Australian Government
Productivity Commission

PC update

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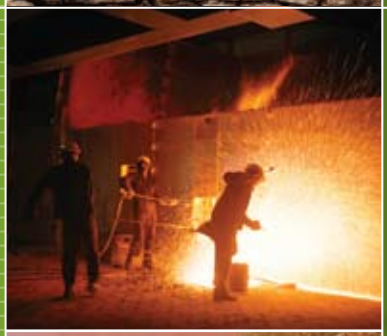

Features

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Quarterly newsletter of the Productivity Commission

Australian Government
Productivity Commission

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The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians.

Contents



Government assistance to industry

Net assistance to Australian industries has increased by 20 per cent in real terms over the five years to 2007-08, as documented in the Commission's latest Trade & Assistance Review.

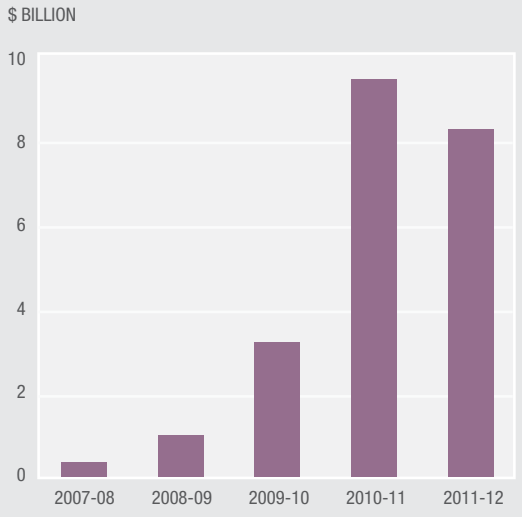
The Productivity Commission is required to report annually on industry assistance and its effects on the economy. *Trade & Assistance Review 2007-08* contains the Commission's latest quantitative estimates of Australian Government assistance to industry. It also examines recent developments in assistance for different sectors of the economy, including government measures aimed at reducing carbon emissions, and discusses international policy developments affecting Australia's trade.

In 2007-08, Australian Government assistance to industry amounted to $17.5 billion in gross terms. After allowing for the cost impost that tariffs for some industries place on other industries through higher input prices, net assistance to industry was estimated at $9.4 billion.

- The value of tariff assistance alone was $9.2 billion, predominantly to manufacturing industries. These tariffs also imposed a cost penalty throughout the economy estimated at $8.1 billion.
- Budgetary outlays provided around $4.7 billion in industry assistance, and tax concessions a further $3.6 billion.

Tariffs primarily benefit the manufacturing sector. Mining and primary production receive little tariff assistance, and tariffs are not levied on services. Thus the impact of the tariff regime on these industries is generally negative.

Australian Government budgetary assistance for carbon emission related measures 2007-08 to 2011-12



Note: Timing based on implementation of the CPRS as initially proposed.
Source: Commission estimates

Carbon emission reduction measures

Government interventions aimed at reducing carbon emissions comprise a diverse array of budgetary, regulatory and other actions. The Commission's *Trade & Assistance Review* presents the first stocktake of carbon emission reduction measures by Australian, State and Territory governments. Over 240 budgetary and regulatory arrangements are identified, involving around $23 billion of actual or proposed outlays over the five years to 2011-12. Australian Government measures account for 94 per cent of the total *value* of outlays identified, but only 34 per cent of the *number* of budgetary measures.

Australian Government spending on such measures is scheduled to increase from around $300 million in 2007-08 to over $9 billion in 2010-11, mainly as a result of the proposed Carbon Pollution Reduction Scheme. Once implemented, this scheme would account for $6 billion of the projected total assistance in 2011-12 ▶

Government assistance can impose economy-wide costs

Government assistance to industry can take the form of tariffs, budgetary outlays, taxation concessions, regulatory restrictions and other measures. Assistance generally benefits the industry receiving it, but generally at a cost to other industries, taxpayers or consumers. Nonetheless, measures such as R&D support and measures with environmental objectives, can deliver net benefits to the community if well designed and targeted.

(largely through free permit allocations to affected industries). The proposed requirement to buy emission permits will simultaneously impose addtional costs on industry of some $12 billion a year.

International trade developments

Trade & Assistance Review 2007-08 also reports on some recent developments in international trade policy. These include responses to the global financial crisis, the state of current multilateral trade negotiations, Australia's involvement in negotiating preferential trade agreements (PTAs) and issues relating to global trends in such agreements.

Before the global financial crisis, the focus of international trade policy was on liberalisation through multilateral, regional and bilateral forums. Slower global economic growth has seen a steep decline in world trade and increased calls for the protection of domestic industries. In its report, the Commission warns that if such calls are successful, trade activity will fall further, and with it, economic growth. Although many governments have committed to resisting protectionist pressures, the WTO has identified at least 80 new measures involving either border restrictions or subsidies to domestic producers (including government procurement preferences). Meanwhile, the Doha Round of multilateral trade negotiations still has little to show after eight years of negotiations.

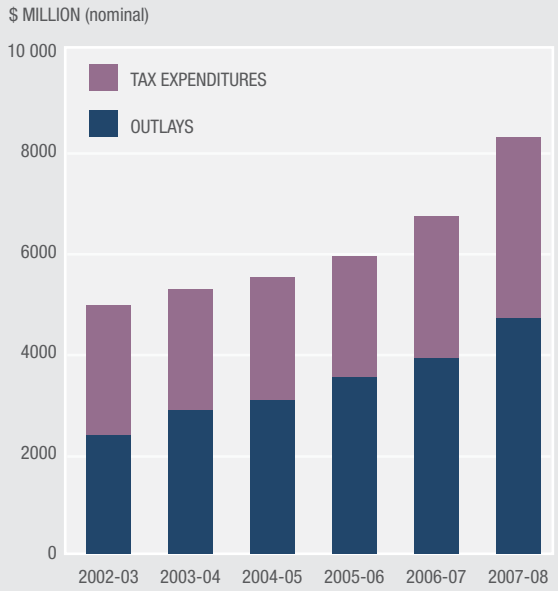
A lack of progress in multilateral forums could result in governments pursuing further preferential trade agreements. Although such agreements can lead to increases in trade and investment for the countries involved, PTAs can also divert trade away from low-cost sources of production, impairing productivity and economic growth. In light of the complex, two-sided effects of preferential arrangements, the Commission argues that more research is needed on how they operate in practice, including the impact of the proliferation of product-specific rules of origin applying under such agreements. ■

Tariff assistance has declined – budgetary assistance has increased

The mix of industry assistance has changed considerably in recent years. Net tariff assistance declined by 36 per cent in real terms from 2002-03 to 2007-08. In contrast, budgetary assistance (financial outlays and tax concessions) increased by 35 per cent in real terms over the same period.

The trend towards increased budgetary assistance is likely to continue. Additional assistance (not captured in the 2007-08 *Trade & Assistance Review*) has been announced for the rural, automotive and TCF sectors, and for R&D – amounting to around $20 billion over coming years. Some elements of the infrastructure and global financial crisis response packages are also likely to have industry assistance implications. As well, substantial assistance has been proposed as part of the Carbon Pollution Reduction Scheme.

Budgetary assistance to industry, 2002-03 to 2007-08



Sources: Commonwealth Budget and Budget related papers (various years), departmental annual reports (various years); Treasury 2009, *Tax expenditures statement 2008;* Commission estimates.

Trade & Assistance Review 2007-08

> Productivity Commission Annual Report Series

> Released May 2009

Executive pay inquiry: an update on the issues

The Commission's inquiry into executive remuneration is in full swing, with public hearings being held in Melbourne, Sydney and Brisbane in June and July, and a draft report due for release in late September.

Executive pay inquiry Commissioners: Chairman Gary Banks (centre) with Allan Fels (left) and Robert Fitzgerald.
James Davies/Fairfaxphotos

Nearly 100 written submissions have been received thus far. Submissions have come from industry and professional associations, financial organisations, academics, corporations and trade unions, as well as from individual shareholders and members of the community. All submissions are available on the Commission's website, together with transcripts of the public hearings.

A snapshot of participants' views

Many submissions have noted the sharp increase in executive salaries and a number drew attention to what they regard as egregious instances of hefty payouts for failure.

A range of potential drivers of executive pay increases have been identified in submissions and hearings — weak boards 'giving in' to executive demands; use of complex, equity-based incentives in a rising share market; the introduction of public disclosure of remuneration; massive increases in remuneration in the United States being transmitted throughout the global executive marketplace; increases in company size and heightened job risk.

Views differed about the extent of any deficiencies in the pay-setting framework and potential economic consequences. Many placed greater importance on pay structure and its implications for corporate performance than the quantum of remuneration in itself.

A majority saw boards, and board discretion, as central to good remuneration practice. Many called for measures that would reduce the potential for conflicts of interest and enhance transparency, with the aim of bringing decisions on executive remuneration into closer alignment with shareholder interests. Numerous actions have been proposed, including more informative and streamlined remuneration reporting, disallowance of voting by executives on remuneration reports, disclosure of the use of remuneration consultants, shareholder votes on equity-based remuneration and improved processes for proxy voting.

Some went further, however, calling for executive pay to be capped or constrained – for example, by linking it to a multiple of either average weekly earnings or non-executive pay levels within the firm.

Reflecting on this diversity of views in a speech to FINSIA, in the lead-up to the hearings, Gary Banks observed in conclusion that there was 'no shortage of interesting and important issues to explore'.

> "It is already clear that a fair element of judgement will be required, in which the Commission's independent focus on economy-wide outcomes will come into play."

With the conclusion of the public hearings, further research and preparation of a draft report are underway. After the draft is issued in late September, there will be a further round of public submissions and hearings before completion of the final report in late December.

Gary Banks on the Commission's approach

Understanding whether or how government can assuage community concern about executive pay levels – without causing even bigger problems – is not straightforward. Love them or loathe them, large public companies and the executives who run them play an integral role in the overall performance of the Australian economy, and any regulatory changes would need to avoid 'throwing the baby out with the bathwater'.

While community sentiment about inequality or fairness should not be ignored by governments, neither should the national income consequences of any interventions. The full costs and benefits of any policy response – both direct and, importantly, indirect – need to be carefully considered in advance.

The first step on the path to good public policy in this area, as in others, is identifying the problem. This means understanding why executive pay has increased, and whether the drivers are symptomatic of systemic distortions, or merely sporadic aberrations.

Through discussions with various parties and its own research, the Commission is trying to get a feel for how efficiently the market for executives is working – that is, whether pay outcomes broadly reflect executive performance and market needs or whether executives can subvert the interests of the firm for personal gain. There may well be a mix of drivers, some consistent with market forces, others that suggest distortions. Our task will then be to assess which of these might involve problems of sufficient magnitude to warrant intervention and where such intervention can do most good. ■

(Edited extracts from 'The Productivity Commission's Executive Pay Inquiry: An Update on the Issues', presentation to FINSIA forum, Sydney and Melbourne, June 2009. See www.pc.gov.au 'Chairman's Speeches')

Executive Remuneration Inquiry

> Issues Paper released April 2009

> Chairman's speech to FINSIA forum, Sydney and Melbourne, June 2009

> These publications and information about the Executive Pay Inquiry, including all submissions, are available on the Commission's website

> Contact: Nick Hague 03 9653 2202
Email: exec_remuneration@pc.gov.au

Stop Press:
Overcoming Indigenous Disadvantage: latest data released

Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs, together with Productivity Commission Chairman Gary Banks, launched the fourth edition of the *Overcoming Indigenous Disadvantage* Report on 2 July in Darwin. Following the launch, Gary Banks briefed heads of government on the report's findings at the Indigenous-themed COAG meeting.

The report's strategic framework helps track over time the extent to which government policies and other actions are making a difference to overcoming Indigenous disadvantage. Gary Banks, who chairs the inter-governmental Steering Committee responsible for the report, said 'this edition of the report embraces COAG's six 'closing the gap' targets – in key areas such as life expectancy, education and employment. The latest trend data reveal mixed results for these and other indicators. In all areas there are still unacceptable disparities in outcomes for Indigenous and other Australians'. ■

Overcoming Indigenous Disadvantage: Key Indicators 2009

> Released July 2009

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Contribution of the not-for-profit sector

The Government has asked the Productivity Commission to undertake a research study into the contribution of the not-for-profit sector.

The Australian Government has identified successful collaboration with the not-for-profit sector as necessary to achieve its social inclusion goals, and to reduce economic and social disadvantage. In addition to being a key service provider, the sector helps to promote social cohesion, raise civic awareness and facilitate participation in community activities. The Australian Government has foreshadowed the need for changes in the governance arrangements underlying its relationship with the sector, including through a National Compact or agreement setting out the basis on which future collaboration will occur.

Objectives of the study

The objectives of the study commissioned by Government are to:

- assess measures of the contribution of the not-for-profit sector
- identify unnecessary impediments to the efficient and effective operation of not-for-profit organisations
- consider ways in which government-funded services provided by not-for-profit organisations could be improved
- examine recent changes in the relationships between government, business and community organisations and whether there is scope to enhance these relationships
- examine the impact of the taxation system on the ability of not-for-profit organisations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality.

In preparing its report, the Commission will draw on the views of a variety of people and organisations, together with other research and data sources. An issues paper was released in April 2009 setting out the matters on which the Commission is seeking input. Following consultations and receipt of submissions, a draft report will be released in mid September for public comment. A final report will be presented to the Australian Government in December 2009.

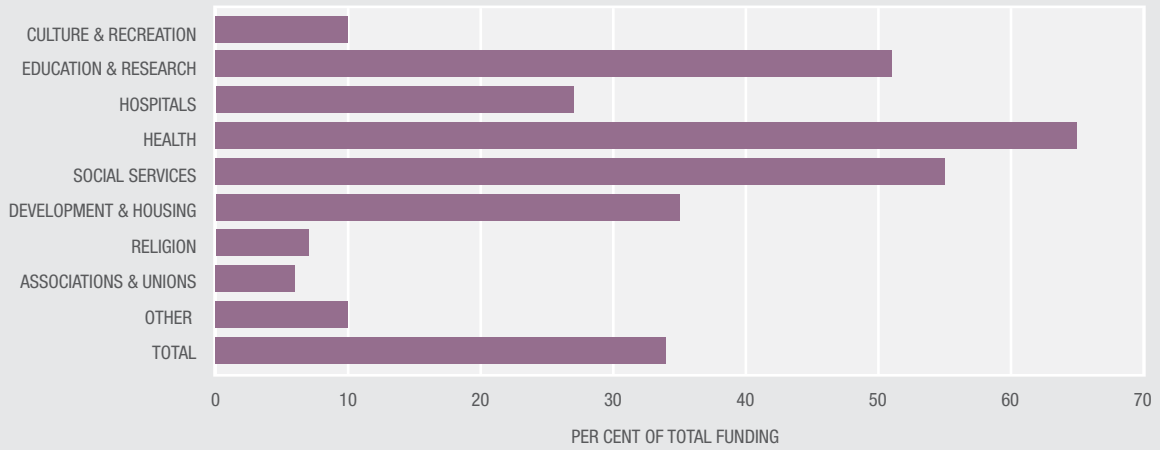
The issues paper invites comments on a range of issues including:

- the appropriate conceptual framework and methodology for evaluating the contribution of the sector
- ways to enhance the efficiency and effectiveness of the sector, including unnecessary or ineffective regulatory requirements and governance arrangements; and the quantity and quality of human and financial resources accessible by the sector
- options for improving the delivery of government-funded services provided by community organisations, including improved funding, contractual and reporting arrangements.

Overview of submissions

The diversity of the not-for-profit sector is reflected in submissions from a wide range of organisations such as those that support local libraries; natural resource management planning and implementation services; organisations that ▶

Government funding of not-for-profit organisations



Source: ABS 2008

promote sustainable and safe recreational fishing; and charities providing services to homeless people.

Nonetheless, three sets of issues are common to many submissions.

1. The role of volunteers in supporting service provision

At the management level, the role of volunteers has become more challenging with increasing accountability and risk management requirements. While much of this is linked to obligations attached to funding by government and by major donors, there are some general trends that are increasing the complexity of running not-for-profit organisations. For example, there has been a growth in the qualifications required of both paid and volunteer workers. This is welcomed by many organisations and their workers, although it has cost implications. This is also the case with occupational health and safety and insurance, which raise costs but provide value to the organisations.

2. Taxation concession arrangements

There is a complex set of concessions offered at federal and state levels. Organisations that are not eligible, or that have a less generous arrangement, find the concessions inequitable. The value from limiting the eligibility criteria for tax deductibility of donations has also been questioned. Fringe benefit tax arrangements, where accessed, are reported as very important in allowing these organisations to attract staff, given the difficulties the organisations face in paying a competitive wage.

3. Government funding arrangements

While there is a general desire for greater government funding, many are adamant that government-funding application and reporting are too onerous, and detract from the efficiency and in some cases the effectiveness of the organisation. There is a concern that prescriptive arrangements limit innovation, while cumbersome and slow processes mean missed opportunities.

Measurement framework

The submissions support the concept of a measurement framework that recognises the value added by the sector across a range of wellbeing domains including engagement in meaningful activity and connections to community. They note, however, that measurement efforts need to be commensurate with the value that can be gained from such efforts. Many not-for-profits point to significant constraints on overheads, and lack of funding for evaluation, although this could improve the effectiveness of their organisation and its programs. Some suggest the use of overheads as a share of expenditure as an indicator of efficiency by the donating public limits scope to invest in evaluation. ■

Contribution of the Not-for-Profit Sector

> Productivity Commission Issues Paper

> Released April 2009

> Contact: Scott Austin 02 6240 3253
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Stop Press:
Report on the parallel importation of books released

The Commission's final report on the parallel importation of books into Australia, released on 14 July, recommends removal of the current restrictions, with the industry having a period of three years to adjust before the changes take effect. The restrictions prevent Australian booksellers from importing commercial quantities of legitimately produced copies of a book from overseas, when a publisher with 'Australian rights' can supply the title.

The Commission undertook extensive analysis of international book prices and concluded that the restrictions create upward pressure on local book prices. This effect will vary across book genres and over time, and can be substantial.

On releasing the report, the Commission's Deputy Chairman Michael Woods said: 'having considered the industry's feedback on the draft report, and undertaken further analysis, the Commission found the case for repealing the restrictions compelling. Consumers pay higher prices for books, regardless of their cultural significance, and more of the benefits flow to overseas authors and publishers than to local writers. Coupled with improved subsidy arrangements to address the cultural issues, the reforms will benefit the community overall.' ■

Restrictions on the Parallel Importation of Books

> Productivity Commission Research Report

> Released July 2009

Upstream petroleum – reducing the regulatory burden

A recent Commission Research Report recommends a package of changes aimed at implementing regulatory best practice in the upstream petroleum sector.

In 2008, the Council of Australian Governments (COAG) identified the upstream petroleum (oil and gas) sector as one of many 'hotspot' areas where overlapping and inconsistent regulation threatens to impede economic activity, and agreed that the Productivity Commission should undertake a review of the regulatory burden within the sector. The Commission's report, released in April 2009, recommends measures to reduce *unnecessary* regulatory burdens on the upstream oil and gas sector. It considers that these burdens can be removed without compromising policy objectives in areas such as resource management, the environment, heritage, development, land access and occupational health and safety.

Oil and gas projects are large and complex, giving rise to unique and substantial environmental and other issues. In addition, most projects span multiple jurisdictions, adding a further layer of complexity. According to the Commission's report, duplication, overlap and inconsistent administration of the 22 petroleum and pipeline laws and more than 150 statutes governing upstream petroleum activities, impose significant unnecessary burdens on the sector. Undue delays in the project approval process are potentially diminishing the present value of petroleum resource extraction in Australia by billions of dollars each year.

There is no simple, single answer to the problem of unnecessary regulatory burden in the upstream petroleum sector. The Commission proposes a suite of changes, falling into two broad groups: implementing regulatory best practice and reforming institutional arrangements.

> "Expediting the regulatory approval process for major projects by one year (which is generally considered feasible) could increase the net present value of returns by 10-20 per cent."

Regulatory best practice

Recommendations aimed at reducing unnecessary delay in approval decisions include:

- setting statutory timelines both for individual stages in decision making (with clear and transparent stop-the-clock provisions) and for overall timelines and requiring agencies to report publicly on performance against these timelines
- ensuring legislative objectives are clear ▶

A new national petroleum regulator is needed

The Commission was asked to consider options for a national regulatory authority to manage all regulatory approvals associated with upstream petroleum activities. The Commission recommended the staged establishment of a new national offshore petroleum regulator to undertake resource management, pipeline and environmental regulation in all Commonwealth, state and territory waters (including islands).

- The Australian Government initially would establish the new national offshore petroleum regulator in Commonwealth waters, and then provide state and territory governments, on a bilateral basis, the option of conferring their petroleum regulatory responsibilities. States and territories would also have the option of conferring responsibility for regulating cross-jurisdictional onshore pipelines to this body.
- The National Offshore Petroleum Safety Authority should remain a separate entity with an exclusive focus on occupational health and safety regulation, with its remit extended to offshore pipelines, subsea equipment and wells. Its geographical coverage should include all Commonwealth, state and territory waters (including islands).

- ensuring clear guidelines on information requirements and removing duplicated reporting requirements
- reviewing all state and territory petroleum regulations and, where necessary, revising them to be objective-based and consistent with the conventions and definitions applying under the new Offshore Petroleum and Greenhouse Gas Storage Act
- ensuring that regulators are adequately resourced with appropriately experienced and skilled staff
- exploring the feasibility of an electronic approvals tracking system
- introducing a 'lead agency' approach for approvals within each jurisdiction to manage all approval and licensing processes and provide companies with information on compliance requirements.

The report also contains a number of recommendations aimed at reducing unnecessary burdens in specific regulatory areas, including:

Resource management

- governments should clearly articulate the objectives of intervention in approving the method and rate of petroleum extraction and periodically assess the benefits and costs of such intervention
- the clarity and transparency of the retention lease process should be improved – where there is disagreement over commerciality, options such as auctions should be considered.

Land access

- state and territory governments should investigate whether Indigenous land use agreements could be used more frequently.

Environmental protection

- information should be provided from previous environmental assessments and studies during acreage release and for new projects
- bilateral assessment agreements should be developed between the Australian Government and the relevant state and territory authorities
- transparent and timely environmental offset processes should be introduced.

Occupational health and safety (OHS) issues

- the coverage of the National Offshore Petroleum Safety Authority (NOPSA) should be extended to include offshore pipelines, subsea equipment and wells
- OHS regulations should be amended to ensure only necessary petroleum-related functions of vessels are regulated under the 'safety case' regime
- powers in state and territory waters should be conferred to allow NOPSA to regulate all offshore facilities for safety and integrity. ■

"The Commission emphasises the importance of strong political will and leadership if meaningful regulatory improvement in the sector is to be successfully implemented and sustained."

Review of the Regulatory Burden on the Upstream Petroleum (Oil and Gas) Sector

> Productivity Commission Research Report

> Released 30 April 2009

Financing public infrastructure

A new Commission Staff Working Paper surveys international practice and argues that public infrastructure financing can be made more efficient by adopting financing vehicles that assign risk to those best able to manage it.

Historically, governments have played the predominant role in owning and operating infrastructure facilities such as schools, hospitals, roads, bridges, railways, ports, telecommunications networks, and water and electricity supply facilities. However, fiscal policy constraints, growing acceptance of the user-pays principle, and a recognition that there are generally greater incentives for efficiency in the private sector, have driven increased private involvement in the provision of both economic and social infrastructure.

> "The greatest scope to reduce the total cost of financing is likely to be through minimising the cost of project risk – by assigning risks to those best able to manage that particular risk."

A new Commission Staff Working Paper reports on the experiences of a number of countries using different approaches to funding public infrastructure projects. The countries covered in the study are Australia, Canada, France, Germany, New Zealand, Sweden, the United Kingdom and the United States.

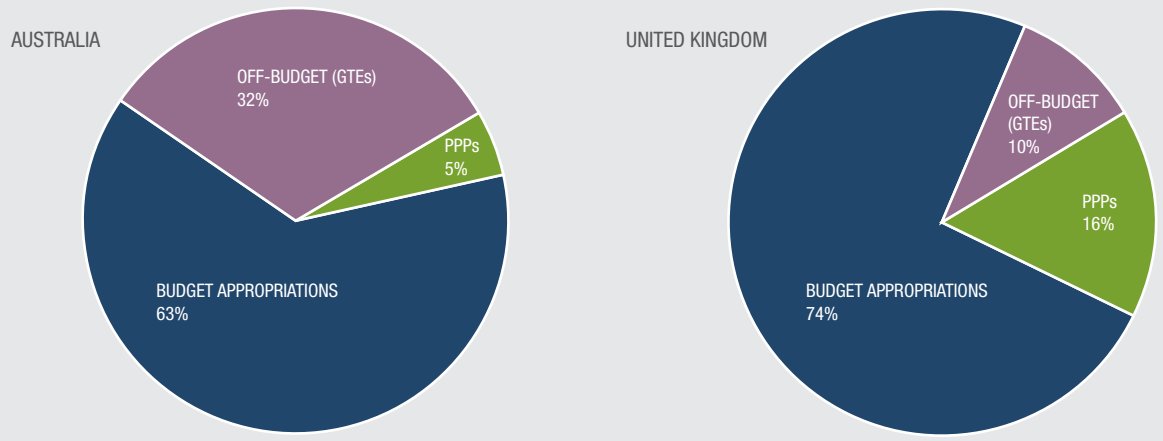
In most countries, general government investment in infrastructure has declined in recent years. Nevertheless, overall investment in infrastructure has remained fairly steady, although volatile in some countries. Total Australian investment in infrastructure was just below 6 per cent of GDP in 2006-07. Sub-national governments undertook 76 per cent of public infrastructure investment, with government trading enterprises (GTEs) accounting for around half of this.

Trends in infrastructure financing vehicles

Australian and overseas governments have increasingly drawn on capital markets to finance public infrastructure. In Australia, the corporatisation of GTEs during the 1980s and 1990s included utility and transport services that traditionally owned major infrastructure assets. While GTEs can finance investment from retained revenue, or budget appropriations (equity injections) or debt, there has been a trend toward greater use of the latter. The 1980s and 1990s also saw a trend toward privatisation in some infrastructure industries.

In relation to public-private partnerships, the global financial crisis has seen a sharp reduction in the availability of credit and increased caution about innovative financial products utilised in some of these arrangements.

Figure 1: Indicative shares of public infrastructure investment by financing vehicle in Australia and the United Kingdom (2006-07)



[a] Based on Australian federal, state and territory government, and the UK Government, 2006-07 data from various published Budget Papers.
Source: Productivity Commission estimates

Which financing vehicle?

Financing vehicles for public infrastructure investment differ in their risk management, transaction costs and exposure to market or other disciplines. The Commission Staff Working Paper includes an assessment of the strengths and weaknesses of different financing vehicles:

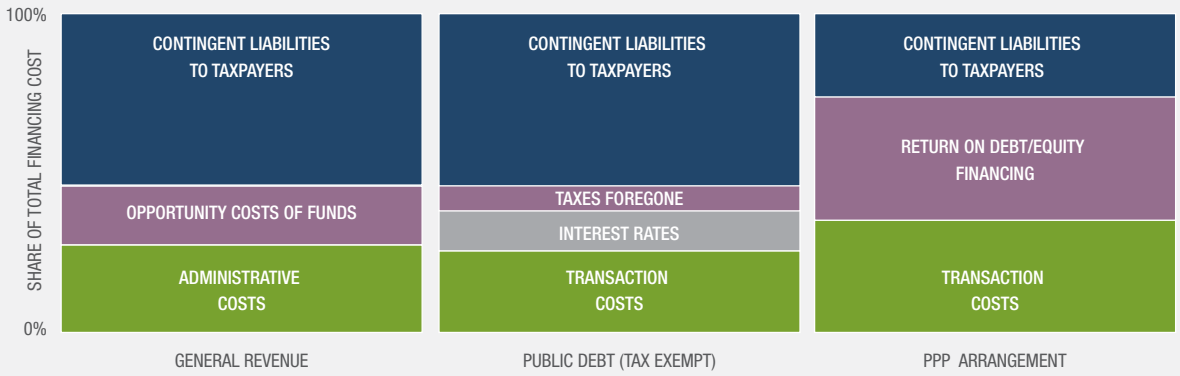
- budget appropriations (pay-as-you-go, taxation revenue or public debt)
- specific-purpose bonds
- GTE financing (via borrowing, retained earnings or equity injection)
- development contributions (up-front contributions by developers towards the cost of basic infrastructure required for new development projects)
- PPPs
- franchise arrangements (specific rights to operate publicly-owned infrastructure facilities to deliver services over a predetermined period of time).

Efficient financing depends on selecting the vehicle that minimises the total cost of finance over the lifetime of the infrastructure asset. The total cost of finance comprises:

- the return paid to the investors who provide the capital for the investment
- any contingent liabilities arising from financial claims associated with the investment
- transactions costs of negotiating and managing the financial vehicle (see figure 2).

Transaction costs aside, the central efficiency issue is which financing option best manages project risk. The most efficient vehicle will depend on the nature of the investment, the access of different parties to information, the potential for competition, and the skills of the government as negotiators and contract managers. The potential for governments to shift risk onto private partners may be limited, and any non-diversifiable risk assumed by the private sector will be reflected in their required rates of return. PPPs offer considerable potential to reduce project risk, but are costly to transact. If such transactions are off-budget, this may inhibit the scrutiny needed to ensure efficient investment.

Figure 2: Breakdown of cost of financing public infrastructure by type of financing vehicle



In the countries studied, budget appropriations, financed on a pay-as-you-go basis or from public debt, are the major means of financing government investment in infrastructure (63 per cent in 2006-07). However, the type of financing vehicles used by governments varies considerably across countries. Specific-purpose bonds, where repayment is linked to the performance of the asset, are a major source of finance in the United States and Canada, but were phased out in the 1980s in Australia. Public-private partnerships (PPPs), where the government contracts a private partner to finance, design, build and operate infrastructure assets for a fixed period, are used extensively in the United Kingdom. In Australia, PPPs made more than 5 per cent of public investment in 2006-07 – higher in New South Wales and Victoria. ■

Public Infrastructure Financing: An International Perspective

> Productivity Commission Staff Working Paper

> Released March 2009

Commission contribution to the China Australia Governance Program

Prior to his appointment as Deputy Chairman, Mike Woods served in a part-time capacity as International Adviser on the Fiscal Reform Project of the China Australia Governance Program. The following is an edited extract from an article recently published in the Program's Newsletter.

Deputy Chairman Mike Woods at a seminar in Beijing

Mike Woods was International Adviser for the Fiscal Reform Project from March 2005 until late 2008, and Chair of the Implementation Planning Committee with members from the National Development Reform Commission (NDRC) and the Budget Affairs Commission (BAC) of the Standing Committee of the National People's Congress. Two major projects were implemented. One, led by the NDRC, focused on researching the fiscal situation of county and township governments and the delivery of public services. The other project, headed by BAC, focused on sustainable fiscal management and comprehensive budget management.

Mike regularly visited China to review project progress and reporting, and to plan new activities in response to the emerging needs of the Chinese partner agencies. His insights into China's fiscal and taxation reform, and his rich working experience in Australian government agencies, and other countries in the Asia Pacific region, ensured the two projects produced sound policy recommendations. ■

China Australia Governance Program

AusAID's China Australia Country Program Strategy provides the overall direction for Australia's development cooperation with China over the period 2006-2010. The Governance Program supports capacity building and encompasses a flexible series of projects covering areas such as fiscal reform, institutional barriers to markets and the provision of social security for rural migrants.

Performance benchmarking of Australian business regulation

As part of the benchmarking program, initiated by the Council of Australian Governments (COAG) in February 2006, the Business Regulation and Competition Working Group agreed that in 2009 the Commission should study the burdens on business arising from food safety regulation and from occupational health and safety regulation. Issues papers for both studies were released in April.

The benchmarking program was endorsed by COAG in February 2006 after reaching agreement that all jurisdictions should adopt a common framework for benchmarking, measuring and reporting on regulatory burdens on business. It is intended that each year the benchmarking studies will complement COAG's reform processes and initiatives and those of the jurisdictions themselves. In 2008, the Commission undertook benchmarking studies of the quantity and quality of business regulation and the costs of business registration.

Draft reports for the current studies on occupational health and safety and food safety will be released in October, with a final report to be presented to Government in December. ■

Performance Benchmarking of Australian Business Regulation: Occupational Health and Safety

> Issues Paper released April 2009

Performance Benchmarking of Australian Business Regulation: Food Safety

> Issues Paper released April 2009

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Australia's anti-dumping and countervailing system

The Australian Government has asked the Productivity Commission to assess the policy rationale for, and objectives of, Australia's anti-dumping regime and the effectiveness of the current system in meeting those objectives, including the economy-wide benefits and costs of the system. The Commission has also been asked to make recommendations on the future role of an anti-dumping system with the aim of improving the performance of the economy, and to assess the administrative efficiency of the system.

An issues paper, outlining a range of matters on which the Commission is seeking advice and information, was released in April 2009. Thus far, the Commission has received around 30 submissions, including from industry organisations, local importers, producers and downstream manufacturers, unions, consultants, government departments and chambers of commerce. A draft report will be issued in September and a final report will be presented to Government by 26 December 2009. ■

Applying anti-dumping and countervailing action

Australia's anti-dumping and countervailing system seeks to remedy 'material injurious' effects of dumped or subsidised imports on Australian industries. Dumping is said to occur when an overseas supplier exports a good to Australia at a price below its 'normal value' in the supplier's home market. If dumping causes or threatens material injury to local producers of like goods, then remedial action – mainly the imposition of special customs duties – can be taken against the imported goods. Similarly, countervailing duties can be imposed on imports that benefit from certain subsidies from an overseas government, and which cause or threaten injury to a local industry producing like goods.

Australia's Anti-dumping and Countervailing System

> Issues Paper released April 2009

> Contact: Alistair Davidson 02 6240 3210
email: antidumping@pc.gov.au

Recent releases

All publications can be downloaded from the Commission's website www.pc.gov.au

July 2009

Restrictions on the Parallel Importation of Books
Research Report

Overcoming Indigenous Disadvantage: Key Indicators 2009
Steering Committee for the Review of Government Service Provision

June 2009

Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services
Draft Research Report

Performance of Public and Private Hospital Systems
Issues Paper

The Productivity Commission's Executive Pay Inquiry: An Update on the Issues
Chairman's Speech

May 2009

Trade and Assistance Review 2007-08
Annual Report Series

Government Drought Support
Inquiry Report

Paid Parental Leave: Support for Parents with Newborn Children
Inquiry Report

April 2009

Review of Regulatory Burden on the Upstream Petroleum(Oil and Gas) Sector
Research Report

Australia's Anti-dumping and Countervailing System
Issues Paper

Report on Government Services 2009: Indigenous Compendium

Performance Benchmarking of Australian Business Regulation: Occupational Health and Safety
Issues Paper

Performance Benchmarking of Australian Business Regulation: Food Safety
Issues Paper

Executive Remuneration in Australia
Issues Paper

Contribution of the Not-for-Profit Sector
Issues Paper

Commission News

New Commissioners appointed

The Australian Government has announced the appointment of three new Commissioners to the Productivity Commission.

Wendy Craik AM has been appointed as a full-time Commissioner. Wendy was Chief Executive of the Murray-Darling Basin Commission from 2004 to 2008. Her previous positions include President of the National Competition Council and Executive Director of the National Farmers' Federation.

Siobhan McKenna has been appointed as a part-time Commissioner. She was previously a partner of McKinsey and Company, and is Managing Partner of Illyria Pty Ltd, a media-focused investment company. Siobhan is jointly overseeing the social and economic infrastructure services study that forms part of the Commission's rolling review of regulatory burdens on business. She previously contributed as a part-time Associate Commissioner on the Commission's chemicals and plastics research study.

Commissioners Wendy Craik (left), Siobhan McKenna and David Kalisch

David Kalisch has been appointed as a full-time Commissioner. He was formerly Deputy Secretary in the Department of Health and Ageing. David is overseeing the Commission's new study on the performance of the public and private hospital systems, as well as the Commission's current business regulation benchmarking project. ■

New commissioned study: Public and private hospital systems

The Australian Government has asked the Productivity Commission to examine and report on the relative performance of the public and private hospital systems, and related data issues. As part of the study, the Commission has been requested to consider:

- comparative hospital and medical costs for clinically similar procedures performed by public and private hospitals
- the rate of hospital-acquired infections by type, reported by public and private hospitals
- rates of fully-informed financial consent by privately-insured patients, out-of-pocket expenses for patients who do not give such consent, and best-practice examples where fully-informed financial consent is provided for every procedure
- other relevant performance indicators, including the ability of such indicators to inform comparisons of hospital performance and efficiency.

The Commission has also been asked to advise the Government on the most appropriate indexation factor for the Medicare Levy Surcharge thresholds. ■

Parental leave and Drought support reports released

The Australian Government recently released the final reports of two major Productivity Commission inquiries: paid parental leave and drought support. Almost all the Commission's recommendations regarding design features and costings were incorporated in the parental leave scheme announced by the Government in May. The Government's response to the findings of the drought support inquiry is pending. However, Minister for Agriculture, Fisheries and Forestry, Tony Burke, recently commented that the Productivity Commission report 'is a good down-payment on the debate moving forward.' ■

Current commissioned projects

14 July 2009

Log on to the Commission's website www.pc.gov.au for full details of all current projects.

Contribution of the Not-for-Profit Sector – *Commissioned Study*

Issues paper released April 2009. Draft report to be released September 2009. Final report to Government December 2009.

Contact: Scott Austin Ph: 02 6240 3253
Email: nfp@pc.gov.au
www.pc.gov.au/projects/study/not-for-profit

Executive Remuneration – *Public Inquiry*

Issues paper released April 2009. Draft report to be released September 2009. Final report to Government December 2009.

Contact: Nick Hague Ph: 03 9653 2202
Email: exec_remuneration@pc.gov.au
www.pc.gov.au/projects/inquiry/executive-remuneration

Performance of Public and Private Hospital Systems – *Commissioned Study*

Issues paper released June 2009. Draft report to be released September 2009. Final report to Government November 2009.

Contact: Greg Murtough Ph: 03 9653 2163
Email: hospitals@pc.gov.au
www.pc.gov.au/projects/study/hospitals

Australia's Anti-dumping and Countervailing System – *Public Inquiry*

Issues paper released 17 April 2009. Draft report to be released September 2009. Final report to Government late December 2009.

Contact: Alistair Davidson Ph: 02 6240 3210
Email: antidumping@pc.gov.au
www.pc.gov.au/projects/inquiry/antidumping

Gambling – *Public Inquiry*

Issues paper released December 2008. Draft report to be released October 2009. Public hearings November/December 2009. Final report to Government February 2010.

Contact: Monika Binder Ph: 02 6240 3238
Email: gambling@pc.gov.au
www.pc.gov.au/projects/inquiry/gambling-2009

Performance Benchmarking of Australian Business Regulation: OHS and Food Safety – *Commissioned Study*

Issues papers released April 2009. Draft reports to be released October 2009. Final reports to Government December 2009.

Contact: Sue Holmes 02 6240 3351
Email for OHS: ohs@pc.gov.au
Email for Food Safety: foodsafety@pc.gov.au
www.pc.gov.au/projects/study/regulationbenchmarking/ohs-food-safety

Annual Review of Regulatory Burdens on Business – *Commissioned Study*

The Commission is undertaking a series of annual reviews of the burdens on business from the stock of Commonwealth regulation. In 2009 the Commission will review regulations that affect social and economic infrastructure services. Draft research report released June 2009. Final report due August 2009.

Contact: Les Andrews 02 6240 3251
www.pc.gov.au/projects/study/regulatoryburdens