Australian Government
Productivity Commission

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Australian Government
Productivity Commission

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.

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Gary Banks AO
Chairman, Productivity Commission, 1998-2012

After a lifetime of public service in the pursuit of good public policy, Gary Banks is leaving the Commission at the end of December to take up an appointment as Dean of the Australia and New Zealand School of Government in Melbourne.

Gary Banks has provided leadership and continuity throughout the history of the Productivity Commission and its predecessors. He began work as a new graduate with the Tariff Board in 1972 then worked at the GATT (General Agreement on Tariffs and Trade) in Geneva, the Industries Assistance Commission and the Centre for International Economics before returning to the Industry Commission in 1990. He was appointed as the first Chairman of the Productivity Commission on its creation in 1998. Thus Gary has worked for the Comission in all four of its forms and at most levels of the organisation form bottom to top.

During Gary's tenure, the Commission has consolidated its role as an authoritative, independent adviser to the Commonwealth and, increasingly, State and Territory Governments on an expanding range of micro-economic policy and regulatory matters.

More recently the Commission has undertaken major reviews of social and environmental policies and reported on the performance of a range of government services, bringing its economic capabilities to areas that are also important to the functioning of Australian society. Gary has provided strong leadership for the Commission in all of these initiatives, presiding on many of the path-breaking public reviews – such as gambling, carbon emission policies, executive remuneration, and the joint review with the New Zealand Productivity Commission on strengthening economic relations between the two nations. In 2007 Gary was made an Officer of the Order of Australia for 'services to the development of public policy in microeconomic reform and regulation'.

Gary has promoted and exemplified the principles of independence, transparency, reliance on evidence and a whole of community perspective, and this has led to the public support the Commission currently enjoys. These principles are instilled in the culture, processes and work practices of the Commission and will be a lasting legacy of his contribution to the Commission and to the development of good policy.

The Commission wishes him well in promoting similar principles to future public sector leaders in his new role at ANZSOG.

Gary Banks AO
Chairman, Productivity Commission, 1998-2012

Appointment of Peter Harris as new Chair of the Productivity Commission

In November 2012 the Treasurer announced the appointment of Peter Harris as Chair of the Productivity Commission, commencing early 2013. Mr Harris is currently Secretary of the Commonwealth Department of Broadband, Communications and the Digital Economy. He has previously served in a wide range of senior roles in the Commonwealth and Victorian Governments and in the commercial sector.

Productivity policies: the 'to do' list

In his final published speech before retiring as Chairman of the Productivity Commission at the end of 2012, Gary Banks compiled a list of policy recommendations from past Commission reports that would improve Australia's productivity performance and community living standards. Edited highlights follow.

Much of the rhetoric around productivity today treats it as if it were a policy objective in its own right. That is wrong and can lead to perverse results. Productivity, like production, matters not for its own sake, but because growth in it can generate the higher incomes and government revenues needed to raise living standards and rectify disadvantage. Policies to promote productivity need to have these larger ends in view.

There are only two ways of increasing the per capita income of a society over time – by producing more per person, or by getting higher world prices for what is produced. Over the past decade, Australia's failure to do the former has been more than made up for by the latter. But no country (not even a Lucky Country) can expect its terms of trade to rise forever. Their recent decline puts the spotlight back on productivity growth as the main conduit for higher incomes into the future.

The policy framework

While there is widespread agreement that a return to higher productivity growth is desirable, opinions differ considerably as to how governments can best facilitate this. Different interests and parties have focused on different things and been dismissive of others' prescriptions, sometimes with good cause.

In various studies and reports over the years, and notably in its submission to a parliamentary inquiry in 2009, the Commission has set out a framework that explains how policies can foster or hinder productivity growth, and provides a basis for assessing areas of priority.

The essential insight underlying this policy framework is that productivity begins in workplaces. The 'headline' productivity numbers for our economy, or key sectors within it, represent nothing more than the accumulated productivity results achieved by individual enterprises and organisations.

The three channels of government influence

Governments influence the productivity of firms and organisations through three main channels:

- *incentives* – the external pressures and disciplines on them to perform well
- *capabilities* – the human resources and knowledge systems, the institutions and infrastructure, needed to devise and support productivity enhancing changes
- *flexibility* – the scope to make the necessary changes.

Policy needs and priorities could be expected to vary over time and there is unlikely ever to be a 'silver bullet'. And productivity is unlikely to improve if policy advances in one channel are countermanded by backsliding in others.

All three channels of policy influence have been a focus for government initiatives over the years, commencing with the progressive liberalisation of international trade and capital flows from the 1980s. But while governments have hardly been idle on the productivity front, there have also been important omissions and 'blind spots'. A number of these have been identified by the Commission as requiring action, and should continue to be on the list of things for governments to do.

The 'to do' list*

1. Incentive policies

- Abolish remaining tariffs.
- Limit provisions for anti-'dumping' action.
- Terminate selective industry subsidies that cannot deliver demonstrable net social benefits.
- Extend reforms to drought support.
- Phase out public sector procurement preferences.
- Conduct a second, more focussed round of NCP reviews. Priorities include: pharmacy ownership restrictions, taxi licence quotas, coastal shipping protection, the ban on parallel book imports, and unduly restrictive licensing and self-regulation of certain professional services, including within the medical and legal fraternities.

2. Capability policies

Human capital

- Re-focus early education programs on disadvantaged children.
- Make greater use of salary differentials to attract and retain quality teachers in disciplines where there are persistent shortages (maths, science, IT) and in disadvantaged and remote areas.
- Devolve and enhance performance appraisal for teachers, with principals having the authority to hire the best teachers and fire the worst ones.
- Modify industrial relations arrangements for schools and VET colleges to allow greater variation in remuneration and conditions, more flexibility in hiring to meet skill needs and more effective management of under-performance.
- Raise required 'threshold scores' for school teachers and qualifications required for VET practitioners.
- Strengthen independent validation and auditing of service providers to ensure they deliver to the standards needed for proper skill acquisition and advancement.

The innovation system

- Conduct rigorous evaluations of all government innovation programs to verify that they are achieving 'additionality' and are cost effective.
- Focus government support on basic and strategic research, where market failures are potentially greatest, rather than commercialisation activities, which are more likely to be privately profitable.
- Facilitate greater cooperative research between businesses and public/academic institutions, but adopt more 'nimble' mechanisms.
- Lower the rate of public funding for Rural Research and Development Corporations – the savings should be reallocated to a new body that can sponsor more broadly relevant research for the sector.

Infrastructure

- Further reform the governance of public utilities to clarify the primacy of efficiency objectives, and avoid political interference in managerial decisions.
- Undertake transparent cost-benefit analysis of all options prior to any major public infrastructure investment and when determining quality or environmental standards.
- Extend the use of cost-reflective pricing, including to manage peak demands (electricity) or supply disruptions (water).
- Ensure that price-regulation regimes do not inhibit efficient investment.
- Specifically for land transport, introduce institutional reforms for roads to connect revenue with spending decisions, while progressively moving to location-based road pricing, particularly for freight.
- Specifically for water utilities, align procurement, pricing and regulatory arrangements with an overarching efficiency objective.
- Specifically for electricity, phase out retail price regulation, introduce smart meters, bolster the regulator and modify the regulatory regime to increase consumer orientation and to avoid inefficient investment.

Government services

- All major human service programs should be periodically reviewed to ensure that they are well-targeted and cost-effectively delivered.
- In the case of aged care, after the current suite of reforms is implemented, move progressively to lift caps on place numbers for care, direct funding through individuals rather than providers, and revise asset tests.
- In the case of the systemic reforms needed to support people suffering significant disability, progress the trials and resolve crucial funding issues to ensure a system that is fair and sustainable.
- For the health workforce, enable services to be provided by those professionals who can most cost-effectively do so to required standards.

* For elaboration of each point, see the published speech and related Commission reports on which they are based.

The ‘to do’ list …continued

3. Flexibility policies

How well organisations respond to incentives to raise productivity depends not only on the capability of their people and support systems but also on the scope for them to make the changes needed to realise an organisation’s productive potential. The key policy issues in this area are regulatory, with a myriad of regulations shaping the behaviour of firms and other organisations. While most of these regulations have worthy objectives, many are formulated without sufficient regard for collateral damage on productivity and whether objectives could be met in more cost-effective ways.

Regulations that affect flexibility are essentially of three kinds: those that define what enterprises can (or can’t) do; those that prescribe how they must go about their business, and those that otherwise raise the costs of making changes. They can have effects on productivity by constraining and conditioning adjustments not only within firms but also across industries and regions.

This underlines the ongoing challenge of embedding a proper accounting of costs and benefits into regulation-making practices, including consideration of alternative options. It is also important to monitor and review existing regulations that affect businesses to ensure that these remain ‘fit for purpose’ and avoid unintended consequences.

- Requirements for review of regulations should be specified when they are being made and embedded in legislation in cases where there are significant uncertainties about the impacts.
- Review processes for key regulations should be conducted at arms-length from policy departments and include a public draft report.

Workplace regulation

Since the move to enterprise bargaining under the Hawke-Keating Governments, the industrial landscape has become more accommodating of diversity and change among firms and across regions. This not only contributed to the 1990s productivity surge, but also to the comparative resilience of employment in subsequent downturns (notably the GFC) and the avoidance of a generalised ‘wage breakout’ during the mining boom. While the industrial relations changes faced political obstacles, there was widespread recognition of the need for reform. However since ‘Work Choices’, industrial relations policy has been a ‘war zone’, with reasoned public discussion about fairness/productivity trade-offs the biggest casualty. As in other areas of regulation with social dimensions, labour laws need to be tested to demonstrate that any costs are outweighed by public benefits and that these could not be achieved in less costly ways.

Other regulatory restraints

Various other areas of regulation may also inhibit the flexibility that firms and workers need to raise productivity and respond to market pressures. Many have been addressed in Commission reports over the years. Among the more significant ones that remain relevant:

- Native vegetation regulations are costly and can have perverse impacts.
- Heritage regulations can impose undue costs on certain people and stymie socially valuable developments.
- Renewable energy targets are costly and can be counterproductive in seeking to reduce carbon emissions.
- Development approval processes are complex, duplicative and cause unwarranted delays with high opportunity costs for major projects.
- Planning and zoning controls should meet amenity and other objectives without unduly restricting retail competition.
- Stamp duties on conveyancing inhibit housing turnover, contributing to reduced affordability and lower labour mobility.
- Occupational licencing can inhibit workforce mobility, create barriers to entry and raise business costs.
- Rural water, where ongoing state-based restrictions on trading in the Murray Darling Basin mean that water is still not flowing to its most highly valued uses.
- Waste management programs often have costly targets and collection methods. Policy needs to be refocussed on achieving net social benefits, underpinned by cost-benefit analysis.
- Chemicals regulations are unduly fragmented, lack effectiveness in key areas and impose excessive costs on industry.
- Mutual recognition is not realising its potential to lower costs for inter-jurisdictional activities and transactions.

What are the priorities?

There is clearly a long list of things to do, even confined to items among the one-third of recommendations that remain unimplemented from past Commission reports.

The range of recommendations can be summarised as governments needing to (a) spend better and (b) regulate better. Expressed like this, the task at hand sounds pretty straightforward. The evidence has been assembled. The gains are waiting to be tapped. Why have these productivity-enhancing reforms not been done?

As Rerserve Bank of Australia Governer Glenn Stevens has remarked, the things on the Commission's list are not 'popular' and have proven difficult for governments. Most of them involve arrangements that currently provide significant advantages to particular groups, who naturally take more interest in resisting reform than the wider electorate takes in supporting it. The fact that the Commission was directed to such policy areas in the first place reflects this political difficulty, and a perceived need not only to have an independent assessment of what to do, but also to alert the community to the gains and thereby help to generate more support for necessary reforms.

The items I have identified are generally those for which this has proven most difficult — the hardest political nuts to crack. Achieving enduring reform in such areas to date has required the concerted support and skilful advocacy of political leaders at both Commonwealth and State levels, and across the political divide. But the political capital and bureaucratic resources needed to advance 'unpopular' reforms are not in unlimited supply. They must be harnessed to focus on priorities and sequencing that are manageable and can yield the highest payoffs over time.

So, where should today's priorities lie? How can governments best advance Australia's productivity performance by spending and regulating 'better'?

For a start, spending more no longer represents the line of least resistance in promoting productivity. Indeed, the importance of making room for increased expenditure on key human service reforms, and notably disability support, increases the need to spend less in other areas. The list under the 'incentives' heading provides several 'win-win' options (reforms that would lower budgetary outlays while lifting productivity).

In the regulatory area, the structural pressures of the 'multi-speed' economy have lent particular importance to the need to enhance flexibility and adaptability within enterprises and across industries and regions. This will remain the case as our economy changes gears again during the post-boom phase. It suggests that items on the 'flexibility' list should for the present generally take precedence over those on the 'capability' list, reversing recent emphasis.

Taxation reform cuts across all three channels of influence and would simultaneously address both spending and regulatory dimensions. However, taxation involves complex interactions and there is scope for unintended consequences if reforms are not handled in an integrated way, as envisaged in the Henry Report.

So actions will generally be needed on multiple fronts over time (including avoiding the wrong actions). That said, the structural pressures of the 'multi-speed' economy have lent particular importance to the need to enhance flexibility and adaptability within enterprises and across industries and regions. This will remain the case as our economy changes gears again during the post-boom phase. It suggests that items on the 'flexibility' list should for the present generally take precedence over those on the 'capability' list, reversing recent emphasis.

This suggested prioritisation may look too encompassing or complicated for those seeking quick fixes or simple solutions. To those who ask at conferences 'what is the one thing you'd do to enhance productivity?' my answer remains that there is no single thing that could do the job. Rather, what is needed is an approach to 'productivity policy' that embraces both the drivers and enablers of firm performance, and is consistently applied.

That in turn requires policy-making processes that can achieve clarity about problems, reach agreed objectives and ensure the proper testing of proposed solutions. The beneficial and enduring structural reforms of the 1980s and 1990s are testimony to the value of these policy-making fundamentals. Good process in policy formulation is accordingly the most important thing of all on the 'to do list', if we are serious about securing Australia's future productivity and the prosperity that depends on it.

> Edited excerpts from an address by Gary Banks to the Melbourne Institute's Economic and Social Outlook Conference, 'Securing the Future', 1 November 2012.

> The full text is available on the Commission's website www.pc.gov.au. It is also included in a new publication, *Advancing the Reform Agenda: Selected Speeches*, released by the Commission in December.

Regulation making: getting it right

There is considerable scope to improve the way that regulations are developed and scrutinised by all governments, according to a recent Commission report.

The Productivity Commission was asked by the Australian Government to benchmark the efficiency and quality of regulatory impact analysis (RIA) processes used by the Commonwealth, COAG, states and territories. The study compares these processes and identifies leading practices, in Australia and overseas, to help jurisdictions learn from each other and improve existing practices.

When governments are considering regulating in order to address a policy problem, the RIA process can be used to examine the expected consequences of alternative options with the aim of informing decisions on whether and how to regulate. The intention of RIA is to ensure that the right questions are considered at the right stages of policy development, so that the option that best balances benefits and costs to the community can be identified. In short, the RIA process aims to enshrine and reinforce good public policy decision making, an objective of all governments. The process is documented in a regulation impact statement (RIS) which informs decision makers and enables stakeholders to get involved in the policy development process.

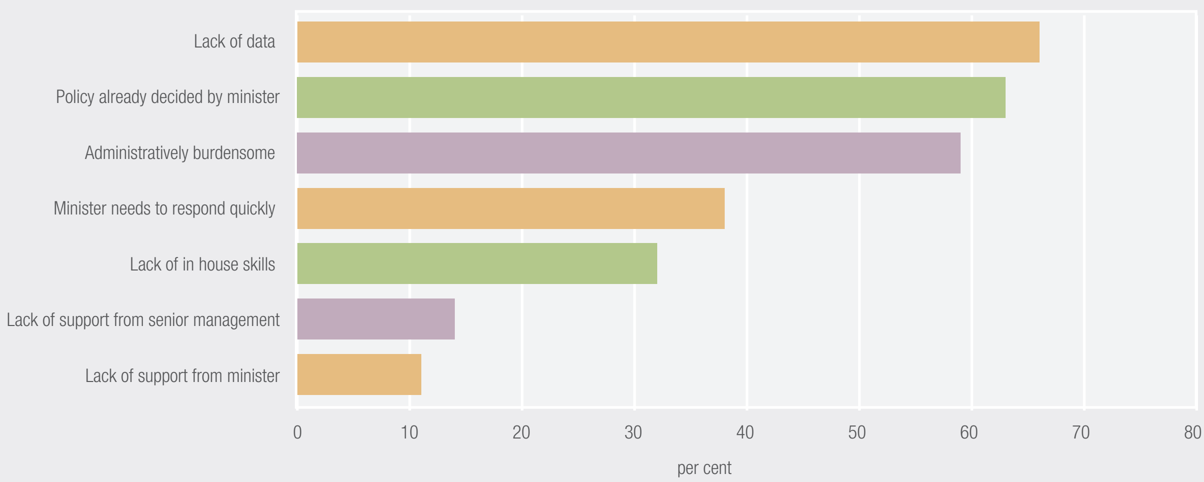
The Commission found that the RIA process is well supported in principle. The majority of government agencies involved in RIA, surveyed by the Commission, confirmed that RIA has led to a more thorough analysis of the nature of the policy problem, a more systematic consideration of costs and benefits and has also improved decision makers' understanding of regulatory impacts.

However, in many cases there is a gap between agreed and actual practice — government proposals with the largest impacts on communities often avoid rigorous scrutiny. A large number of agencies viewed RIA as an 'add on' task required to implement a policy decision, rather than a process that informs the decision. This lack of commitment to using RIA in policy development can lead to decision makers settling on a preferred option before RIA has begun, excessive exemptions from the process, belated or inadequate consultation and a lack of agency investment in data and skills required for rigorous impact analysis. These problems are compounded by the hidden nature of much of government decision making and a lack of sufficient accountability mechanisms.

The report highlights leading practices that would improve the efficacy of RIA processes. These include better targeting of resources via a more streamlined process for determining whether proposals require a RIS and thematic grouping of regulations for review. The Commission also noted that greater attention to monitoring, reporting and accountability in all jurisdictions would go a long way to improving the effectiveness and rigour of policy development processes.

What are the main barriers to using RIA to inform policy development?

Responses to a Productivity Commission survey of government agencies involved in RIA



Source: Productivity Commission 2012, *Regulatory Impact Analysis: Benchmarking*, Research Report

Leading practices that would improve policy development processes[a]

Issue raised	Leading practices
Lack of commitment	Exemptions from RIA limited to genuine exceptional circumstances and granted by head of government rather than by proponent minister
	Election commitments subject to RIA requirements
	Ministers' announcements to avoid closing off options prior to RIA commencing
	Minister to provide reasons to Parliament for proceeding with a proposal that is either non-compliant with, or exempt from, RIA
	Post implementation review required for non-compliant and exempt proposals – to be undertaken through an independent process and paid for by the proponent agency
	Jurisdictions to publish examples of RIA influence on policy development
Administrative burden of RIA process	Responsibility for determining if a RIS is needed for a proposal to reside with proponent agency (monitored by oversight body)
	Clear guidelines for exclusions from RIA and eligibility determined as early as possible
	Group sunsetting regulations thematically or with overarching legislation for broad-based review
Proposals with significant impacts bypassing RIA	All forms of regulation to be subject to RIA
	All proposals with significant impacts (positive or negative) on the community or a part of the community to require a RIS
	Target review resources to regulations likely to have highly significant or uncertain impacts
Inadequate RIS analysis for some proposals	Greater consideration in RISs of costs of implementing, monitoring and enforcing the resulting regulation
	Include jurisdiction impacts in COAG RISs, particularly where these vary across jurisdictions
	Use greatest net benefit to the community to identify preferred option
	Regulatory oversight bodies to formally assess the adequacy of all RISs
	Provision for mandatory review in all primary legislation where RIS requirements are triggered
Inadequate stakeholder engagement	Two-stage RIS process (initial consultation RIS and a final RIS) for all regulatory proposals
	Agency to publish reasons when it assesses that a proposal does not require a RIS
Infrequent publication of RISs	*All* RISs published – no discretionary power to not publish RISs
	Oversight body to publish all final RISs at a central location at the time of the regulatory announcement
	Table final RISs in Parliament with legislation
Exemptions & non-compliance not routinely reported or explained	Oversight body to collect and publish agency compliance information, publish reasons for exemptions and RIS adequacy assessments and monitor and report on compliance with review requirements
	Audit of oversight body functions by a body such as the jurisdictional audit office

[a] A complete list of leading practices is available in the report overview.

Regulatory Impact Analysis: Benchmarking

> Productivity Commission Research Report

> Released December 2012

Default superannuation in modern awards

A recent Commission inquiry recommended improvements to the selection and assessment of default superannuation arrangements in modern industrial awards.

What is the problem?

Under the Superannuation Guarantee, introduced in 1992, employers are required to make superannuation contributions for their employees. While this means most working Australians are now covered by superannuation, many do not actively choose where their super is invested. Most 'modern awards' specify a list of default superannuation funds, into which employers are required to make superannuation contributions for employees who have not actively chosen a fund.

The Productivity Commission was asked to consider how compulsory superannuation payments should be assigned when employees do not make their own choice of fund.

- What factors should be used to determine which funds receive default contributions?
- Is the current system of choosing defaults in modern awards working well?
- Are there improvements that can be made?

How are default funds currently selected?

'Modern awards' were developed by the Australian Industrial Relations Commission during 2008 and 2009, when more than 1500 pre-modern federal and state awards were combined to create 122 'modern awards'. These awards commenced on 1 January 2010. The superannuation funds selected for listing in the modern awards were largely those already included in the relevant award-based transitional instruments.

The list of funds in an award can be varied through applications made to Fair Work Australia. Generally, such applications may only be made by those who have 'standing' with Fair Work Australia (such as industrial parties). As superannuation funds do not have standing, they are unable to apply to be listed in an award without the support of a party with standing.

Applications are usually granted if the fund to be added was listed in a pre-modern instrument, if the relevant industrial parties agree to the variation, or if employers were making contributions to the fund before 12 September 2008 on behalf of their employees.

Australia's three-pillar retirement income policy comprises a means-tested and government-funded age pension, supported by both voluntary saving and compulsory- superannuation contributions.

In 2009, the Australian Government commissioned an independent review of Australia's superannuation system (the Cooper Review). A key finding of the Cooper Review was that many consumers do not have the interest, information, or expertise required to make informed choices about their superannuation. Therefore, consumers rely heavily on default superannuation arrangements. The Review recommended the establishment of a new default superannuation product, MySuper. The Government accepted this recommendation, and superannuation funds will begin offering MySuper products from July 2013.

The Cooper Review also recommended that the Productivity Commission conduct a review of the processes by which default funds are nominated in awards to assess whether the processes are sufficiently open and competitive. Accordingly, in February 2012, the Australian Government asked the Productivity Commission to design criteria for the selection and ongoing assessment of superannuation funds eligible for nomination by Fair Work Australia as default funds in modern awards. Following extensive consultation, including on a draft report, the Commission's final report was released by the Australian Government in October 2012.

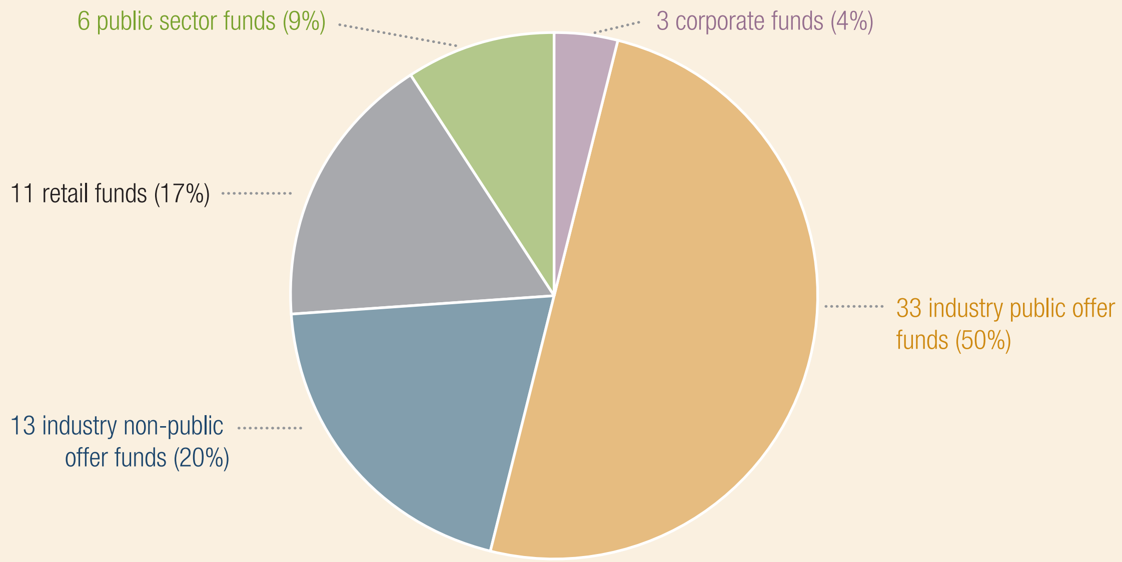
Default funds are part of a large and growing superannuation system

Since superannuation effectively became compulsory in 1992, the industry has grown and now manages a total of $1.4 trillion in assets – approximately the size of Australia's GDP. The amount of assets under management is predicted to reach 150 per cent of Australia's GDP by 2040. The Commission estimated that in 2010, the total of default contributions to superannuation funds in modern awards was in the range of between $6 billion and $9 billion.

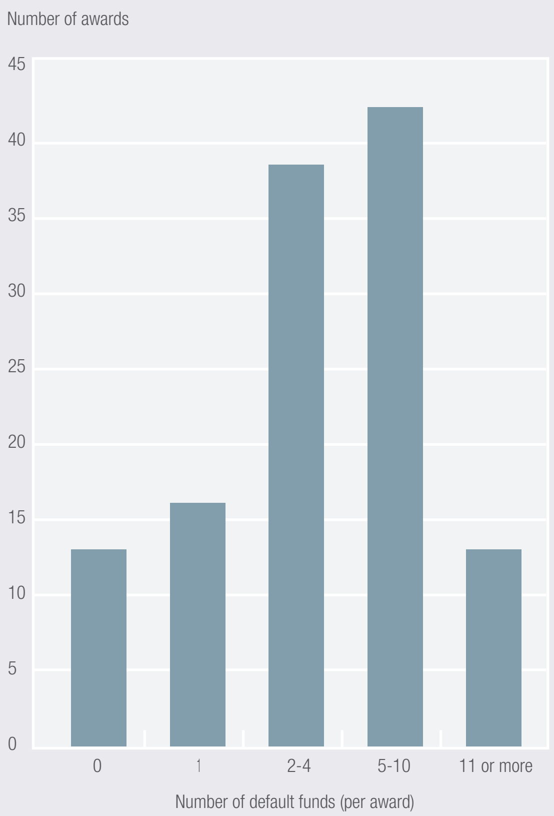
The Commission's report found that default superannuation funds currently listed in awards have generally delivered net returns exceeding those of non-default funds.

Types of funds listed as default funds in modern awards

66 identifiable funds, by APRA classification



Number of default superannuation funds listed per modern award



Source for both charts: Productivity Commission 2012, *Default Superannuation Funds in Modern Awards*, Inquiry Report

MySuper

The Stronger Super reforms introduce a new type of product — MySuper — authorised by the Australian Prudential Regulation Authority. The reforms that relate to MySuper:

- require funds to develop a single diversified investment strategy for their MySuper products, specifying the investment return target (over a rolling 10 year period) and the level of risk appropriate to members of each MySuper product
- introduce rules that limit the types of fees that may be charged to members, restrict some fee types to cost recovery and require the disclosure of fees to members
- require equal treatment of members by giving all members of a MySuper product:
  - access to the same options, benefits and facilities
  - equal attribution of gains, losses and beneficial interests
  - the same fees (with some limited exceptions)
- restrict funds to offering a single MySuper product, with limited exceptions.

Over the eight years to 2011, default funds in modern awards averaged an after-tax rate of return of 6.4 per cent, compared with 5.5 per cent for non-default funds.

While acknowledging this performance, the Commission considered that the current arrangements should be assessed in terms of their capacity to serve employees' best interests over time.

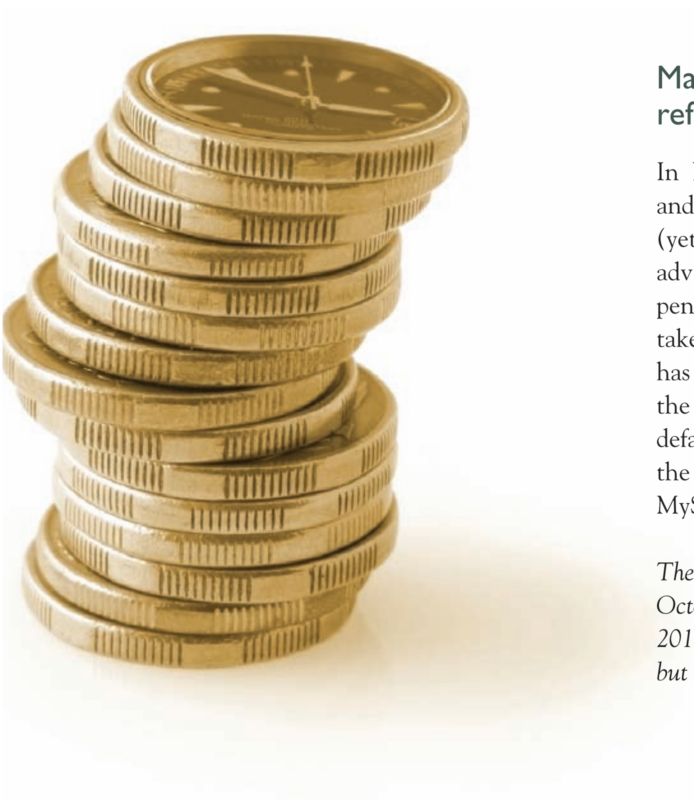
Improving current arrangements

The recent Stronger Super reforms (introduced by the Government in response to the Cooper Review) aim to promote a more effective and efficient superannuation system. Under Stronger Super, only MySuper products will be able to accept default superannuation contributions (with limited exceptions). In addition to the introduction of MySuper products, there will be significant disclosure, governance and administrative reforms.

The Commission found that the criteria for MySuper product authorisation provide an appropriate starting point for the selection of default superannuation products, and that no additional prescriptive criteria should be taken into account when selecting products to be listed in modern awards. The Commission also recommended a set of non-prescriptive factors to be considered as a second stage 'quality filter' when selecting default funds. The factors relate to: investment objectives and performance; fees and costs; governance practices (particularly mechanisms for dealing with conflict of interest); insurance; intra-fund advice; and administrative efficiency.

The Commission report also assessed the performance of the current system for selecting default funds. It found that while the system has delivered stability and partial transparency, it is based primarily on precedent and the consent of industrial parties. As such it is not fully contestable and may not include funds that could better serve the interests of employees and the community more generally.

The Commission recommended that the process for the selection and ongoing assessment of default products in modern awards be reformed. Decisions on the listing of default products should be made by a new Default Superannuation Panel within Fair Work Australia. Superannuation funds should be given standing to apply to the Panel to have their products listed in modern awards.



Maximising the benefits of the proposed reforms

In keeping with best-practice policy-making processes, and as the full implications of the Stronger Super reforms (yet to be fully implemented) cannot be known in advance, the Commission recommended that an independent public review of the proposed reforms be undertaken after the first periodic reassessment of all awards has been completed. The review should examine whether the new process, and factors relevant to the selection of default products, remain useful and relevant, and consider the appropriateness of allowing employers to select any MySuper product as a default superannuation product.

The Government responded to the Commission's report in October 2012 by introducing the Fair Work Amendment Bill 2012 into Parliament. If passed, the bill will implement some, but not all, of the Commission's recommendations.

Default superannuation funds in modern awards: the Commission’s key recommendations

Decisions on the listing of default products should be made by a new Default Superannuation Panel within Fair Work Australia.

- The panel should consist of the Fair Work Australia President (or delegate) and an equal number of full-time members of the tribunal and part-time independent members appointed for their expertise in finance, investment management or superannuation advisory services.
- The part-time members should not be representatives of organisations or parties to awards, but should be appointed as independent members based on their expertise.

Superannuation funds should be given the right to apply to, and be directly heard by, the panel, in order to have their products assessed for listing in modern awards. The panel should transparently assess cases on their merits, applying the following factors for consideration:

- The appropriateness of the product’s long term investment return target and risk profile.
- The fund’s expected ability to deliver on the product’s long term investment return target, given its risk profile.
- The appropriateness of the fees and costs associated with the product.
- Whether fund governance practices are consistent with meeting the best interests of members, with particular focus on the mechanisms put in place by fund trustees to deal with conflicts of interest, and the transparency associated with disclosure of those conflicts.
- The appropriateness of the product’s insurance offerings.
- The quality of intra-fund advice.
- The administrative efficiency of the fund.
- Any other factors deemed relevant by the panel.

Any party with sufficient interest should be given the opportunity to submit their views on which funds should be listed. Parties making submissions should be required to disclose any conflicts of interest.

For each modern award, the panel should list all products that meet the factors for consideration. No express limit should be placed on the number of products that may be listed in any given modern award.

- Where possible, the panel should also identify in each modern award a small subset of those listed products that it judges best meets the interests of the relevant employees.

Decisions of the panel should be final and not subject to appeal. Only judicial review on the grounds of jurisdictional error should be permitted.

The panel should conduct ongoing assessments and undertake a periodic wholesale reassessment of the products listed in modern awards.

The selection process should be reviewed in 2023.

Default Superannuation Funds in Modern Awards

> Productivity Commission Inquiry Report

> Released October 2012

Expenditure on services for Indigenous Australians

Estimates contained in the latest *Indigenous Expenditure Report* contribute to the information available to policy makers to address the gap between outcomes for Indigenous and other Australians.

The *2012 Indigenous Expenditure Report* is the second in a series of biennial reports, commissioned by the Council of Australian Governments (COAG) to provide information about the levels and patterns of government expenditure on services to Indigenous Australians. The report provides estimates of government expenditure on a State and Territory geographical basis, for 2008-09 and 2010-11.

Indigenous expenditure reporting

The *2012 Indigenous Expenditure Report* was prepared by the Steering Committee for the Review of Government Service Provision under the auspice of the Council of Australian Governments (COAG), and supported by a secretariat drawn from the Productivity Commission.

The *Indigenous Expenditure Report* complements other Review of Government Service Provision publications, such as the *Overcoming Indigenous Disadvantage* report, which provides information about the disparities in outcomes for Indigenous Australians, and the *Report on Government Services Indigenous Compendium*, which collates available information on the performance of mainstream services to Indigenous Australians. These reports, together with COAG reporting on the National Indigenous Reform Agreement and associated National Partnerships, will help governments at all levels better assess the effectiveness of their expenditure on Indigenous Australians.

While the report makes no assessment of the adequacy or effectiveness of government expenditure, these estimates provide one element of the evidence base that policy makers need to gain a clearer picture of the efficiency of government services provided to Indigenous Australians.

Several important improvements were made for the *2012 Indigenous Expenditure Report*, including allocating Australian Government expenditure by State and Territory, and improved mapping of expenditure to policy priorities. However, estimating government expenditure on Indigenous services is a complex task and will be subject to a process of continual improvement in future reports.

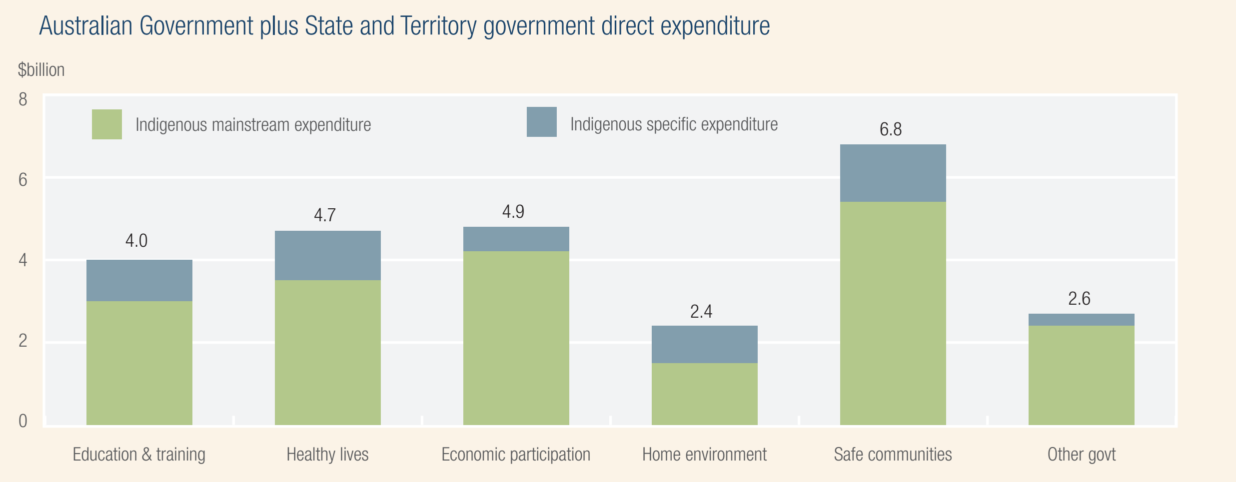
The Report estimates that governments spent $25.4 billion on services to Indigenous Australians (mainstream plus Indigenous specific services) in 2010-11. Indigenous expenditure made up 5.6 per cent of all government expenditure. This is higher than the Indigenous representation in the population (2.6 per cent), reflecting the greater level of disadvantage of Indigenous Australians and their greater use of government services.

How will this report contribute to the Indigenous reform agenda?

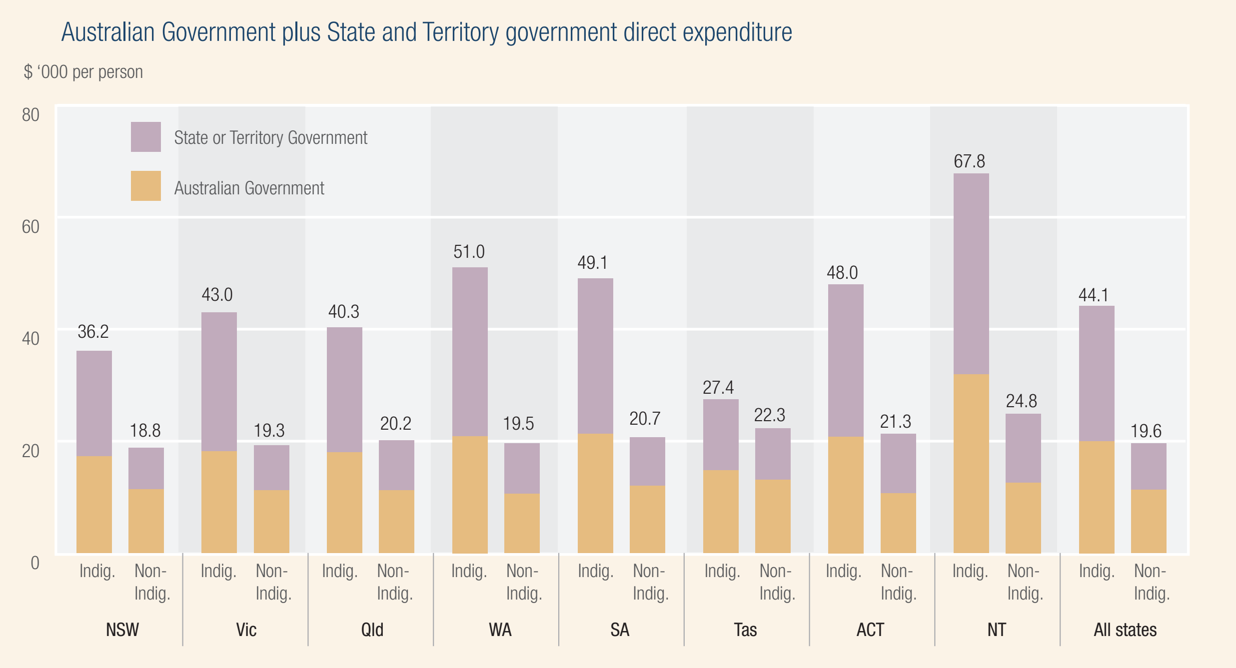
The *2012 Indigenous Expenditure Report* provides estimates of expenditure across key service areas – education; justice; health; housing; community services; and employment – that are aligned, at a high level, to the seven National Indigenous Reform Agreement Closing the Gap building blocks. The estimates in this report can help answer key questions, such as:

- How much was spent on Indigenous Australians, and how does this compare with expenditure on other Australians?

Components of estimated expenditure related to Indigenous Australians, 2010-11



Expenditure per person by State and Territory, 2010-11



Data sources and methodology for charts: See www.pc.gov.au/ier

- How much was spent on Indigenous specific services, and how much was spent on Indigenous use of mainstream services?
- What drives differences in expenditure between Indigenous and other Australians?

The report also highlights expenditure in selected key focus areas. These include school education; public and community health; social security support; housing; and law courts and legal services (including access to justice).

When combined with other data, the estimates in this report can contribute to a better understanding of the adequacy, effectiveness and efficiency of government expenditure on services for Indigenous Australians.

2012 Indigenous Expenditure Report

> Released September 2012

> Contact: Lawrence McDonald 03 9653 2178 lmcdonald@pc.gov.au

Government assistance to industry

The Commission's *Trade & Assistance Review 2010-11* contains the latest estimates of Australian Government assistance to industry.

The Australian Government assists industries through an array of measures, including import tariffs, budgetary outlays, taxation concessions, and regulatory restrictions on competition. Although assistance generally benefits the receiving industry and businesses, it can penalise other industries, taxpayers and consumers.

The industry assistance landscape in Australia has changed considerably over the last 40 years. Tariff assistance has declined markedly, predominantly through unilateral reforms undertaken by the Australian Government. On the other hand, there has been a trend towards greater budgetary assistance to industry, particularly over the last decade. Such assistance is provided by the Australian Government and also by State and Territory governments, as well as by local governments. Although more difficult to quantify, assistance to industry is also provided though measures such as marketing arrangements, regulatory restrictions on competition, government purchasing arrangements and guarantees.

The Productivity Commission is required to report annually on industry assistance and its effects on the economy. *Trade & Assistance Review 2010-11* contains the Commission's latest quantitative estimates of Australian Government assistance to industry.

For 2010-11, total measured assistance by the Australian Government to industries was $17.7 billion in gross terms. It comprised $8.7 billion in tariff assistance, $3.6 billion in budgetary outlays and $5.4 billion in tax concessions. After allowing for the cost to industries of tariffs on imported inputs, amounting to $7.9 billion, net assistance to industry was $9.8 billion.

The primary sector received the majority of its assistance in the form of budgetary outlays. The level of support to this sector in 2010-11 declined from previous years with the ending of widespread drought and falls in tax expenditures under the farm management deposits scheme. The manufacturing sector continued to receive the majority of its assistance through tariffs. For the service sector, the tariff penalty on inputs significantly exceeds its measured budgetary assistance.

Combined assistance to industry, 2005-06 to 2010-11 $ million (nominal)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Tariff output assistance	8946.4	9215.3	9847.0	9591.9	9053.4	8659.3
Budgetary outlays	3344.3	3701.6	4411.1	3674.1	3782.8	3570.0
Tax concessions	2445.9	3103.6	3987.4	4459.6	5404.5	5443.1
Agricultural pricing assistance	141.2	124.3	120.1	0.2	0.0	0.0
Gross combined assistance	**14877.7**	**16144.9**	**18365.6**	**17725.8**	**18240.6**	**17672.4**
Tariff input assistance	-6889.3	-7387.6	-7963.4	-8254.1	-8013.2	-7898.1
Net combined assistance	**7988.4**	**8757.2**	**10402.3**	**9471.6**	**10227.4**	**9774.3**

Source: Commission estimates

Adjustment assistance to firms and industries

The Commission's estimates of budgetary assistance include measures intended to assist firms and industries adjust to changing economic circumstances. The Commission has identified 70 budgetary measures of this kind since 1996-97. Total assistance provided by these measures has amounted to around $22 billion (in current dollars). This adjustment assistance represents about 20 per cent of estimated total budgetary assistance to industry over the 16-year period. This assistance was additional to any assistance to displaced workers through the social safety net (income support and training) and negotiated company redundancy packages.

An industry perspective

Automotive industry adjustment assistance accounted for around 40 per cent in real terms of the estimated aggregate adjustment assistance paid over the period 1996-97 to 2010-11. Most of this comprises four schemes: the PMV Export Facilitation Scheme, Automotive Competitiveness and Investment Scheme (ACIS) Stage 1, ACIS Stage 2, and the most recent Automotive Transformation Scheme. Each scheme was associated with a new round of tariff reductions. The first three provided assistance in the form of import duty credits (tax revenue forgone) while the recent ATS provides grants.

Given program costs and uncertainties about efficiency, there would be merit in a detailed assessment of different adjustment assistance programs, in order for any lessons to be incorporated into future program design and delivery.

Estimated adjustment assistance to industry, 1996-97 to 2010-11

Source: Commission estimates.

In the 12 months prior to the May 2012 Budget, the Australian Government announced further budgetary assistance of over $700 million, mostly to be expended over the next five years. Most of this is directed at forestry, rural activities, R&D and innovation.

The Australian Government also announced the Clean Energy Future Plan involving budgetary support to industry over several years amounting to around $28 billion, a large part of which is compensation for the carbon price. Around $10 billion of this is for investments by the Clean Energy Finance Corporation, while a further $8.6 billion relates to the Jobs and Competitiveness Program. The Plan also includes a number of activity and industry-specific support measures, such as for the coal and steel industries.

In addition to the regular reporting of annual assistance estimates the 2010-11 *Review* included a chapter on the role and nature of adjustment assistance and examples of adjustment programs adopted by Australian Governments since 1996-97 (see above).

Trade & Assistance Review 2010-2011

> Productivity Commission Annual Report Series

> Released June 2012

Improving the role of local government as regulator

A recent Commission research report presents the findings of the first nationwide study of the impacts on business of local government regulation.

Local governments have expanded their role beyond simply providing property related services ('roads, rates and rubbish') to significant involvement in the provision of community services and the promotion of economic development and tourism. In addition to their own areas of regulation, they have assumed key regulatory and compliance responsibilities on behalf of state and territory governments.

The Council of Australian Governments (COAG) asked the Productivity Commission to examine the extent to which local government regulatory practices impose costs on business, and identify 'leading practices' for local government that would minimise these costs. The Commission released its final report in July 2012, providing the first comprehensive study of the regulatory burdens local governments place on business. The report is the latest in a series, initiated by COAG, directed at benchmarking different areas of state and territory regulation in terms of the relative burdens on business.

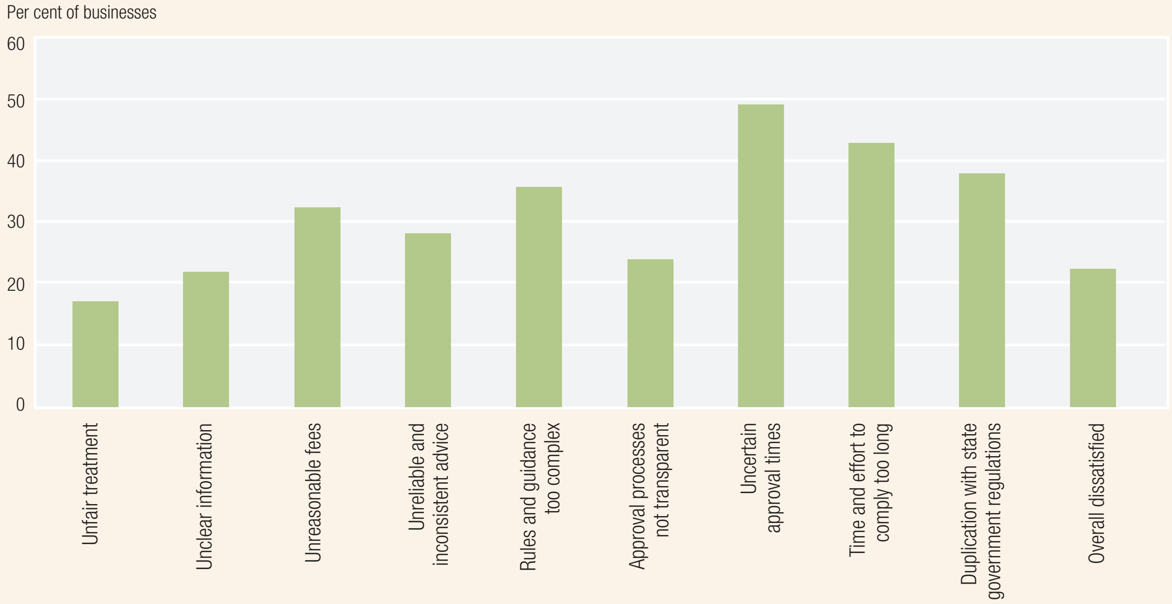
The Commission study covered 563 local governments across Australia, and focused on the particular practices used by local governments to administer regulation, as well as the structure of the relationship between state and territory governments and their respective local governments.

On the release of the report, Presiding Commissioner Warren Mundy said:
'Given the huge diversity of local governments across Australia, it is vital that higher levels of government understand the capacity of local government to deliver the desired regulatory outcomes. As local governments can inadvertently or incorrectly impose costs on business, it is important that businesses have access to well-defined dispute handling processes that allow complaints and grievances to be considered in an objective and timely manner'.

Areas of local government regulatory responsibility influencing business costs include: building and construction; parking and transport; public health and safety; food safety and liquor licensing; environment and planning, rezoning and development assessment. The Commission

There are significant areas of business dissatisfaction

Per cent of business with an issue regarding most recent regulatory dealing



Source: Productivity Commission 2012, *Performance Benchmarking of Australian Business Regulation: The Role of Local Government as Regulator,* Research Report

report noted that implementing state and territory laws, rather than local laws, dominates local governments' regulatory workload.

Due to a lack of comparable data across jurisdictions, the Commission conducted surveys of local governments in all jurisdictions and all key state and territory agencies that delegate regulatory roles to local governments. The Commission also surveyed small and medium sized businesses about their perceptions of local government, and received submissions from businesses and local governments and their representative organisations.

Business perceptions of local government regulation

Around 60 per cent of the businesses surveyed had a regulatory dealing with a local or territory government in the previous three years. While over three quarters of these businesses were satisfied overall with the way the dealing had been handled, there were also areas of dissatisfaction. Businesses in Queensland, Western Australia and New South Wales were the most likely to be unsatisfied, while businesses in South Australia and Tasmania were the most likely to be satisfied. The survey indicated that regulation of planning and land use, and building and construction, have the largest impact on business.

Regulatory capacity of local government

Local governments expressed concern about their capacity to undertake regulatory functions. Over one-third of local governments indicated that they did not have sufficient resources to undertake all their regulatory roles, and many local governments reported that their regulatory resources had diminished over the previous five years. A significant concern was that state and territory governments delegate regulatory roles without ensuring local governments have the resources and skills needed to implement them.

Reducing local government's regulatory burden on business

The Commission report identified a range of leading practices for local government that would significantly improve governance and enhance the transparency, accountability and cost-effectiveness of business-related regulation. Because many regulatory functions are devolved to local governments by the states and territories, many of ▶

these leading practices centred on what states could do to improve local government regulatory performance. These included:

- assessing the capacity of local governments to implement a particular regulation prior to devolving responsibility to them
- providing assistance to local governments to write regulations and training on how to enforce them
- developing state funded ‘flying squads’ of experts to moderate the effects of skills shortages on local government capacity
- conducting periodic reviews of local government capacities, with a view to identifying good practices or nominating areas for improvement
- developing tools to assist local governments undertake simple impact assessments
- creating model laws adhering to best practice principles for local governments to adopt
- creating incentives for local governments to collaborate and cooperate effectively.

In addition the Commission identified many leading practices that local governments could adopt within specific regulatory areas. Common themes include the effective and efficient use of cost recovery pricing, the importance of transparency and probity, and the potential to adopt more risk-based approaches to business inspections.

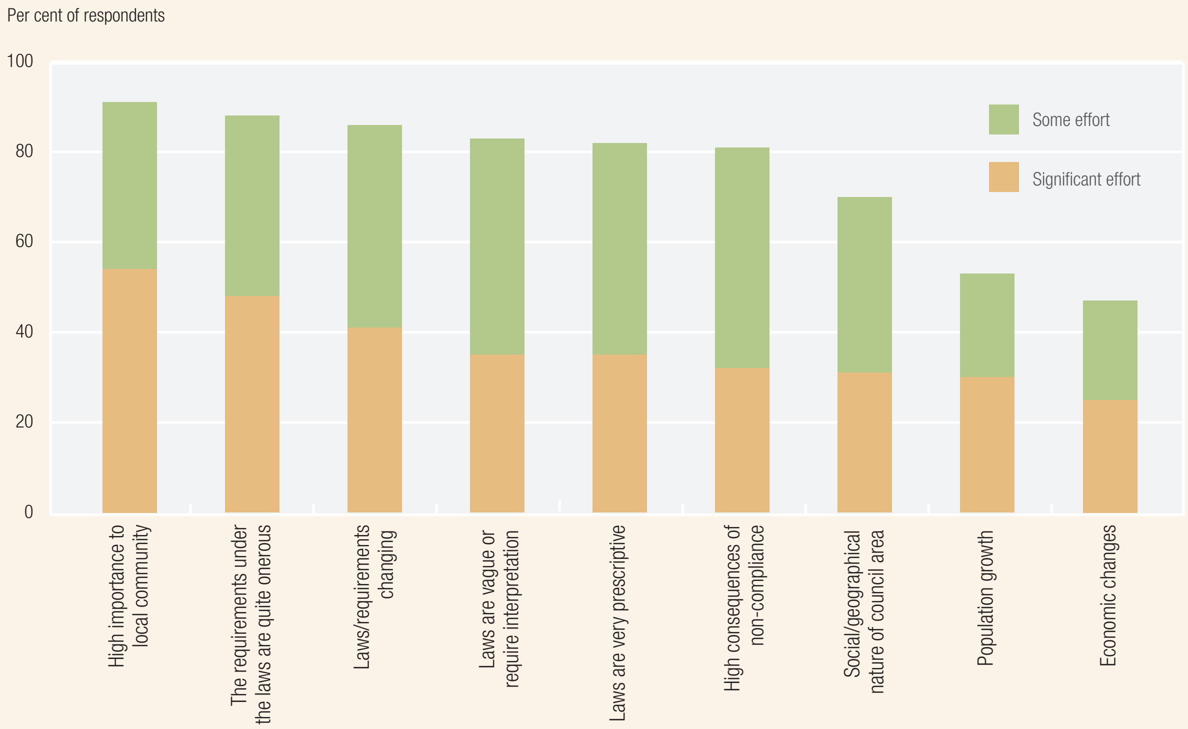
What are the lessons from overseas?

In undertaking the study, the Commission examined the regulatory practices of local government in the United Kingdom and New Zealand. Several leading practices to improve intergovernmental coordination of regulatory activities were identified, including:

- the establishment of an independent agency, such as the United Kingdom’s Local Better Regulation Office, with responsibility and powers to coordinate regulatory reforms at a local level
- the development of a list of well-defined national regulatory priorities – as exists in the United Kingdom.

A range of factors can affect the regulatory capacity of local government

Factors contributing to regulatory burdens on local governments



Source: Productivity Commission 2012, *Performance Benchmarking of Australian Business Regulation: The Role of Local Government as Regulator,* Research Report

Local government as regulator: summary of key leading practices

Building better governance and regulatory frameworks

- Establishing a comprehensive list of laws that require local governments to play a role in administration, enforcement or referral would reduce overall compliance burdens for business and facilitate a better understanding of the workloads of local governments.
- Conducting impact analysis for proposed local laws, at a level commensurate with the likely size of the impact of the proposals.
- Having a graduated review and appeal system available for matters relating to local government decisions and procedures, to provide a way for affected parties to obtain procedural fairness and a merits review of the outcome of decisions, while also reducing costs and formalities.

Building local government regulatory capacity

- State governments, by ensuring local governments have adequate finances, skills and guidance to undertake new regulatory roles, can reduce the potential for regulations to be administered inefficiently, inconsistently or haphazardly. This could be achieved by including an assessment of local government capacities as part of the regulatory impact analysis for any regulation that envisages a role for local government.
- Maintaining a short list of well-defined regulatory priorities to help ensure that local governments are devoting sufficient resources to achieving the regulatory objectives of higher levels of government.

Facilitating effective coordination

- By making optimal use of various forms of cooperation and coordination, local governments are able to achieve economies of scope and scale in resources and skills. Provisions under Western Australia's *Building Act 2011* that allow local governments to share building approval services provide an example of this.
- Resource sharing among local governments can address deficiencies in the capacity of individual local governments to discharge their regulatory functions. In particular, sharing staff resources provides local governments with access to additional skills and resources, which may assist in reducing delays for business in obtaining local government approvals and permits.
- Providing suitable state government incentives and support to address regulatory efficiency and improve outcomes from local government coordination and consolidation.

Benchmarking the performance of business regulation

In February 2006, COAG agreed to develop a framework for benchmarking, measuring and reporting on the regulatory burdens on business. The aim of the benchmarking program is to identify unnecessary compliance costs, enhance regulatory consistency across jurisdictions, and reduce regulatory duplication and overlap. As well as the report on the role of local government as regulator, the Commission has released a series of benchmarking studies:

- an assessment of performance indicators and reporting framework options (2007)
- comparisons of the quantity and quality of business regulation (2008); and the cost of business registrations (2008)
- studies of food safety regulations (2009); and occupational health and safety (2010)
- planning, zoning and development assessments (2011).

Performance Benchmarking of Australian Business Regulation: The Role of Local Government as Regulator

> Productivity Commission Research Report (2 vols)

> Released August 2012

Australia's productivity growth slump: crisis or adjustment?

The decline in Australia's productivity growth has had a number of causes, some temporary, according to a new Productivity Commission Visiting Researcher Paper.

After a record-high growth rate in the 1990s, multifactor productivity (MFP) growth in Australia fell to a more typical growth rate, and then slumped to zero in the mid- to late-2000s. According to the official 'headline' series published by the ABS, productivity actually went backwards.

Given that the 1990s productivity surge is widely seen as a dividend from economic reforms introduced over the 1980s and 1990s, there has been concern that the subsequent slump in productivity growth reflects 'reform fatigue'.

In a recent Visiting Researcher Paper, Dean Parham argues that the unprecedented extent of the productivity slump could not be a simple case of the positive influences of the 1990s petering out in the 2000s. 'In that case, a return to "normal" productivity growth (perhaps somewhere around the long-term average) might be expected. To descend to a zero or negative rate of MFP growth over a complete productivity cycle suggests that something very unusual has been happening on a large scale.'

According to Parham, the dominant new development of the 2000s has been an acceleration in input growth to a record high, fuelled at least in part by increased profits and profit expectations. At the same time, output growth remained largely unchanged.

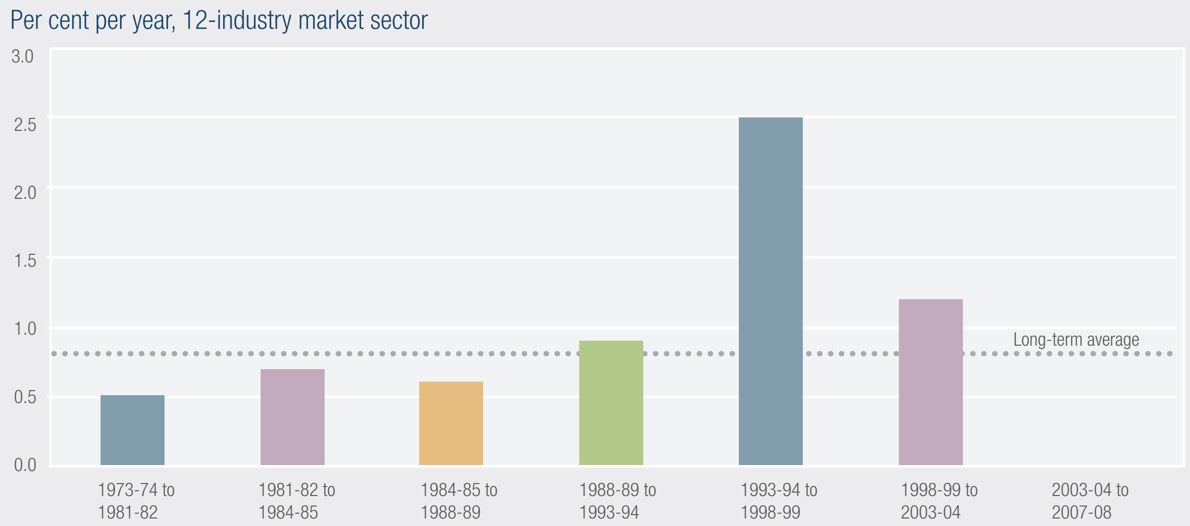
> The decline in MFP growth was associated with 'unrequited input growth' – strong acceleration in input demand that was not matched (or stimulated) by an acceleration in output growth. This is the key to understanding Australia's much poorer productivity growth.

How much has each industry contributed to the decline?

Using new methodology, the paper presents estimates of the contributions of individual industries to the fall in aggregate MFP growth.

Mining made by far the biggest contribution (40 per cent) to the additional input accumulation in the last cycle, mostly through additional investment in capital but also through additional use of labour. Mining contributed 0.4 of a percentage point to (or nearly 40 per cent of) the 1.1 percentage point slump in productivity growth over the two most recent cycles. The scale of the investment

Australia's multifactor productivity growth has fallen significantly



Source: Parham, D. 2012, *Australia's Productivity Growth Slump: Signs of Crisis, Adjustment or Both?*, Productivity Commission Visiting Researcher Paper

boom was so large that additional capital in Mining, considered in isolation, accounted for 0.6 of a percentage point decline in market sector MFP growth.

Manufacturing was next, accounting for 17 per cent of the additional growth in input use. However, the industry made the largest contribution (around 45 per cent) to the slump in MFP growth. Its contribution was so large because output growth not only fell short of additional input growth, but also fell in absolute terms over the two most recent productivity cycles.

Mining and Manufacturing were the largest contributors to the more rapid input accumulation and to the MFP growth slump.

Construction was the third largest contributor (13 per cent) to additional input growth. However, additional output growth in this sector was sufficient to offset the effect of its additional input use on market sector MFP growth. Transport, postal and warehousing provided 10 per cent of the additional input growth. It made a 0.1 percentage point smaller contribution to aggregate productivity growth in the most recent cycle, compared with the previous cycle. Agriculture contributed 9 per cent of the additional input growth. With a decline in output contribution as well, it reduced its MFP contribution by 0.3 of a percentage point. There were smaller contributions to additional input growth from Retail trade, Wholesale trade, Electricity, gas, water and waste water services (EGWWS) and Arts and recreational services.

Input growth has been fuelled by increased profits

The paper argues that Mining has increased its use of inputs in response to the much higher prices being paid for its outputs. There has not been the same growth in output for two reasons. First, there is a short to medium term effect in which capital inputs grow in mine development ahead of mine completion and commencement of saleable production. Second, there may never be additional output growth to match the additional input growth as the additional mining capacity is generally being installed to extract commodities from deposits that are harder to work (less pure, further away, deeper and so on). While there are diminishing returns in terms of the *volume* of output produced, investment in additional capacity is made worthwhile by the increased *value* of production.

Not enough is known at this point to explain why Manufacturing increased its growth in inputs while output growth fell. It may have been the result of structural pressures within the industry – some segments increasing capacity in response to ripples from the mining boom, with other segments reducing output for other reasons or as an indirect result of the mining boom due to a higher exchange rate. ▶

Industry contributions to input accumulation and MFP
Between the 1998-99 to 2003-04 and 2003-04 to 2007-08 cycles

	Input accumulation contributions		MFP growth contribution	
	pp	%	pp	%
Mining	0.69	39	-0.42	37
Manufacturing	0.30	17	-0.52	46
Construction	0.23	13	0.04	-3
Transport	0.18	10	-0.08	7
Agriculture	0.17	9	-0.25	22
Sub-total	**1.6**	**88**	**-1.2**	**110**
Retail	0.09	5	-0.13	12
Wholesale	0.08	4	-0.10	9
EGWWS	0.07	4	-0.09	8
Arts & rec	0.07	4	-0.06	6
Sub-total	**0.3**	**18**	**-0.4**	**35**
Financial & insurance	-0.01	-1	0.44	-39
Telecommunications	-0.04	-2	0.05	-5
Accom & food	-0.05	-3	0.00	0
Sub-total	**-0.1**	**-5**	**0.5**	**-45**
Market sector	**1.8**	**100**	**-1.1**	**100**

Source: Parham, D. 2012, Australia's Productivity Growth Slump: Signs of Crisis, Adjustment or Both?, Productivity Commission Visiting Researcher Paper, table 1.1

Crisis or adjustment?

The paper concludes that a large part of the productivity growth slump stemmed from adjustment pressures. These pressures have had negative effects on productivity growth that reflect 'an economy in transition' to a new *level* of productivity. The transition has been stimulated by a new set of relative prices, most notably the shift in the terms of trade. 'Normal' rates of productivity growth can be expected to return, once the transitions to new productivity levels have run their course. For the most part, these transitional effects are not of concern in terms of loss of efficiency or growth in prosperity. In the case of mining, there is a loss of productivity based on the *volume* of production, but increased prosperity based on the *value* of production.

Australia's productivity growth slump, at least to 2007-08, has had more to do with adjustment (factors that do not affect growth in prosperity) than it does 'crisis' (factors that do affect growth in prosperity). The paper notes, however, that this does not mean that other factors, such as failure to maintain or advance reforms, did not contribute to the decline in productivity growth. But such factors cannot explain the full extent of the decline in MFP growth between the last two complete productivity cycles.

Australia's Productivity Growth Slump: Signs of Crisis, Adjustment or Both?

> Dean Parham

> Productivity Commission Visiting Researcher Paper

> Released April 2012

Commission News

Richard Snape Lecture

Pascal Lamy, Director-General, WTO

The Commission's 2012 Richard Snape Lecture was presented in Melbourne on 26 November by Pascal Lamy, Director-General of the World Trade Organization. In this year's Lecture, Mr Lamy drew on his extensive international experience to discuss the future of the multilateral trading system amidst the present global economic uncertainty.

Pascal Lamy's distinguished career includes high level appointments in both the public and private sectors, as well as in academia. Prior to taking up his current position in 2004, he was Commissioner for Trade at the European Commission, and before that, CEO of Credit Lyonnais.

A published version of his speech was released at the event, and can be downloaded from the Commission's website

Pascal Lamy (left) is pictured at the Lecture with Gary Banks.

New public inquiries

Compulsory Licensing of Patents

The Australian Government has asked the Commission to undertake an inquiry into the compulsory licensing provisions in the *Patents Act 1990*. The inquiry will assess, advise and recommend on the impacts and mechanisms of compulsory licensing invoked by the Patent Act's public interest and anti-competitive safeguard.

Mineral and Energy Resource Exploration

The Commission has been asked to undertake a public inquiry into the non-financial barriers to mineral and energy resource exploration. Amongst other objectives, the Commission is to determine if there is evidence of unnecessary regulatory burden and if there is, make recommendations on how to reduce or eliminate these burdens.

National Access Regime

The Australian Government has asked the Commission to undertake a public inquiry into the National Access Regime. The Regime aims to promote the economically efficient operation of, and investment in, economically significant national infrastructure. The inquiry will also review the operation of the Competition and Infrastructure Reform Agreement (CIRA), implemented by COAG as part of the National Reform Agenda. In reporting on the Regime and the CIRA, the Commission is to examine the rational, role and objectives of the Regime, and Australia's overall framework of access regulation.

Carbon policy assistance reviews

Under the Australian Government's Clean Energy Future Package, the Productivity Commission has been assigned a range of tasks, with the central focus being reviews of the assistance to be provided under the legislation to emissions intensive trade exposed activities, the coal mining sector, and the steel industry.

In July 2012 the Commission released a Consultation Paper *Reviews of Carbon Price Impacts on Industries: The Commission's Approach*. The paper sets out the Commission's general approach to industry reviews that are sent to it under the Government Guidelines, released in June 2012, for Productivity Commission assessments of the impacts of the carbon pricing mechanism on particular industries. An earlier Consultation Paper, *Carbon Policy Assistance Reviews: the Commission's Tasks*, was released by the Commission in December 2011.

More information about the Carbon Policy Assistance project is available on the Commission's website.

On 7 December 2012 the Commission received Terms of Reference for two new commissioned studies: *Regulator Engagement with Small Business* and *Major Project Development Assessment Processes*.

More details including contact information and key dates for all current Commission projects appear on page 28 and are available at www.pc.gov.au

Commission News …continued

New APEC Development Cooperation Unit

In 2010, the Asia Pacific Economic Cooperation (APEC) forum endorsed a New Strategy for Structural Reform. As part of Australia's commitment to structural reform in the region, the Productivity Commission has been funded to establish a program for visiting APEC delegates during 2012 and 2013. Under the program, the Commission is sharing with other countries its experiences as an independent policy advisory body to government. The program provides opportunities for the exchange of ideas, experiences and institutional approaches between the Commission and relevant agencies in the Asia Pacific region.

Vietnam's Central Institute of Economic Management, Malaysia's Ministry of Finance, Indonesia's Fiscal Policy Office and China's Development Research Centre of the State Council have agreed to participate in this 'twinning' program. The delegates from these agencies are located in the Commission for an intensive five weeks. Delegates also visit other government and non-government organisations involved in their nominated areas of interest. The Commission's focus is to foster links with regional counterpart organisations by delivering sustainable and demand-driven experiences for delegates. In this regard, it has been assisted by officers from the Department of Foreign Affairs and Trade and AusAID.

Above (from left): Anthony Housego (APEC Unit Manager) and Gary Banks with the first APEC delegate, Nguyen Anh Duong, Deputy Director, Macroeconomic Policy and Integration Studies, CIEM, Vietnam.

Better Indigenous Policies: The Role of Evaluation – 2012 Commission Policy Roundtable

The Commission's 2012 policy roundtable, held at Old Parliament House in Canberra in October, examined the topic *Better Indigenous Policies: The Role of Evaluation*. The roundtable considered both the particular challenges in Indigenous policy evaluation and the actions needed to ensure that evidence gained from evaluations can be embedded in policy-making and program implementation.

Keynote addresses were presented by Frances Abele, Professor of Public Policy and Administration, Carleton University, Ottawa; and Helen Moewaka Barnes, Director of the Whariki Research Group, Massey University, Auckland. Jody Broun, Co-chair, National Congress of Australia's First Peoples gave a key note address to the roundtable dinner. The full proceedings of the roundtable will be published in early 2013.

Roundtable speakers included Les Malezer (left) (Co-chair of the National Congress of Australia's First Peoples) and Professor Deborah Cobb-Clark (Director, Melbourne Institute) pictured with Productivity Commission Deputy Chairman Mike Woods.

Roundtable speakers (from left), Matthew James (Dept of Families, Housing, Community Services and Indigenous Affairs); Helen Moewaka Barnes; Fred Chaney (Reconciliation Australia); Jody Broun; and Brian Gleeson (Coordinator General for Remote Indigenous Services).

Recent releases

December 2012

Regulatory Impact Analysis: Benchmarking
Research Report

Advancing the Reform Agenda: Selected Speeches
Gary Banks

November 2012

National Access Regime
Issues Paper

The Future of the Multilateral Trading System
Pascal Lamy
Richard Snape Lecture 2012

Productivity Policies: The 'To Do' List
Chairman's Speech

October 2012

Annual Report 2011-12
Annual Report Series

Electricity Network Regulatory Frameworks
Draft Report

Default Superannuation Funds in Modern Awards
Inquiry Report

September 2012

Strengthening Trans-Tasman Economic Relations
Discussion Draft

2012 Indigenous Expenditure Report
Steering Committee for the Review of Government Service Provision

August 2012

Regulatory Impact Analysis: Benchmarking
Draft Report

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

Compulsory Licensing of Patents
Issues Paper

COAG's Regulatory and Competition Reform Agenda: A High Level Assessment of the Gains
Research Paper

July 2012

Competition Policy's Regulatory Innovations: Quo Vadis?
Chairman's speech

Benchmarking in Federal Systems
Proceedings of joint Productivity Commission/Forum of Federations Roundtable

Reviews of Carbon Price Impacts on Industries: The Commission's Approach
Consultation Paper

Performance Benchmarking of Australian Business Regulation: Role of Local Government as Regulator
Research Report

National Partnership Agreement on Youth Attainment and Transitions
Steering Committee for the Review of Government Service Provision

Economy-wide Modelling of the Impacts of COAG Reforms: Business Regulation and VET
Supplement to Research Report

June 2012

Australia's Export Credit Arrangements
Inquiry Report

Trade and Assistance Review 2010-11
Productivity Commission Annual Report Series

May 2012

Impacts of COAG Reforms: Business Regulation and VET
Research Report

Schools Workforce
Research Report

April 2012

Barriers to Effective Climate Change Adaptation
Draft Report

Report on Government Services 2012: Indigenous Compendium
Steering Committee for the Review of Government Service Provision

Australia's Productivity Growth Slump: Signs of Crisis, Adjustment or Both?
Visiting Researcher Paper

Strengthening Economic Relations between Australia and New Zealand
Issues Paper

Productivity in Electricity, Gas and Water
Staff Working Paper

Business Regulation Benchmarking: Role of Local Government as Regulator
Draft Research Report

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

Current commissioned projects
10 December 2012

Electricity Network Regulation – *Public Inquiry*	
Issues paper released February 2012. Draft report released October 2012. Final report to Government April 2013.	Contact: Stewart Plain (02) 6240 3219 Email: electricity@pc.gov.au www.pc.gov.au/projects/inquiry/electricity

Compulsory Licensing of Patents – *Public Inquiry*	
Issues paper released August 2012. Draft report December 2012. Final report March 2013.	Contact: Alex Maevsky (03) 9653 2230 Email: patents@pc.gov.au www.pc.gov.au/projects/inquiry/patents

Mineral and Energy Resource Exploration – *Public Inquiry*	
Issues paper November 2012. Draft report May 2013. Final report September 2013.	Contact: Bill Henderson 02 6240 3216 Email: resourceexploration@pc.gov.au www.pc.gov.au/projects/inquiry/resource-exploration

National Access Regime – *Public Inquiry*	
Issues Paper November 2012. Draft report May 2013. Final report October 2013.	Contact: Andrew Barker (03) 9653 2170 Email: accessregime@pc.gov.au www.pc.gov.au/projects/inquiry/access-regime

Regulator Engagement with Small Business: Benchmarking – *Commissioned Study*	
Terms of Reference received 7 December 2012 Further information will be posted on the Commission's website	Contact: Ineke Redmond (02) 6240 3310 Email: small.business@pc.gov.au www.pc.gov.au/projects/study/small-business

Major Project Development Assessment Processes – *Commissioned Study*	
Terms of Reference received 7 December 2012 Further information will be posted on the Commission's website	Peter Garrick (03) 9653 2240 Email: majorprojects@pc.gov.au www.pc.gov.au/projects/study/major-projects

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