



# Annual Report 2017-18

# Institutional Support

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Australian Government



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## Endowment Supporters (\$1m over Grattan's lifetime)

The Myer Foundation

National Australia Bank

Susan McKinnon Foundation

**GRATTAN**  
Institute

**independent, rigorous, practical**

We are **independent**, taking the perspective of the Australian public interest rather than any interest group, and we avoid commissioned work to ensure this independence. We are **rigorous** in obtaining the best available evidence from published work and collecting and analysing our own data. We are **practical** in articulating what governments should do to improve the lives of all Australians.

## Note from our Chairman

My opening remarks in last year's annual report are even more apt today: rarely has an independent, rigorous and practical think tank that analyses key issues of public policy been more important to our community given the diminishing action in this field by governments, bureaucrats, community leaders and commentators. Those involved in this area are increasingly looking to the Grattan Institute for leadership and guidance.

From its inception ten years ago, Grattan has put into effect the belief that soundly based analysis of public policy issues can make a difference to serious discussion of these issues. Since becoming Chairman of Grattan's Board of Directors in April 2016, I have witnessed first-hand the importance of Grattan's work and the influence of its policy experts on such debate.

As this annual report shows, our output over the past year has been substantial, and our influence profound. For example, Grattan enhanced its standing as the leading independent voice on school funding, and the Gonski 2.0 Review picked up on our proposals for an adaptive education system. Our energy reports prompted an ACCC report on electricity affordability and an investigation of gaming in the wholesale market. The *Crisis of trust* report charted the rise of protest politics in Australia and proposed reforms to improve our democracy. These are but a few instances of Grattan's influence.

To preserve its independence Grattan does not receive on-going government funding and avoids commissioned work. In order to preserve its editorial independence Grattan needs to be financially independent. It is therefore pleasing to note that we are receiving material support from our affiliates and a growing number of other generous supporters. But greater financial help is needed so that Grattan can continue to articulate what governments should do to improve the lives of all Australians. So we look for such help from our regular supporters and others who believe that independent analysis and discussion of public policy issues are in the public interest.

**The Hon. Alex Chernov AC QC**  
Chairman

## Note from our CEO

Grattan Institute's impact continues to grow.

In 2017-18 we published 16 reports and made 26 submissions to parliamentary and other public inquiries. They covered everything from how to reduce complication rates in hospitals, to better ways to manage road congestion in our major cities, to the policies required to make housing more affordable. We discussed the issues they raised at 23 public events across five capital cities. We published 123 opinion pieces in major news outlets across the country and our work was mentioned 25,919 times in the media. Our website attracted over 200,000 visits, with more than half-a-million pages viewed.

We also talked directly to decision makers, with 1,020 stakeholder meetings and by giving 246 speeches.

It had an impact. Grattan's work was cited 161 times in official forums such as Federal Parliament and parliamentary committee reports. Grattan's work contributed to a number of government inquiries and policy shifts.

There is plenty more work to do. Our team of Program Directors has an important research agenda underway. In 2018-19 we will produce fact-based reports and presentations on topics such as: the reliability of Australia's electricity supply; retirement incomes; the impact of population growth on communities; and how dental services should be funded. We will also produce Orange Books outlining policy priorities for State Governments ahead of the Victorian and NSW elections, and for the federal government after the next Commonwealth election.

As always, we will be seeking to advance Australia as a liberal democracy in a globalised economy. Better government isn't everything, but it can help.

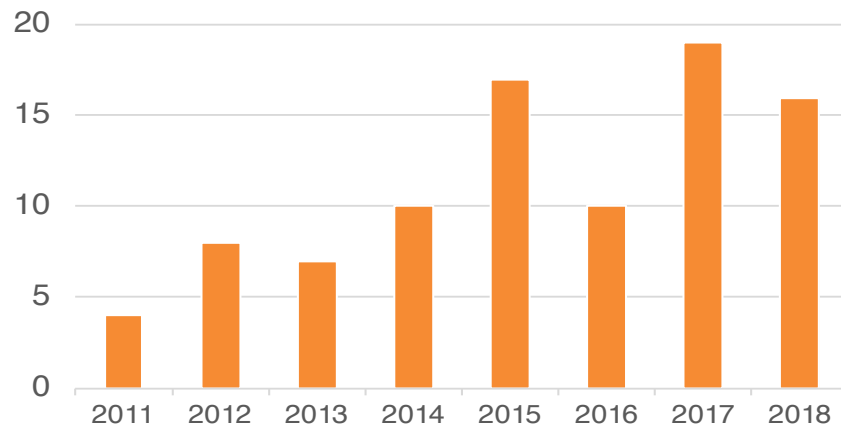
We look forward to continuing to make a difference.

**John Daley**  
Chief Executive Officer

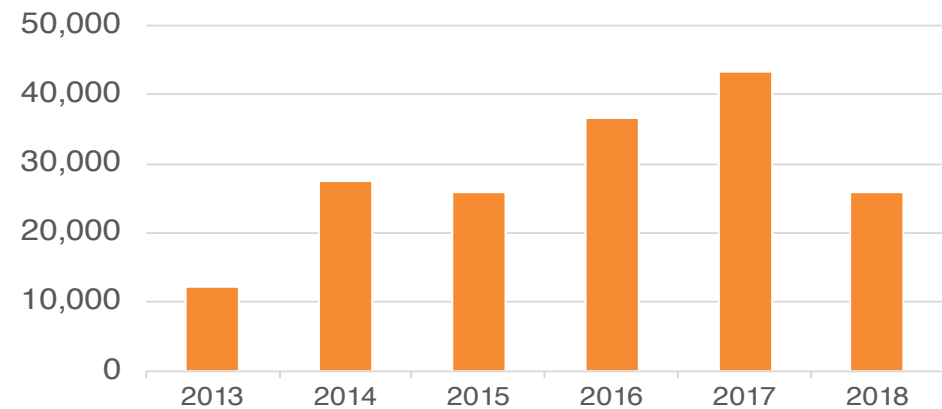
# Grattan's influence

Grattan Institute produced 16 reports in 2017-18. They were widely read and discussed. Its media impact continued to grow. In an average week it received nearly 500 media mentions and published 2 to 3 opinion pieces. It also conducted 1,020 stakeholder meetings, and staff gave 246 speeches. Its work was cited in official sources 161 times. (All amounts relate to respective financial years.)

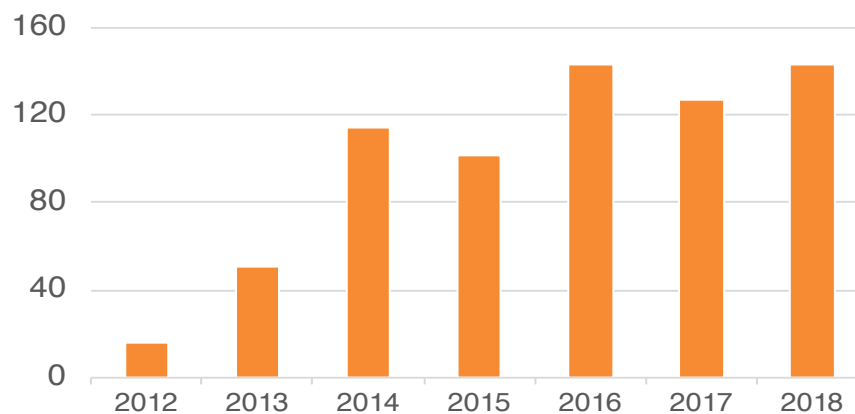
**Reports published**



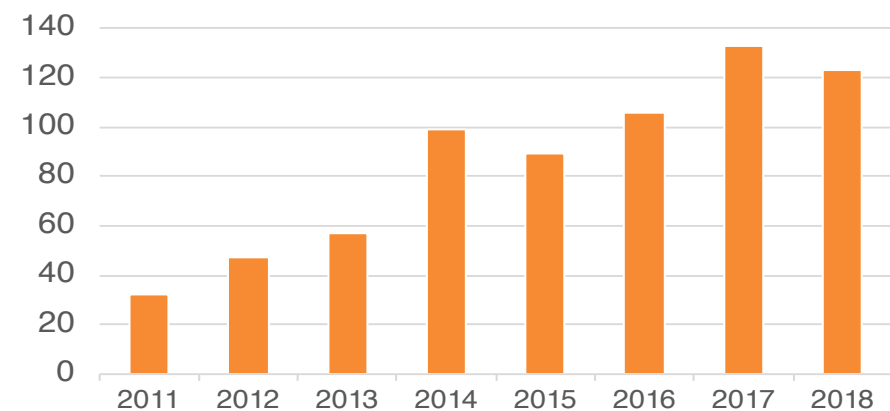
**Media mentions**



**Official citations\***



**Opinion pieces**



\*Numbers listed for Official citations are by calendar year

# Grattan Institute Board



**Alex Chernov AC QC**  
**Chairman**

Australian jurist and former Governor of Victoria



**Prof Glyn Davis AC**

Vice-Chancellor, University of Melbourne



**Prof John Funder AC**

Senior Fellow, Prince Henry's Institute of Medical Research at Monash Medical Centre



**Dr David Kemp AC**

Former Minister for Education, Training and Youth Affairs and for Environment and Heritage



**Jillian Segal AO**

Professional company director with a legal and regulatory background



**Carol Austin**

Director of HSBC Bank Australia Limited



**Geoff Healy**

Chief External Affairs Officer, BHP



**Dr Ian Watt AC**

Former Secretary, Department of the Prime Minister and Cabinet



**Kathryn Fagg**

Chairman of Boral, Director of Incitec Pivot and Djerriwarrh Investments



**Geraldine Doogue AO**

Journalist and broadcaster



**Chris Eccles AO**

Secretary of the Department of Premier and Cabinet, Victoria

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Blair Comley PSM  
Prof John Funder AC  
Wesley Walden

Ian Harper  
Dr David Kemp AC  
Helen Silver AO

## Investment & Governance Committee

Carol Austin  
Prof John Funder AC  
Kathryn Fagg  
David Kemp AC

Jillian Segal AO  
Alex Chernov AC QC  
Andrew Sisson AO



# Australian Perspectives Program

Housing costs are rising, particularly for those on low incomes. The dream of home ownership is slipping away for many younger Australians. Our housing report, *Re-imagining the Australian Dream*, set out the options for reform. There are policies that would make a big difference, but they are all politically hard. If governments want to be seen to be serious about housing affordability, they're going to have to make some tough calls. Grattan also remained active in retirement incomes policy. Our research showed that Australia's retirement income system is not working for the poorest Australians, who are disproportionately women. But more generous super tax breaks, or increasing the compulsory Super Guarantee, won't help women at risk of poverty in retirement. Instead, boosting Rent Assistance for pensioners would do the most good. And our report on competition showed that Australia is not more dominated by oligopolies than other countries of a similar size, but there are 'supernormal' profits in industries with relatively few players, such as supermarkets and banking.



**John Daley**  
CEO

***“Within living memory, Australia was a place where housing costs were manageable, and people of all ages and incomes had a reasonable chance to own a home with good access to jobs”***

- John Daley, Sydney Morning Herald

05/03/18



# Budget Policy and Institutional Reform Program

Australian voters are seeking change. At the 2016 election the vote share of minor parties reached its highest level since the Second World War. Our *Crisis of Trust* report showed that falling trust in government, more than economic and social change, explains the rising dissatisfaction with the political mainstream. Rebuilding trust will be a slow process. Improving political institutions – reforming donations laws and the regulation of lobbying activity – could help reassure the public the system is working for them. The working paper on *Regional Patterns of Australia's Economy and Population* showed that incomes per capita are growing as fast in regions as in capital cities, although regional populations are growing more slowly. Submissions to the Commonwealth Government and Parliament explained why there is little government can do to effect these trends.

This year's Commonwealth Budget included a seven-year program of income tax cuts and an early return to surplus off the back of unexpectedly high revenues. But ongoing projected surpluses rely on superhuman spending restraint. In opinion pieces, speeches and a submission to a Senate Inquiry we highlighted the risks from the cuts to the budget position over the decade. The political debate centred on the fairness and economic responsibility of the tax cuts. We found the package would make the tax system less progressive but not dramatically so.



**Danielle Wood**  
Program Director

***“There is one central question at the heart of tomorrow’s budget: will the Turnbull government give priority to tax cuts for today’s workers who are bearing the strain of low wages growth and a growing tax burden; or will the government finally start paying down the debt we will hand to future generations?”***

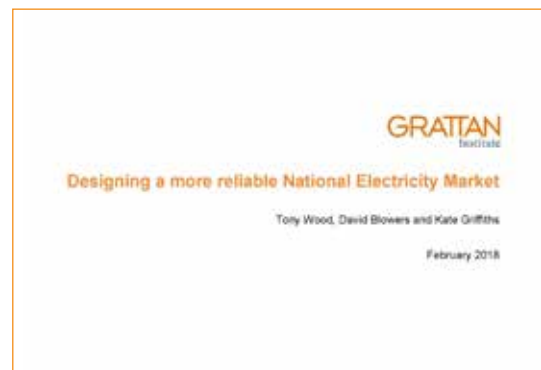
- Danielle Wood, AFR

06/05/18



# Energy Program

Energy policy and politics plunged to new depths of frustration for both consumers and investors this year. The beginning and ending of the year marked the full life cycle of the Commonwealth Government's National Energy Guarantee (NEG). Australia can do better. Our two reports, one working paper, and numerous opinion pieces focused on the design of the national electricity market and network pricing. Grattan's work directly contributed to at least some steps in the right direction: the instigation of an ACCC report on electricity affordability which recommended reforms to retail pricing, network valuations and cost-reflective network pricing; an investigation of gaming behaviour by generators in the wholesale market; and several of the choices for the NEG. For the longer term, we contributed to an evolving debate about how the market should be redesigned to integrate increasing volumes of zero-marginal-cost intermittent renewable energy.



**Tony Wood**  
Program Director

***“A well-designed National Energy Guarantee for Australia will include a world-first integration of energy and climate change policy”***

- Tony Wood, AFR

19/04/18





# Health Program

This year the program focused on hospital safety. We released two reports on this topic and largely completed a third for release. The work aimed to shift thinking about safety towards a focus on the 'epidemiology of outcomes'. It encourages the industry to reduce complication rates to those seen in the best ten per cent of hospitals. If achieved, 250,000 more people would go home from hospital without having suffered an adverse event, and the resources freed up would be able to treat an additional 300,000 people. The program also made submissions on a wide range of issues: using MyHealth data; responding to the growing changes to private health issues for patients treated in public hospitals; promoting transparency of out-of-pocket costs; and improving end-of-life care in Western Australia.



**Stephen Duckett**  
Program Director

***“One would think governments would do all they could to ensure palliative care is available to all who need it, and to put funding of palliative care on a sound footing. Sadly, that is not the case in Australia today.”***

- Stephen Duckett, The Conversation

24/10/17



# Higher Education Program

About a quarter of students who start a bachelor degree each year won't finish it. They were the higher education program's main research focus in 2017-18. The biggest risks for not completing are part-time study and past weak academic results. Although universities could do more to protect students from wasted time and needless HELP debt, dropping out is not always a bad outcome. Most students who don't finish their course report some benefits, and a substantial minority would in retrospect still enrol in the course they did not finish. The program built on previous reports, with a number of articles and submissions about the value of the demand-driven system, and how the HELP scheme should be fine-tuned to ensure that the budget can afford the demand-driven system.



**Andrew Norton**  
Program Director

***“The demand-driven system wasn’t perfect. But it was better than the system that went before it and the system that is coming after it. It was a bold and successful experiment in higher-education policy. But sadly, it was also short-lived.”***

- Andrew Norton, The Age

20/12/17



# School Education Program

In 2017-18 the school education program delivered a direction-setting paper on adaptive education systems, and a report arguing that the Commonwealth's role in schools should be limited to a few discrete areas where it can make a genuine contribution, such as creating a national school education research organisation. The Commonwealth's major review of school education, the Gonski 2.0 Review, drew heavily on these and previous Grattan reports. Its recommendations picked up our ideas on student progress, targeted teaching, professional learning, expert teachers and adaptive education systems. We continued to contribute to active political debates in school funding. Our ability to rapidly analyse and critique the claims of special interest groups has consolidated the program's role as the leading independent voice on school funding. The program also published articles explaining how NAPLAN provides insight into policy and school improvement initiatives – including the very slow progress in closing the gap for indigenous students.



**Peter Goss**  
Program Director

***“School funding is a journey, not a destination. There is no such thing as a perfect model. We should judge policy changes on whether they move us in the right direction, while always keeping an eye on the work still to be done.”***

- Peter Goss, Australian Parents Council

06/09/17



# Transport Program

The transport program published two reports in 2018. *Unfreezing discount rates* looked at how governments calculate the future impacts of transport projects in today's terms, using the discount rate. The central discount rate has not been changed since 1989, even though interest rates have fallen a long way. As a result, project assessments systematically undervalue the long-term benefits of projects. The NSW opposition and government have since both expressed strong support for reconsidering the discount rates. *Stuck in traffic* mapped road congestion in Sydney and Melbourne, identifying the hotspots. It quantified how much longer CBD trips take at peak periods. The report showed there is a lot of variability over a month, so that many people have to leave early "just in case" it's a bad day for traffic. It advocated congestion charging, increasing parking levies in Melbourne to match Sydney, and lower public transport fees during off-peak periods.



**Marion Terrill**  
Program Director

***"We must start to learn from history. Our infrastructure systems should promise what is worth having, and then deliver what is promised."***

- Marion Terrill, *The Conversation*

24/10/17





# Grattan Staff as at 30 June 2018

John Daley, *Chief Executive Officer*

Stephen Duckett, *Program Director, Health*

Peter Goss, *Program Director, School Education*

Andrew Norton, *Program Director, Higher Education*

Marion Terrill, *Program Director, Transport*

Danielle Wood, *Program Director, Budget Policy and Institutional Reform*

Tony Wood, *Program Director, Energy*

Paul Austin, *Editor*

Hugh Batrouney, *Fellow, Transport*

Brendan Coates, *Fellow, Australian Perspectives*

Ittita Cherastidham, *Fellow, Higher Education*

Hal Swerissen, *Visiting Fellow, Health*

Julie Sonnemann, *Fellow, School Education*

Kate Griffiths, *Senior Associate*

Greg Moran, *Senior Associate*

Carmela Chivers, *Associate*

Owain Emsilie, *Associate*

Will Mackey, *Associate*

Hugh Parsonage, *Associate*

Lucy Percival, *Associate*

Trent Whiltshire, *Associate*

Anna Burgin, *Office Coordinator*

Megan French, *Marketing Manager*

Mary Hannebery, *Manager, People and Development*

Andrew McDonald, *Head of Corporate Services*

Brigitte Phelan, *Office Coordinator*

Eloise Shepherd, *Executive Assistant*





# Public Support

Good public policy work needs friends. Grattan Institute acknowledges the generous financial support of the following individuals and organisations.

## AFFILIATE PARTNERS (\$100,000+)

Google  
Medibank Private  
Susan McKinnon Foundation

## SENIOR AFFILIATES (\$50,000+)

Maddocks  
PwC  
McKinsey & Company  
The Scanlon Foundation  
Wesfarmers

## AFFILIATES (\$25,000+)

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Corrs  
Deloitte  
GE ANZ  
Jemena  
Urbis  
Westpac

## ENDOWMENT SUPPORTERS

(\$1m over Grattan's lifetime)  
The Myer Foundation  
National Australia Bank  
Susan McKinnon Foundation

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John Funder  
Kate Long  
Joseph Niven  
Jillian Segal  
David Thomas  
Fred Woolhard

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Peggy Horn  
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John Stuckey  
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Ben Westmore  
Paul Wood  
Veronica Wood  
Thom Woodrooffe  
Harley Wright

and 51 anonymous donors who contributed a total of \$15,045.

# Financial Summary

This summary table is not part of Grattan Institute's formal annual financial report, but the results have been drawn from the audited accounts.

	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
<b>Endowment Income</b>						
Interests and Dividends	1,937	2,136	2,913	2,797	2,585	2,600
Realised Gains (Losses) from the Sale of Investments	674	389	(19)	(473)	1,085	1,409
Movement in the Market Value of Investments	4,478	3,745	1,999	(2,211)	894	647
Less: Investment Management Fees	(121)	(139)	(142)	(140)	(165)	(119)
<b>Total Interest and Investment Income</b>	<b>6,968</b>	<b>6,131</b>	<b>4,751</b>	<b>(27)</b>	<b>4,399</b>	<b>4,537</b>
<b>Donations</b>	<b>200</b>	<b>73</b>	<b>183</b>	<b>290</b>	<b>484</b>	<b>591</b>
<b>Total Endowment Income</b>	<b>7,168</b>	<b>6,204</b>	<b>4,934</b>	<b>263</b>	<b>4,883</b>	<b>5,128</b>
<b>Operating Result</b>						
Other Income	1,423	1,766	1,161	806	1,051	963
Operating Expenditure	4,754	4,833	5,025	5,270	5,383	5,517
<b>Operating Surplus (Deficit)</b>	<b>(3,331)</b>	<b>(3,067)</b>	<b>(3,864)</b>	<b>(4,464)</b>	<b>(4,332)</b>	<b>(4,554)</b>
<b>Total Entity Surplus (Deficit)</b>	<b>3,837</b>	<b>3,137</b>	<b>1,070</b>	<b>(4,201)</b>	<b>551</b>	<b>574</b>
<b>Endowment Balance</b>	<b>36,348</b>	<b>39,485</b>	<b>40,555</b>	<b>36,354</b>	<b>36,905</b>	<b>37,479</b>

Grattan Institute is privately funded by returns on its endowment, corporate affiliate contributions, philanthropic support, donations, other income, and drawing on the endowment when necessary. Grattan Institute's work has influence and impact because it is independent; that independence depends on long-term, sustainable funding.

The necessary cost of Grattan's work is drawing down on the real value of the endowment. If this continues in the long term without additional funding, Grattan's independence, and all that goes with it, will be at risk.

Grattan Institute is supported through donations via the website, or by contacting Andrew McDonald, Head of Corporate Services, on 03 8344 0431 or via [andrew.mcdonald@grattan.edu.au](mailto:andrew.mcdonald@grattan.edu.au)

