

ANNUAL REPORT

2018-19



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Australian Government



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GRATTAN'S MISSION

Grattan is **independent**, taking the perspective of the Australian public interest rather than any interest group, and it forgoes commissioned work to preserve this independence.

Grattan is **rigorous** in obtaining the best available evidence, analysing and synthesising the data, building on published work.

Grattan is **practical** in articulating what governments should do to improve the lives of all Australians.

OUR INFLUENCE



13 REPORTS



35,440 MEDIA MENTIONS



174 OPINION PIECES



213 SPEECHES



88 CITATIONS

NOTE FROM OUR CHAIR

In an ever-changing economic and political environment, an independent, rigorous and practical think tank is vital. Since its inception 11 years ago, Grattan has shown that sound analysis of public policy issues can, and does, make a difference. Key decision makers increasingly seek out Grattan's sophisticated data analysis and policy recommendations to navigate complex policy questions.

Grattan's impact is due in part to its impressive outreach. Its work is cited almost twice a week in ministerial and shadow minister speeches, and official publications such as government and parliamentary reports. Its work is mentioned almost daily in the media. Increasing engagement on social media enables more Australians to join in the conversation. Today, those who engage in Australian public policy say that it would be hard to imagine Australian public life without Grattan.

As this report shows, all of Grattan's programs have had a substantial impact on Australian public policy. The Health Program's work has led to both public and private hospital systems reducing the cost of operations, lower prices for pharmaceutical benefits and more focus on palliative care. The Energy Program continues to pressure governments to find a sustainable solution for reducing emissions and lowering energy costs for consumers. The School Education Program was instrumental in getting government and independent

schools to provide more useful and regular feedback on teaching quality and student learning. The Budget Policy & Institutional Reform Program has defined substantial agendas for tax reform and more transparent institutions. Transport & Cities has led discussions about encouraging more evidence-driven decisions on infrastructure spending and dealing with traffic congestion in our major cities. Australian Perspectives continues to suggest ways to make housing more affordable and to deliver adequate retirement incomes at lower cost.

It is impressive that a small institution of fewer than 30 people continues to make such a meaningful difference to public debate, the considerations of decision makers, and outcomes on important policy issues. Grattan's continuing success, however, depends on its long-term financial independence, which ensures its editorial freedom. Financial support is needed so that Grattan can become a permanent institution in Australian public policy. I take the opportunity to thank all Grattan's donors and supporters, whom we acknowledge within this report, for their ongoing support. Your contributions ensure that Grattan continues to produce independent, rigorous and practical work to benefit future generations.

The Hon Alex Chernov AC QC
Chair



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CEO'S REPORT

Grattan Institute examines the evidence on which policies would be better at fulfilling broadly held political values. It selects issues where better public policy could substantially increase prosperity. It prioritises questions where Grattan's fact-based analysis can distinguish good from bad policy, and it focuses on issues where Grattan's involvement is more likely to change the outcome.

Grattan Institute's influence continued to grow in 2018-19 as we published 13 reports and made 20 submissions to parliamentary and other public inquiries. These contributed to the public debate, reflected in more than 35,000 media mentions and 174 opinion pieces. We talked directly to more than 1,000 decision makers, and made almost 300 speeches and presentations. The impact is tangible, with Grattan's work cited 88 times in official forums such as ministerial and parliamentary speeches, and government and parliamentary reports.

The breadth and depth of Grattan's work was embodied in two landmark reports published in 2018-19, the *State Orange Book 2018*, and the *Commonwealth Orange Book 2019*. These publications compared states and territories with each other, and compared Australia with similar countries. These comparisons showed how much good policy matters. Better outcomes followed when states, territories, or countries made far-sighted (and often politically difficult) policy reforms. The *Orange Books* drew on a decade of Grattan's work to provide states and territories, and the Commonwealth Government, with prioritised roadmaps for policy reform.

We also issued landmark reports on topics such as lobbying access, the adequacy of retirement incomes, a universal dental care scheme, electricity reliability, and how Australian cities are adapting to population growth. Each of these had a tangible impact on public debate and official thinking, and they are likely to continue to influence policy

thinking about their topics for many years to come.

Our team of Program Directors has an important research agenda underway. In 2019-20 we will produce evidence-based reports and presentations on topics such as: prioritising policy reform, social housing, female workforce participation, traffic congestion, school teaching workforce reform, government interventions into energy supply, and private health insurance and care.

I would like to take this opportunity to thank Grattan's passionate and dedicated staff for their rigorous research and vigorous advocacy about a broad range of policy issues that will be vital to making Australia more prosperous.

We look forward to continuing to make a difference.

John Daley



AUSTRALIAN PERSPECTIVES

John Daley, CEO

The Australian Perspectives Program continued to contribute to discussions about housing affordability, pointing out the futility of policies that increase demand, such as first home-owners equity schemes, and the importance of increasing supply through reformed planning schemes.

The Program issued a major new report, *Money in retirement: more than enough*. It showed that the vast majority of retirees today and in future are likely to be financially comfortable. The report found that most retirees feel more comfortable financially than younger Australians who are still working, and they typically have enough money to sustain the same, or a higher, living standard in retirement as when working. It also found that retirees of tomorrow are likely to be even better off due to a combination of compulsory super contributions, non-super savings, and the Age Pension.

The report sparked a national debate on whether compulsory superannuation should be increased to 12 per cent. The increase will do little to help most low- and middle-income Australians in retirement, will leave them poorer while working, and will increase the budgetary costs of an ageing population. The Program's work on the adequacy of retirement incomes is likely to be crucial to the Government's announced review of retirement incomes policy.

"What we saw from the Grattan Institute... was an interesting report on this very point, because what we need to fully understand with this increase is what is happening to retirement incomes, what is happening to the nation's savings."

– Treasurer Josh Frydenberg, ABC TV's Insiders, 14 July 2019

“Most Australians will have enough income in retirement to deliver a lifestyle as comfortable as they enjoyed while working. There is no case to increase the superannuation guarantee from 9.5 per cent to 12 per cent.”

AFR, 6 November 2018



BUDGET POLICY & INSTITUTIONAL REFORM

Danielle Wood, Program Director

The Budget Policy & Institutional Reform Program published a report on institutional reform: *Who's in the room? Access and influence in Australian politics*. It showed that many Australians don't like the current system and don't trust it. Political parties are heavily reliant on major donors; money can buy access and political connections; and dealings between policy makers and special interests are not transparent. The program continues to advocate reforms to improve transparency of money and access in politics and to boost accountability of policy makers.

The Program also published *Budget blues: why the Stage 3 income tax cuts should wait*. It analysed the budgetary and economic consequences, and provided detailed distributional analysis, about the three-stage

tax package over the coming decade. The paper showed that while the first two stages of tax cuts would provide welcome economic stimulus and help to compensate taxpayers for bracket creep, there were few benefits and big risks from locking in the third stage of cuts so far in advance. The Government will need to substantially reduce spending as a share of GDP over the coming decade to deliver both the surpluses and the tax cuts. This paper created significant debate, with Waleed Aly writing:

“Take the Grattan Institute’s analysis, which found that by any measure, stage-three tax cuts would move the income tax system in a regressive direction.”

– Waleed Aly, *SMH*, 4 July 2019

“Weaknesses in our political institutions leave our politicians at risk of capture by special interest groups. If Scott Morrison is serious about ‘a fair go for those who have a go’, then reforming our political institutions is a good place to start.”

AFR, 24 September 2018



HEALTH

Stephen Duckett, Program Director

The Health Program released *Safer care saves money: How to improve patient care and save public money at the same time*, the third of three reports on hospital safety. It quantified how much hospitals and governments could save by improving hospital safety.

The Program also published *Filling the gap: A universal dental care scheme for Australia*. It identified dentistry as the most significant gap in Australia's health care provision. It proposed a 10-year phased implementation of universal coverage for primary dental care. Key stakeholders – including the Australian Dental Association – supported its general direction. The key recommendations were adopted – in

a modified form – as policy by the Labor Party at the Federal Election. The report generated a major debate in media and policy circles about implementing a Medicare-style rebate for dental care.

The Program continues to advocate reform of pharmacy regulations, pharmaceutical pricing, and hospital efficiency.

“[Stephen Duckett is] the Grattan Institute's health economics guru and voice of reason.”
– Penny Durham, *Medical Republic*,
4 September 2019

“When Australians need to see a GP, Medicare picks up all or most of the bill. When they need to see a dentist, they are on their own. Yet there's no compelling medical, economic or legal reason to treat the mouth so differently from the rest of the body.”

Inside Story, 22 March 2019



SCHOOL EDUCATION

Peter Goss, Program Director

The School Education Program continued to advocate for its past report, *The Commonwealth's role in improving schools*. It helped shape the new National School Reform Agreement in January 2019. Reflecting Grattan's recommendations, the Agreement included a relatively modest role for the Commonwealth, with a limited number of new well-directed national initiatives such as the on-demand formative assessment tool for teachers and a new independent national institute.

Other work from the Program argued for workforce reform to lift the standard of teaching, and showed that Australian schools are under-funded per student compared to similar countries.

The Program's major report this year, *Measuring student progress: A state-by-state report card*, looked

at NAPLAN data and determined which states are doing well on student progress, and in which areas more support is required.

"The Department of Education will continue to explore performance data in the way it is advocated in [Grattan's] report to ensure that appropriate support is given to disadvantaged schools. We also endorse the report's recommendation regarding the monitoring of teacher practices."

– Jeremy Rockliff, Minister for Education and Training, Tasmania, Media Release, 23 October 2018

"Australia focuses heavily on school students' achievement at a point in time... Our report provides a state-by-state report card of student progress in NAPLAN, taking account of socio-economic differences."

SMH, 24 October 2018



HIGHER EDUCATION

Andrew Norton, Program Director

The Higher Education Program's report, *Mapping Higher Education 2018*, is a rare opportunity to take stock of Australia's higher education system. It highlighted the growth and success of higher education over the past decade, as participation rates, international student numbers, and research funding all grew rapidly. But the Program's work showed that capping the demand-driven funding system for domestic undergraduates creates big challenges for the future.

The Program's final report, *Risks and rewards: when is vocational education a good alternative to higher education?*, was published shortly after the end of the financial year. It investigated the fear that too many school leavers are defaulting into a university course rather than enrolling in vocational education. The report showed that some low-ATAR men studying science at university might be better off if they took a vocational

education course in engineering or construction. But the differences in outcomes aren't large – there are risks and rewards to both career paths.

The decision was taken in 2018-19 to wind up the Program in September 2019. Tim Dodd summed up Andrew Norton's impact during his time at Grattan:

"What academic social scientists usually do not do is provide what Norton has done for the past eight years at Grattan: offer highly relevant, policy-focused research that drives political and public debate at a deep level. Norton's work has had a real impact in improving the higher education policy process of government. In fact, twice in recent years he has been pulled into the federal government's policy development process to take advantage of his expertise."

– Tim Dodd, *The Australian*, 17 July 2019

"For a similar amount of public funding, we can have a current policy that freezes the higher education system in 2017 or new policies that let universities respond to local population growth, adjust their discipline mix to student preferences and meet labour market needs. Both politics and policy favour a return to demand-driven university funding."

The Australian, 29 May 2019



TRANSPORT & CITIES

Marion Terill, Program Director

The Transport & Cities Program published ground-breaking analysis of government and opposition promises on transport infrastructure in the lead-up to the Victorian, NSW, and Commonwealth elections. This analysis showed how election promises are usually driven by politics more than evidence. They don't show much influence from the advice of independent expert bodies, and they are typically made well before business cases have been completed, let alone publicly released.

As a result of the Transport Program's February 2018 report, *Unfreezing discount rates: Transport infrastructure for tomorrow*, the current model used to appraise public infrastructure proposals is now acknowledged in policy circles as problematic. For the first time since 1989 the issue has gained significant traction, with the Secretary of the Department of Infrastructure, Transport, Cities and Regional Development supporting Grattan's recommendations to reduce discount rates to a more realistic level.

The Program published *Remarkably adaptive: Australian cities in a time of growth*. It highlighted

ways that the government could better facilitate the natural adaptations people make as cities grow. Governments should stop making it so hard to move house, stop locking out new residents from their preferred locations, and stop making motorists pay for congestion through delays and unreliability.

Infrastructure Australia officials were quizzed at Senate Estimates as to how they intended to account for the adaptiveness of city dwellers in their Australian Infrastructure Audit.

"Referring to the Grattan Institute report Remarkably adaptive: Australian cities in a time of growth, which identified that in the last five years 25 per cent of commuters – they looked at Sydney, Melbourne and Brisbane – had changed their mode of travel. How is the audit going to account for that flexibility and adaptability in Australian commuters' willingness to change their mode of travel?"

– Senator Janet Rice, Senate Estimates Committee, 22 October 2018

"Despite regular media coverage claiming the opposite, the impact of rapid population growth on commuting distances and times has been remarkably benign."

The Age, 2 October 2018



ENERGY

Tony Wood, Program Director

The Energy Program focused on the extent to which effective and efficient investment is being hampered by lack of a clear energy policy. The Program's report, *Keep calm and carry on: Managing electricity reliability*, was well-received by consumer groups and industry participants, concerned that media coverage about power system reliability may tempt regulators and governments to over-react.

The Energy Program also looked at how the national electricity market structure might be adapted to deal with an increasing share of variable renewable generation, which tends to be more decentralised. Reforms are needed such as changes to system governance, price signals, and other policies. The Program's report, *Mostly working: Australia's wholesale electricity market*, led directly to action by the Federal

Energy Minister to review market behavior and indirectly to legislation currently being pursued.

The Program's previous work continues to have significant impact. Recommendations from the Australian Competition and Consumer Commission and Victoria's Expert Panel drew heavily on Grattan's 2017 analysis of the retail electricity market.

"We considered that these actions, based on removing the level of over-investment identified by the Grattan Institute, would result in at least \$100 a year in savings for average residential customers in [Queensland, NSW and Tasmania]."
– ACCC, *Monitoring of supply in the National Electricity Market report*, 15 March 2019

"Governments need to create a stable policy framework to reduce greenhouse gas emissions and ensure that retailers have enough supply to meet the needs of their customers."

AFR, 10 February 2019

FINANCIAL SUMMARY

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Endowment Income											
Interests and Dividends	1,257	1,442	1,895	2,117	1,937	2,136	2,913	2,797	2,585	2,600	1,748
Realised Gains (Losses) from the Sale of Investments		65	1,959	-195	674	389	-19	-473	1085	1409	-472
Movement in the Market Value of Investments	308	667	-458	-2,386	4,478	3,745	1,999	-2,211	894	647	1,074
Less: Investment Management Fees		-71	-115	-119	-121	-139	-142	-140	-165	-119	-143
Total Interest and Investment Income	1,565	2,103	3,281	-583	6,968	6,131	4,751	-27	4,399	4,537	2,207
Additions to the Endowment											
Commonwealth and Victorian State Government Funds	30,000										
BHP Billiton Limited and NAB	200	2,200	2,200	200	200						
Other Donations						73	183	290	484	591	763
Total Additions to the Endowment	30,200	2,200	2,200	200	200	73	183	290	484	591	763
Total Endowment Income	31,765	4,303	5,481	-383	7,168	6,204	4,934	263	4,883	5,128	2,970
Operating Result											
Operating Revenue	350	330	511	1,336	1,423	1,766	1,161	806	1,051	963	886
Operating Expenditure	1,226	2,642	3,259	4,055	4,754	4,833	5,025	5,270	5,383	5,517	5,539
Operating Surplus (Deficit)	-876	-2,312	-2,748	-2,719	-3,331	-3,067	-3,864	-4,464	-4,332	-4,554	-4,653
Total Entity Surplus (Deficit)	30,889	1,991	2,733	-3,102	3,837	3,137	1,070	-4,201	551	574	-1,683
Equity	30,889	32,880	35,613	32,511	36,348	39,485	40,555	36,354	36,905	37,479	35,796

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Good public policy work needs friends.

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