as 2 per cent by 2050".

With Australia's GDP being approximately \$892 billion in 2004-05 (ABS Cat. 5204.0 2004-05: 19), a benefit of one per cent of GDP would amount to approximately \$9 billion per annum in 2004-05 terms. The Commission (2005a: XLIII, XXVII) observes that "such cost savings could be drawn on to improve service quality and access to the health care system, and to help meet the costs of servicing an ageing population", and claims further that "given the projected escalation in expenditure in areas such as health and aged care, taking advantage of *all* opportunities to improve the efficiency of service delivery will be especially important".

The Commission (2005a: 371) also observes, as the Australian Democrats did in their 2000 'Delivering a Remedy' plan (described in detail in Appendix 4B), that the financial benefits from a successfully reformed health care system have the potential to extend beyond the public health sector to the whole of the Australian economy. Private sector and economy-wide benefits that can flow from efficiency gains in the public sector are further considered briefly in the next section on law, order and safety functions, and as a central theme of Chapter 5.

Beattie in 2005 Claiming that Billions are Wasted Each Year

In several statements in 2005, Queensland Premier Peter Beattie claimed that millions or billions of dollars are wasted as a result of overlaps between the Commonwealth and the States, as reported on ABC radio news and the ABC news website (via www.abc.net.au/news/) as follows, for example:

- 27 May 2005: "I'm frustrated by the lack of reform in health. We waste billions of dollars every day".
- 14 August 2005: "The facts are unless we have national reform of health, then we're still going to be wasting billions of dollars every year. ... It would be better if either the Commonwealth or the states completely ran health".
- 29 August 2005: "The truth is the health system has dreadful overlaps between the Commonwealth and the state. Everyday we waste millions of dollars in Australia".

Mr Beattie's 27 May 2005 claim that "we waste billions of dollars every day" across Australia's health systems can be discounted as a slip of the tongue, as implied by his subsequent claims, on 14 and 29 August 2005 respectively, as above, that the level of waste is in the billions per *year* or *millions* per day.

Estimate by Somlyay in Early 2006

Alex Somlyay is a former federal health department economist and currently (in 2007) the Liberal MP for the Queensland electorate of Fairfax (centred on the Sunshine Coast) and chairman of the House of Representatives Committee on Health and Ageing. In January 2006, Somlyay (as quoted by Steketee 2006: 10; see also Podger 2006: 62) stated that "the commonwealth should take a national approach" and "should be running public hospitals", and claimed further that "at this stage we are getting about 20c in the dollar of spending actually getting through to the patient". Further research would need to be done to assess this "20c in the dollar" claim, and more precisely trace the link between expenditures, activities and outcomes in the Australian health system, but the claims and estimates examined in this section collectively suggest a strong consensus that Australia's health system hosts inefficiencies amounting to several billion dollars per annum, or at least 5% to 10% or so, in the public sector alone, much of which could be overcome through a move to a fully national health system.

Law, Order and Safety

As with education and health, there have been many calls for national approaches to law, order and safety functions in Australia, such as the Commonwealth government's current attempt to establish a national industrial relations system. There have also been many claims that national approaches can generate significant benefits, but quantified estimates of the financial benefits of such national systems have again been rare and difficult to locate. This section summarises several of the best quantified claims and estimates which have been discovered, from criminologists John Walker and Pat Mayhew, former Commonwealth Justice Minister Duncan Kerr, and others, all of which provide estimates of the financial costs of current systems or other significant insights into the financial benefits possible through national systems of law, order and safety.

Appendix 4D, supporting this section, describes proposals for national approaches to law, order and safety functions, or parts thereof, and claims of benefits expressed mainly in qualitative

terms, again sufficient to establish that there has been widespread support for such national approaches.

Costs of Crime Estimates from Walker, Mayhew and Others

According to criminologist John Walker (1997: 1; see also 1992: 2; Mayhew and Adkins 2003: 2), the costs of crime include "property losses and/or medical costs incurred during the actual incident and its immediate aftermath", and the costs of "long-term and wide-ranging consequences of the incident", "preventive efforts made to reduce the future incidence or severity of such crimes", and "the criminal justice system set up to deal with the offenders". Walker (1997: 1; citing the United Kingdom Home Office Standing Conference on Crime Prevention 1988) notes further that economists identify two distinct crime cost components – *financial* costs and *economic* costs – where the financial costs of crime "are not, in the eyes of economists, losses to the community, but are illegal transfers of purchasing power from victims to offenders", and the economic costs "arise when crime causes society to divert time, energy and resources from more productive purposes". Economic costs hence include the "costs of public and private resources used against crime", and additional losses and costs associated with "the diversion of scarce medical resources to the treatment of victims of crime, the quality of life losses incurred by victims, and the time spent by victims assisting police with enquiries" (Walker 1997: 2).

Employing various techniques, acknowledging often significant limitations, and building on earlier estimates by Walker (1992: 9; 1997: 6), Mayhew and Adkins (2003: 1-2, 7-8; see also Mayhew 2003; Riley 1993: 41; Webber 2001: 11) estimate that the total cost of crime in Australia in 2001-02 was "nearly \$32 billion", which equated to "\$1,600 per person per year in Australia", or "five per cent of GDP". This \$32 billion estimate can be divided into two components: an estimated \$13 billion for the largely anticipated (and budgeted) *costs in dealing with crimes*, and an estimated \$19 billion component – largely for the unanticipated consequences of crime – which Mayhew and Adkins (2003: 1, 7-8) refer to as simply *crime costs*. The \$13 billion *costs in dealing with crime* component includes annual (2001-02) costs of the criminal justice system (\$6.4 billion), the private security industry (\$3.1 billion), insurance and other precautions (\$2.3 billion), and provisions for victims (\$880 million). The major components of the \$19 billion *crime costs* estimate include the estimated annual costs of fraud (\$5.9 billion), property loss (\$4.1 billion), intangible costs (\$3.3 billion), lost output (\$2.2

billion), the costs of drugs not elsewhere counted (\$2.0 billion), damage due to arson (\$1.35 billion), and medical costs (\$250 million) (Mayhew and Adkins 2003: 1, 7).

So costs, as above, reflect a combination of public and private sector expenditures, insurance costs, and opportunity costs and other economic losses flowing from crime. Chapter 5 assesses the private sector and economy-wide costs of business regulation in terms of similar cost components.

Whilst these cost of crime assessments do not provide direct estimates of the financial benefits possible through a national approach to law and order, they assist this study by providing comprehensive details of the costs of the criminal justice system, and credible estimates of the overall magnitudes of costs and losses associated with crime. They hence provide indirect insights into the financial benefits possible through rationalised structures and systems of government, policing and justice, and through crime reductions potentially achievable through more efficient and effective institutional arrangements, such as seamless cross-border police operations. The next estimate considered, that of Justice Minister Duncan Kerr in 1993, provides more specific assessments of the costs associated with cross-border law and order operations.

Kerr's 1993 Estimate that Separate Legal Systems Cost \$4 Billion a Year

According to Justice Minister Duncan Kerr in September 1993, "barriers facing law enforcement officers investigating crimes to be dealt with by interstate jurisdictions ... are estimated to add an extra \$4 billion a year to the cost of administering justice in Australia" (Easterbrook 1993: 9). Kerr (quoted by Easterbrook 1993: 9) added that "across all jurisdictions there is a recognition that continued inconsistency in criminal law can no longer be justified", and that "criminal activity does not recognise the boundary lines drawn on the map of Australia". In response to such concerns, Kerr announced "the introduction of a uniform national criminal code to remove inconsistencies in the treatment of criminal offences between the states" and thereby "promote equality before the law by ensuring that all Australians accused of a federal offence would be tried in accordance with the same basic principles" (Easterbrook 1993: 9).

The claim, as above, that Australia's separate Commonwealth, State and Territory laws and legal systems impose additional administrative costs of \$4 billion per annum, in 1993, appears to be an over-estimate in view of the fact that the total expenditures of Australia's criminal justice system in 1995-96 was \$6.4 billion, including just \$4.0 billion at State and Territory level

(Walker 1997: 5). No further details of this estimate have been found, but the \$4 billion figure may well be more accurate as an estimate of the total of additional costs incurred *economy-wide* – across private and public sectors in combination – due to the impact of the separate legal systems. Other estimates considered below in this section, and elsewhere in this chapter, indicate that the retention of separate Commonwealth, State and Territory law, order and safety systems might indeed incur additional costs in the order of several hundred million dollars per annum, because of the institutional and procedural duplication, delays and frictions that arise under current arrangements. It is also possible that the *effectiveness* of crime prevention, law enforcement, and Australia's legal systems generally, may in practice be impaired by jurisdictional barriers, and that, to the extent of such impairment, higher levels of crime arise which hence generate higher costs. If fraud control, for example, became significantly more effective in the absence of jurisdictional barriers, such that fraud levels and the cost of fraud reduced by a realistically achievable level of, say, 20%, then that could represent an improvement of over \$1.0 billion per annum, noting the \$5.9 billion cost of fraud which Mayhew and Adkins estimated for 2001-02 as above.

Further Estimates in the Millions Per Annum

According to a statement by the Australian Law Council in September 1990 (Jurman 1990: 4), "the high cost of justice could be cut by millions if uniform national laws were enacted" in "areas including transport, safety standards, consumer credit, product safety, packaging, labelling and stamp duty". According to Alex Chernov (cited by Jurman 1990: 4), the Council's president, "differing laws in each State and territory had led to unnecessary complexity and high costs".

Chulov, Videnieks and Toohey (2002: 5) observe that the Commonwealth government's "\$50 million Crimtrac DNA database has been rendered virtually inoperable because of differences in state laws governing protocols and procedures for sampling and exchange of forensic samples across borders". And according to the Pedestrian Council of Australia (reported in Kearney 2003: 23), if a national speed limit plan was introduced across Australia, so that "we all knew what the speed limit was", then "it would be much simpler" and "we could put millions (of dollars) into road safety".

The Australian Chamber of Commerce and Industry (ACCI 2005a: 18) observes that there are currently "4500 federal and State awards" in Australia, "for just over eight million employees", and that (ACCI 2005a: 11; see also 30; emphasis added here):

Current multiple overlapping systems of Commonwealth and State regulation on employment laws are the product of colonial disputes of the 1890s and are unsuited to the modern era of national economic integration and globalisation. They breach almost every principle of efficient and effective regulatory design. *They impose duplicate but different regulation on the same topics, create uncertainty over legal rights and obligations, have no coherent basis for their coverage and cost the taxpayer over \$100 million per year in the duplication of courts, tribunals, bureaucracies and inspectorates.*

As with health care, education, and other government functions, the establishment of unitary systems of law, order and safety constitutes merely one of a range of institutional, managerial or even cultural reform options which may have the potential to improve effectiveness and efficiency. This present thesis seeks to focus on estimates of financial benefits achievable – directly or indirectly, and in public and private sectors alike – as a result of government structure reforms.

The claims and estimates referred to above suggest that various stakeholders have estimated that annual benefits in the order of \$100 million are possible through moves to national systems in individual areas such as industrial relations which represent just a fraction of the totality of law, order and safety functions. Such estimates therefore indicate that benefits in the order of several hundred million dollars per annum may well be possible in the public sector alone if all law, order and safety functions were transferred to the Commonwealth, and that benefits exceeding \$1 billion per annum may be achievable in the public and private sectors in combination.

Multiple Functions

Appendix 4E summarises numerous proposals to establish national systems across two or more government functions, and associated estimates of the financial benefits possible through such reforms, including many very recent proposals by senior politicians spanning political party and Commonwealth-State divides. Only three quantified estimates of the financial benefits of multiple function transfers have been located in literature searches and recent media reports, two of which are associated with estimates described earlier in this chapter in the sections on education and health. These three estimates, by Gottliebsen, Steketee and Partis, are now briefly examined.

Gottliebsen's 1996 Estimates for Health, Education and Other Functions

As noted previously in the section on the health function, Gottliebsen (1996: 6) recalled that "when Graham Richardson was Health Minister, the Commonwealth, Victoria and Queensland

reached an agreement" which saved an estimated \$500 million by reducing duplication. Gottliebsen adds that "a similar process would yield big returns in Education and other government departments with activities that are duplicated in the states", hence suggesting that financial benefits in the order of at least a few billion dollars per annum could be achieved if several functions – including health and education – were rationalised to overcome wasteful duplication, whether under Commonwealth control or otherwise.

Steketee's 2004 "Hundreds of Millions" Estimate

In October 2004, Steketee (2004: 27) reported plans by NSW Premier Bob Carr "for a wholesale rationalisation of state and federal powers" and to "trade responsibilities to produce more efficient government and produce savings for taxpayers". The "carve up of federal and state responsibilities" (Steketee 2004: 27), according to former NSW Liberal Premier Nick Greiner (as quoted by Steketee 2004: 27), "is the single greatest area of micro-economic reform that remains untouched ... efficiency gains in health alone would be just massive". Steketee (2004: 27) estimates that "the pay-off from having one level of government running big areas such as health is potentially hundreds of millions of dollars".

Partis' 2004 Estimate

Wilson's "\$100 million" estimate for just part of the education function, described above, generated a response from South Australian Stuart Partis (2004: 14) in a letter to *The Australian* newspaper. Partis argues that "thanks to our state/federal systems the same applies to just about every aspect of life in Australia" (Partis 2004: 14). If Wilson and Partis are both accurate in their respective assessments, then their claims in combination suggest that national systems across several functions could generate benefits amounting to at least several hundred million dollars each year.

Conclusion

This chapter has examined a series of quantified claims and estimates which provide direct or indirect insights into the financial benefits possible if one or several government functions were transferred from States and Territories to the Commonwealth government, or if national systems were otherwise established.

There have been numerous proposals for national approaches in one or more government functions, including education, health, and law, order and safety, as described in Appendices 4A, 4B, 4D and 4E, some of which have called for formal constitutional reform. Most reform proposals considered have been motivated by cost concerns and problems identified in Australia's current arrangements, and have been accompanied by criticisms of such current structures and systems, with repeated emphasis on complexity, confusion, coordination problems, waste, duplication, and inefficiency. Several proposals for national approaches have also been accompanied by claims or estimates as to the financial and general benefit possible through the proposed reforms, though mostly in qualitative terms. Few quantitative estimates have been located besides those presented in this chapter.

The quantitative estimates presented in this chapter have seldom been backed up by rigorous analysis, and hence often need to be viewed with caution. But they have always been based on at least some sound rationales such as bureaucratic duplication and cross-border frictions. When considered alongside the numerous proposals and claims set out in Appendices 4A, 4B, 4D and 4E, these estimates clearly demonstrate that an increasingly wide range of stakeholders – at both Commonwealth and State-Territory levels, across party political divides, and in both the public and private sectors – have become comfortable with the idea that annual benefits ranging from several hundred million dollars to several billion dollars, or 1% to 10% or so in percentage terms, may be achievable if one or more government functions were transferred from the States and Territories to the Commonwealth, or carefully designed national approaches were otherwise implemented. Chapters 11 through 14 attempt to further clarify such estimates as a central objective of this thesis. The estimates presented in this chapter provide at least some benchmarks against which these later estimates can be compared.