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## 2 Review of Commission activities and performance

### **Some highlights from 2010-11**

- published reports on a range of important topics, including international carbon policies, aged care, disability care and support, wheat export marketing, rural research and development corporations, bilateral and regional trade agreements, and the vocational education and training workforce
- governments accepted many of the Commission's findings and recommendations, particularly on bilateral and regional trade agreements, upstream petroleum regulation and reform of the not for profit sector and indicated broad support for aged care and disability reports
- completed further stages of the review of regulatory burdens on business and the benchmarking study on business regulation
- hosted a roundtable conference on sustainable population and immigration
- released inaugural Indigenous Expenditure Report and a range of reports on National Agreement performance indicators
- completed a variety of supporting research, including papers on population and migration, childhood obesity, the labour force participation of women over 45, intangible assets and productivity growth, and the links between literacy and numeracy skills and labour market outcomes

### **Some areas of focus for 2011-12**

- complete current inquiries and government-commissioned research on the Australian retail industry, urban water, the economic regulation of airport services, the workforce in schools and early childhood development, the economic impacts and benefits of COAG's reform agenda, climate change adaptation, and export financing
- continue the inter-jurisdictional benchmarking of business regulation and finalise a study on identifying areas for regulation reform and methods for evaluating reform outcomes
- provide ongoing secretariat assistance to the Steering Committee for the Review of Government Services, including further implementation of COAG review recommendations
- prepare for new role in undertaking industry reviews and other functions as part of the Government's Clean Energy Future Plan

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## Overview

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. Consistent with the objective of raising national productivity and living standards, its remit covers all sectors of the economy. The Commission's work extends to the private and public sectors, including areas of state, territory and local government, as well as federal responsibility.

The Productivity Commission was formed in 1998 from an amalgamation of the Industry Commission, Bureau of Industry Economics and the Economic Planning Advisory Commission. Details of its role, functions and policy guidelines were outlined in the Productivity Commission's first annual report (PC 1998a).

The Commission is expected to contribute to well-informed policy making and public understanding on matters related to Australia's productivity and living standards. Its work is based on independent and transparent analysis that takes a community-wide perspective, beyond the interests of particular industries or groups. It often deals with contentious and complex issues where the potential long-term pay-off for the nation from better informed policy making is high.

The outcome objective designated for the Productivity Commission is:

Well-informed policy decision making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

The Commission, in pursuing this objective, is active in four broad work streams:

- government-commissioned projects
- performance reporting and other services to government bodies
- competitive neutrality complaints activities
- supporting research and activities and statutory annual reporting.

The breadth and volume of the Commission's work are indicated by the reports published in 2010-11 (box 2.1). They included government-commissioned inquiries and studies on such diverse topics as international carbon policies, aged care, wheat export marketing, bilateral and regional trade agreements, rural research and development corporations and the vocational education and training workforce.

The diversity of topics in the Commission's work program is also apparent in the range of its ongoing work. This includes inquiries and studies on the retail sector,

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## Box 2.1 Commission publications in 2010-11

### ***Public inquiries (draft reports)***

Rural Research and Development Corporations

Disability Care and Support

Caring for Older Australians

Australia's Urban Water Sector

### ***Public inquiries (final reports)***

Wheat Export Marketing Arrangements

Caring for Older Australians

Rural Research and Development Corporations

### ***Government-commissioned research studies (draft reports)***

Bilateral and Regional Trade Agreements

Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments

Vocational Education and Training Workforce

### ***Government-commissioned research studies (final reports)***

Impacts and Benefits of COAG Reforms: Reporting Framework

Vocational Education and Training Workforce

Annual Review of Regulatory Burdens on Business — Business and Consumer Services

Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments

Bilateral and Regional Trade Agreements

### ***Chairman's published speeches***

Successful Reform: Past Lessons, Future Challenges

### ***Annual report suite of publications***

Annual Report 2009-10

Trade & Assistance Review 2009-10

### ***Submissions***

Submission to the Rural Research and Development Council

Submission to the Taskforce on the Sustainable Population Strategy for Australia

### ***Conference/workshop proceedings***

A 'Sustainable' Population? — Key Policy Issues

### ***2010 Richard Snape Lecture***

The Challenges for Trade Policy in a Dynamic World and Regional Setting: An Indonesian Perspective (Dr Mari Pangestu)

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**Box 2.1 (continued)****Performance reporting**

Report on Government Services 2011: education, justice, emergency management, health, community services and housing

Report on Government Services 2011: Indigenous compendium

National Agreement performance information 2009-10: National Healthcare Agreement

National Agreement performance information 2009-10: National Affordable Housing Agreement

National Agreement performance information 2009-10: National Disability Agreement

National Agreement performance information 2009-10: National Indigenous Reform Agreement

National Agreement performance information 2010: National Agreement for Skills and Workforce Development

National Agreement performance information 2010: National Education Agreement

Data gaps in education and training National Agreement reports: 2009

National Partnership Agreement on the Elective Surgery Waiting List Reduction Plan: Period 2 performance report

National Partnership Agreement on the Elective Surgery Waiting List Reduction Plan: Period 3 performance report

National Partnership Agreement on Essential Vaccines: 1 April 2009–31 March 2010 performance report

National Partnership Agreement on Essential Vaccines: 1 April 2010–31 March 2011 performance report

2010 Indigenous Expenditure Report

Expenditure Data Manual: 2010 Indigenous Expenditure Report

Service Use Measure Definitions Manual: 2010 Indigenous Expenditure Report

**Commission Research Papers**

Population and Migration: Understanding the Numbers

**Staff working papers**

Investments in Intangible Assets and Australia's Productivity Growth: Sectoral Estimates

Childhood Obesity: An Economic Perspective

Links Between Literacy and Numeracy Skills and Labour Market Outcomes

Labour Force Participation of Women Over 45

urban water, airport regulation, and the schools and early childhood education workforce.

The Commission continues to assist all Australian governments and COAG through a mix of standing research responsibilities and specific projects. In the current year, it continued to provide secretariat, research and report preparation services to the Steering Committee for the Review of Government Service Provision in respect of reporting annual performance information on National Agreements to the COAG Reform Council, and provided secretariat, research and report preparation services to the Indigenous Expenditure Steering Committee in respect of the first report on

expenditure on services to Indigenous Australians. (The ROGS Steering Committee has since assumed responsibility for this report.) Specific projects undertaken to assist policy development across jurisdictions in the year included the study on benchmarking business regulation in the areas of planning, zoning and development assessments, to assist the work of the COAG Business Regulation and Competition Working Group, and the inquiry into Australia’s urban water sector to assist COAG in advancing urban water reforms.

## Year in review

The Productivity Commission’s role in informing public policy development and community understanding on key issues influencing Australia’s productivity and living standards is pursued through four main work streams. The principal developments in these activities during 2010-11 are outlined below.

### Public inquiries and other commissioned studies

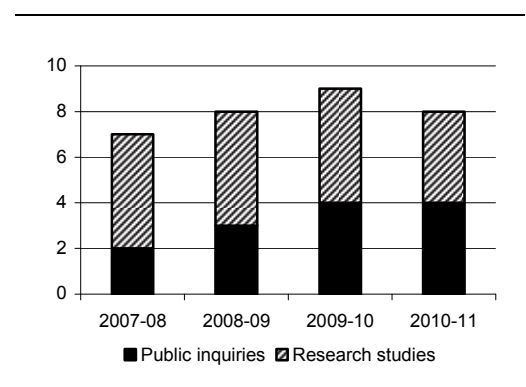
The Commission had seven public inquiries and nine commissioned research studies underway at some time during 2010-11. In addition to completing nine references from the previous year, it received seven new projects, maintaining the breadth of policy coverage evident in recent years (figure 2.1).

The Commission completed three inquiries commenced in the previous financial year: on wheat export marketing arrangements, rural research and development corporations and aged care. A fourth inquiry, on disability care and support, was also commenced in the previous financial year and completed in July 2011.

Three new inquiries commenced in 2010-11.

- An inquiry into Australia’s urban water sector commenced in July 2010. It considered opportunities for efficiency gains in the structural, institutional, regulatory and other arrangements that govern the sector. In addition to identifying possible options for reform in the sector, the Commission was also asked to develop implementation plans for these options. This includes practical actions that the Commonwealth, state and territory governments and local councils can undertake to implement options for reforms, including any transitional arrangements; priority areas where greatest efficiency gains are

**Figure 2.1 References on hand**  
Number at 30 June



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evident and where early action is practicable; and quantitative and qualitative indicators for efficiency gains in the urban water and waste water sectors.

- In December 2010 the Assistant Treasurer asked the Commission to conduct an inquiry into the current economic regulation arrangements for airport services. In undertaking the inquiry, the Commission will make recommendations in relation to the future regulation and monitoring of services and the scope and mechanisms for greater transparency and accountability in airport infrastructure provision and services.
- In December 2010 the Assistant Treasurer, the Minister for Broadband, Communications and the Digital Economy, the Minister for Home Affairs and Justice and the Minister for Small Business announced that the Commission would undertake an inquiry into the economic structure and performance of the Australian retail industry. The Commission was requested to examine a range of issues including the current structure, performance and efficiency of the sector; drivers of structural change; broader issues which are contributing to an increase in online purchasing by Australian consumers; sustainability and appropriateness of the current indirect tax arrangements; and any other regulatory or policy issues which impact on structural change in the sector.

During 2010-11 the Commission finalised five government-commissioned research studies commenced in the previous year:

- a twelve month study on bilateral and regional trade agreements, which was released in November 2010
- the fourth stage of the regulatory burdens on business stream of studies, looking at business and consumer services, which was released in October 2010
- the fourth stage of the benchmarking study on business regulation, on planning, zoning and development assessments, which released its final report in April 2011
- an initial framework report on the impacts and benefits of COAG reforms, which was released in December 2010
- a study of the vocational education and training workforce, which commenced in April 2010 and was completed in April 2011.

The Commission also received a request for, and completed during the year (in six months), a research study documenting and quantifying carbon policies in Australia and other selected countries.

A further three new research studies were started during the year which are ongoing: an extension of the regulatory burdens studies; and the second and third

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stages of a series of studies on the education and training workforce, looking at the workforces in early childhood development and schools.

Further information on public inquiries and commissioned research studies undertaken during 2010-11 and government responses to the Commission's reports is provided in appendices C and E.

## **Performance reporting and other services to government bodies**

The Commission has provided secretariat services to the Steering Committee for the Review of Government Service Provision since the Review's commencement in 1993. The collaborative efforts of more than 80 Commonwealth, State and Territory government agencies contribute to the Steering Committee's three major outputs: the Report on Government Services; the Overcoming Indigenous Disadvantage report; and collating performance data under the Intergovernmental Agreement on Federal Financial Relations for the COAG Reform Council.

### *Report on Government Services*

The *Report on Government Services 2011* was the sixteenth in this series. The Report provides comparative information on the performance of 14 government service delivery areas that contribute to the wellbeing of Australians — spanning early childhood, education and training, health, justice, community services, emergency management, housing and homelessness. The services covered in the 2011 Report collectively account for \$150 billion of government recurrent expenditure, equivalent to over 12 per cent of gross domestic product. A separate *Indigenous Compendium* was also published, providing a more accessible collation of data from the Report relating to the delivery of services to Indigenous Australians.

The Review strives for continuous improvement. The 2011 Report included new indicators for primary and community health, health management issues, aged care services, services for people with disability, and protection and support services, and improved reporting on aspects of children's services, school education, vocational education and training, police services, court administration, emergency management, public hospitals, and housing.

At its meeting on 7 December 2009 COAG agreed to the recommendations of a review of the RoGS by a Senior Officials and Heads of Treasuries Working Group. The review examined the ongoing usefulness of the RoGS to its government, non-government and community stakeholders. Developments arising from the review will be implemented over the next three editions.

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The review noted:

- the central role of the RoGS in reporting comparative information on government performance
- the RoGS' original role as a tool for government had been complemented by a public accountability function
- the preponderance of submissions to the review were very supportive of the RoGS, but noted scope for improvement in the comparability, timeliness, and quality of performance data
- some submissions suggested the RoGS' scope be expanded to include government services that are not currently reported.

### *Overcoming Indigenous Disadvantage: Key Indicators*

The *Overcoming Indigenous Disadvantage: Key Indicators* series of reports was commissioned by COAG in April 2002, as part of COAG's reconciliation commitment. COAG set two core objectives for this reporting:

- to inform Australian governments about whether policy, programs and interventions are achieving improved outcomes for Indigenous people
- to be meaningful to Indigenous people themselves.

Five editions of the report have been released, in November 2003, July 2005, June 2007 and July 2009 and August 2011. The then Prime Minister acknowledged the importance of the report when he issued revised terms of reference in March 2009:

Since it was first established in 2003, the OID report has established itself as a source of high quality information on the progress being made in addressing Indigenous disadvantage across a range of key indicators. The OID report has been used by Governments and the broader community to understand the nature of Indigenous disadvantage and as a result has helped inform the development of policies to address Indigenous disadvantage.

The 2011 edition was released in August. It showed that many Indigenous people have shared in Australia's economic prosperity, with increases in incomes and home ownership. There have also been reductions in avoidable mortality and improvements in some education and health outcomes for Indigenous children. However, even where improvements have occurred, Indigenous people continue to have worse outcomes than other Australians, and many indicators have shown little or no change. In some key areas, particularly criminal justice, outcomes for Indigenous people have been deteriorating.



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### *National Agreement reporting*

In November 2008, COAG endorsed a new Intergovernmental Agreement on Federal Financial Relations (IGA). Under the reforms, six National Agreements clarify the respective roles and responsibilities of the Commonwealth and the states and territories in the delivery of services. Each Agreement contains the objectives, outcomes, outputs and performance indicators for each sector. The performance of all governments in achieving mutually agreed outcomes and benchmarks specified in each National Agreement will be monitored and assessed by the COAG Reform Council (CRC).

COAG has requested that the Steering Committee provide to the CRC the agreed performance information for the CRC to undertake its assessment, analytical and reporting responsibilities. The IGA states that the Steering Committee's role is 'overall responsibility for collating the necessary performance data' for National Agreements. The IGA further specifies that 'the Steering Committee will comment on the quality of the performance indicator data using quality statements prepared by collection agencies'. The Steering Committee has also collated data for selected National Partnership Agreements to assist the CRC. In addition, the Chair of the Heads of Treasuries Committee on Federal Financial Relations (HoTs Committee) has requested the Steering Committee to bring together information on data gaps in the performance reporting framework, and report back to the HoTs Committee.

Two 'tranches' of reports from the Steering Committee to the CRC are required:

- by end-June on the education and training sector (National Education Agreement and National Agreement for Skills and Workforce Development)
- by end-December on the healthcare, affordable housing, disability and Indigenous reform sectors (remaining four National Agreements).

The third cycle of the first tranche of reporting, delivered to the CRC on 30 June 2011, included:

- specifications for all performance indicators in the National Education Agreement and the National Agreement for Skills and Workforce Development
- specifications for education and training performance indicators in the National Indigenous Reform Agreement
- data for the 2010 calendar year (or most recent reporting year available).

The second cycle of the second tranche of reporting, delivered to the CRC on 23 December 2010, included:

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- specifications for all performance indicators in the National Healthcare Agreement, National Affordable Housing Agreement, National Disability Agreement and the National Indigenous Reform Agreement
  - data for the reporting period of the 2009-10 financial year (or most recent reporting year available).

The Steering Committee was asked by the Heads of Treasuries Committee to draw together information on data gaps in the National Agreement performance reporting. The Steering Committee's report provided an update on data gaps in the National Education Agreement and the National Agreement for Skills and Workforce Development, including:

- performance indicators that do not provide adequate/appropriate measures for reporting against associated outcomes
- performance indicators where no data are available, including for the baseline year
- performance indicators where there are issues of statistical reliability.

Data collation for selected NPs draws on the direct wording of those agreements and the CRC's associated performance matrix. The four Steering Committee reports covered two NPs, Elective Surgery and Essential Vaccines.

### *Indigenous Expenditure Report*

In 2007, COAG agreed to the reporting of Indigenous expenditure and the Productivity Commission assumed secretariat responsibilities from November 2008. A Stocktake Report, including an overview of the intended method and future development process, was endorsed by COAG in July 2009.

The inaugural *Indigenous Expenditure Report* was released on 28 February 2011. It provided, for the first time, comprehensive and comparable information on expenditure by the Australian, State and Territory Governments on Indigenous specific services as well as the estimated Indigenous share of mainstream services. Data were for 2008-09. The *Report* was supported by two companion manuals which documented in detail the methods, data sources and interpretation issues underpinning the estimates.

In February 2011 COAG transferred responsibility for the Indigenous Expenditure Report to the Steering Committee for the Review of Government Service Provision. The Productivity Commission continues to provide secretariat services.

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A supplement to the *2010 Indigenous Expenditure Report*, which provides estimates of Australian Government expenditure by state and territory, was released on 15 September 2011. This supplement complements the 2010 Report and enables the estimation of the total government resources committed in each state and territory.

### **Competitive neutrality complaints activities**

The Productivity Commission administers the Australian Government's competitive neutrality complaints mechanism. Competitive neutrality seeks to ensure that government businesses do not have advantages (or disadvantages) over private sector counterparts simply by virtue of their public ownership.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) operates as a separate unit within the Commission. Its function is to receive and investigate complaints and provide advice to the Treasurer on the application of competitive neutrality arrangements. The Office received six formal written complaints in 2010-11. Details of the complaints and actions taken by the AGCNCO are detailed in appendix D.

The Office also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2010-11, the Office provided advice twice a week, on average, to government agencies or in response to private sector queries.

Details of the advisory and research activities of the AGCNCO are reported in appendix C.

### **Supporting research activities and annual reporting**

The Commission is required under its Act to undertake research to complement its other activities. It must also report annually on these matters, including on the effects of assistance and regulation, and has a wider information role in promoting public understanding of the trade-offs involved in different policy approaches, and how productivity and the living standards of Australians can be enhanced.

The development of themes and projects for the Commission's program of supporting research is guided by government statements on policy priorities, including potential commissioned work; parliamentary debate and committee work; and consultations with Australian Government departments, business, community and environmental groups, union bodies and academics.

In 2010-11 the Commission's supporting research program covered a range of economic and social topics. This included work on productivity and its

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determinants; labour markets; population; and childhood obesity (box 2.1). Several papers connected to the Commission's statutory annual reporting requirements were also published.

Further information on the Commission's supporting research activities and publications in 2010-11 is provided in appendix F. This also details the 94 presentations given by the Chairman, Commissioners and staff during the year to ministerial councils, industry and community groups, and conferences. These presentations covered the gamut of the Commission's inquiry, research and performance reporting work (table F.1). The Commission briefed 38 international delegations and visitors during 2010-11, with a focus on the Commission's role and activities and related policy matters (table F.2).

## **Transparency and public consultation**

A central feature of the Commission is the scope its processes provide for people to participate in and scrutinise its work. These open and consultative processes are integral to its operation. They ensure that the Commission's research and policy advice draw on public input and are tested publicly in advance.

### **Open inquiry procedures**

The Commission's public hearing process, public access to the submissions made to its inquiries and the publication of draft and final inquiry reports are among the better known aspects of its operations. During the course of its public inquiry activities in 2010-11, the Commission met with more than 360 organisations or groups, held 45 days of public hearings, and received around 2390 submissions.

The Commission has adapted its processes to suit the variety of research studies commissioned by the Government. These studies require less formal public interaction than inquiries, but the Commission nevertheless provides opportunities for participants or experts to comment on its analytic frameworks and preliminary findings and, where applicable, draft recommendations. For example, the Commission received around 350 submissions to these studies in 2010-11, with many visit programs and targeted roundtable discussions to engage with key participant groups on the issues of concern to them.

The nature of the Commission's consultative and transparent processes in the past year is illustrated in box 2.2. These included some innovations to ensure that the views and experiences of a diverse range of stakeholders could be taken into account.

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### **Box 2.2 Participative and transparent processes: two examples**

The Commission seeks to maximise public participation in, and transparency of, its inquiries and commissioned research studies. For example:

- In conducting its inquiry into *Disability Care and Support*, the Commission embarked on an extensive round of informal consultations to help it understand the key issues and to become aware of the most appropriate ways of engaging with people with different disabilities. In May 2010, the Commission released several inquiry documents in different formats, and an online Auslan presentation, to help people and organisations provide their views to the Commission. These included a full issues paper; a short set of questions addressing the main issues for people wanting to provide a personal response based on their personal experiences (perhaps made in confidence); a short Auslan presentation of the key questions and a text version of the Auslan presentation which was placed on the inquiry website; and an Easy English version of the key issues was also made available. Accompanying this material was a circular that advised participants about the different means by which they could make their views known to the Commission.
- In conducting its benchmarking study on *Planning, Zoning and Development Assessments*, the Commission drew on submissions, as well as broad consultation with business, private sector developers and retailers, state and territory planning agencies, local councils and the wider community to identify those differences in state and territory planning systems that warranted benchmarking. The Commission also sought additional information and undertook additional consultation such as by surveying state and territory planning agencies, local councils, 'greenfield developers', retailers and a broad cross section of businesses and the community.

### **Enhancing its own research capabilities**

The Commission continues to involve outside policy advisers and researchers in its work. Roundtables, workshops and other forums provide valuable opportunities to utilise wider sources of expertise in its inquiries and research. From time to time the Commission also utilises specialist external expertise.

In March 2011 the Commission held a Roundtable on the topic 'Sustainable Population? — Key Policy Issues'. Participants included government officials, academics, consultants and representatives of non-government organisations. Keynote addresses were presented by Professor Barry Chiswick from the Columbian College of Arts and Sciences, George Washington University, and Distinguished Professor Richard Arnott from the University of California, Riverside. Papers were initially made available on the Commission's website and the proceedings were subsequently published.

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The Commission also has an active seminar program involving external experts on a range of policy issues relevant to its work. These seminars are intended to bring new ideas and stimulate debate within the Commission, as well as to foster networks with academic and other experts of relevance to the Commission's work.

The Commission's Visiting Researcher Program seeks to attract established researchers with an outstanding research record in areas related to its priority research themes and activities. Visiting Researchers contribute to both the work and intellectual life of the Commission.

## **Research collaboration**

The Commission continued to participate in collaborative research projects with academic institutions in 2010-11. The projects involved:

- the National Centre for Social and Economic Modelling (NATSEM, University of Canberra) to develop models to strengthen the analytical framework for policy review and development
  - a broadly-based health sector model, to enable policy makers to assess the distributional consequences of a variety of health policy changes (other partner organisations comprise the NSW Health Department, the Health Insurance Commission, the ABS and the AIHW)
  - a dynamic population microsimulation model, with the capacity to track the future distributional and revenue consequences of changes in tax and outlay programs and thereby aid policy development in the context of Australia's population ageing challenge (other partner organisations include the ABS, Centrelink and ten Australian Government departments)
- the Australian National University on services trade reform, involving new empirical estimates of barriers to services trade and expanding cross-sectional datasets on regulatory barriers to trade that can be applied in the analysis of the potential benefits of reform and to trade policy negotiations
- the University of New South Wales and the University of British Columbia (Vancouver) on tackling problems in productivity measurement in infrastructure, services and research and development (other partner organisations were the ABS and the Reserve Bank of Australia).

The Commission is also a member of the Global Trade Analysis Project (GTAP) Consortium based at Purdue University in the United States. Membership gives the Commission early access to database updates needed in its research, as well as priority access to model training and input to the future direction of model and database development. The Commission is represented on the GTAP advisory

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board, providing direction to the project along with 24 other international institutions.

## **Research networks and linkages**

The Commission has linkages, domestically and internationally, to research and other organisations through the involvement of Commissioners and staff in research alliances and participation in working groups and forums. For example:

- The Commission's Chairman, Gary Banks, is a member of the Advisory Board of the Melbourne Institute of Applied Economic and Social Research and serves on the Board of Advisory Fellows for the Regulatory Institutions Network (RegNet) at the Australian National University. He is on the judging panel for the BHP Billiton/Reconciliation Australia 'Indigenous Governance Awards'. He also is a member of the speaker faculty for the Melbourne Business School's Public Policy Series. He is a National Fellow of the Institute of Public Administration Australia (IPAA) and a Fellow of Monash University. In 2010 he was elected a Fellow of the Academy of Social Sciences in Australia (ASSA).
- A number of Commissioners are also members of various advisory boards and committees, including university and non-profit organisations. For example, Robert Fitzgerald serves on the Queensland University of Technology's Centre for Philanthropy and Nonprofit Studies Advisory Board, and the Australian Catholic University Community Engagement Advisory Committee. Dr Wendy Craik serves on the Boards of the WorldFish Center and the Australian Rural Leadership Foundation. Louise Sylvan is Deputy President of the Council of the Medical Foundation of the University of Sydney, and also serves on the Board of the Diplomacy Training Program established by The Hon Jose Ramos Horta. Philip Weickhardt is currently Chairman of Earthwatch Institute, a not-for-profit organisation which contributes to scientific research on environmental issues. He is also on an advisory board for Anglo American in Australia, and does some teaching for Melbourne Business School in the executive education area. Dr Warren Mundy is currently the Deputy Chair of Airservices Australia and a member of the Joint NSW-Commonwealth Government Steering Group overseeing the development of the Aviation Strategic Plan for Sydney.
- The Commission is part of a research consortium, comprising the US National Bureau of Economic Research and several Asian research institutes, which arranges the annual East Asian Seminar on Economics. The 22<sup>nd</sup> East Asian Seminar on Economics was held in Beijing in June 2011. Commission research on productivity and the trade and investment effects of preferential trading arrangements has featured in previous seminars.

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- The Commission's Chairman and senior staff have also participated in the East Asian Bureau of Economics Research's 'Public Sector Linkages Project'. This project, involving representatives from leading policy research institutes throughout East Asia, held a series of international meetings concerned with the development of better institutional foundations for structural reform in countries in the region.
  - Staff members are also involved in a range of other research networking activities. For example, members of staff served on a range of bodies including the ABS Productivity Measurement Reference Group, the ABS Analytical Reference Group and the OECD Working Party on Industry Analysis.

### **Informing and communicating via the internet**

Internet technology has facilitated speedier and easier notification of developments in Commission inquiries, and community access to its research outputs. The Commission places submissions to inquiries on its website as soon as possible after receipt, enabling public scrutiny of the views and analysis being put to it. Transcripts of public hearings, draft reports and position papers, inquiry circulars and final inquiry reports (when released by the Government) are also all posted on the website.

The Commission's website provides ready access to its other outputs — research publications, Commission submissions to other review bodies, key speeches by the Chairman, competitive neutrality complaints reports, benchmarking studies and reports arising from its secretariat work for the Review of Government Service Provision. The website facilitates on-line registration of people's interest in participating in individual inquiries and studies and in receiving updates on more general developments. An email alert service currently notifies more than 1500 recipients of significant events, including report releases and the commencement and completion of inquiries. Additional email alerts are also sent to Commonwealth parliamentarians, the media, government departments and contacts in the states and territories.

In the 12 months to June 2011, there were more than 265 000 external requests for the index pages of inquiries and government-commissioned research studies current in 2010-11. The projects of most interest were the inquiries on aged care (68 129 requests), disability support (67 670 requests) and urban water (20 169 requests), and the research study on carbon emissions reduction policies (22 448 requests). Other heavily accessed web pages were for the 2010 and 2011 Reports on Government Services (18 328 and 20 293 requests, respectively) and the 2009



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Overcoming Indigenous Disadvantage report (17 815 requests). Speeches by the Commission's Chairman attracted more than 36 000 requests.

Even after an inquiry or research study is completed, community interest can remain high. For example, during the year, the web pages for the Commission's 2009 inquiry on Australia's gambling industries received over 25 000 requests; the Commission's 2009 inquiry on Paid Parental Leave received over 11 500 requests; and the 2010 study of the contribution of the not-for-profit sector received over 16 000 requests.

The Commission's website received over 14 million file requests from external users in 2010-11 (figure 2.2).

## Feedback on the Commission's work

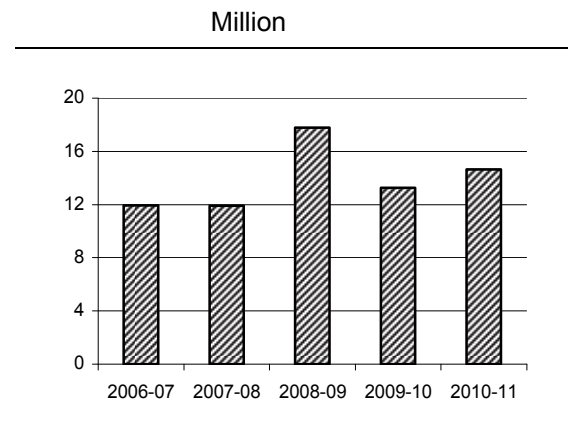
The Commission monitors reaction to, and seeks feedback on, its work in order to improve its performance and its contribution to public understanding and policy making. The results of past surveys were reported in previous annual reports and cover external perceptions about the quality of the Commission's inquiry processes and reports, its reporting on the

financial performance of government trading enterprises and the quality and usefulness of its supporting research program. The rolling program of surveys complements the feedback received through comments and submissions on draft reports, position papers, workshop papers and the views expressed during public hearings and consultations on its research program.

In June 2007 the Commission undertook a major survey of the quality and readability of its reports in order to identify areas in which its performance could be enhanced. Results from this survey were reported in detail within the 2006-07 Annual Report. The Commission has used the findings of this and earlier surveys to develop an improved framework for engaging with and responding to the range of potential participants in its work. As part of this process it has been giving attention to how it presents its analysis and conclusions, and to the readability of its reports.

In addition to its rolling program of surveys, the Commission monitors less formal sources of feedback on the public record. Views expressed about the value of the Commission's processes and the quality of its outputs can reflect agreement with, or

Figure 2.2 Website hits



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opposition to, specific pieces of Commission analysis or advice. Nevertheless, the examples in box 2.3 illustrate the breadth of support for the Commission's contribution.

The Commission systematically offers recipients of its reports and users of its website the opportunity to provide feedback. The Commission's website has provision for sending comments via email and an on-line survey form and the Commission provides a publication feedback card in reports for mailing comments.

The Commission also provides an opportunity for people attending its public hearings to express their views on the organisation and the conduct of hearings. The number of participants providing feedback through these mechanisms nevertheless remains low: less than 50 respondents in total in 2010-11. Most of the feedback was positive. Feedback is in turn forwarded to authors, inquiry teams and management for consideration and action, where required.

## **Policy and wider impacts**

All of the Commission's activities are directed at meeting the policy needs of government or otherwise fulfilling statutory requirements. The outcome objective against which the Commission's overall performance is assessed is:

Well-informed policy decision making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

Assessment of the Commission's performance is complicated by it being one contributor among many to any policy outcome. Even when its specific recommendations are not supported by government, the Commission can play a significant role in helping governments, parliaments and the community understand the trade-offs in different policy choices. Furthermore, as the Commission's public inquiry and research outputs contribute to public debate and policy development across a range of complex and often contentious issues, its contribution is best considered over the medium term. (These and other considerations in assessing the Commission's overall performance and across each of its four main activity streams are discussed in appendix C.)

Notwithstanding the difficulties inherent in measures of performance assessment, the influence of the Commission's work is reflected in a range of indicators, including government policy decisions that draw on its analysis and recommendations, and the use of Commission work in policy debate by federal and state parliamentarians, government agencies, other review bodies, business and community groups and the media.

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### Box 2.3 Support for Commission activities: some recent examples

During the year the Assistant Treasurer, the Hon. Bill Shorten, asked the Commission to undertake inquiries and studies on a range of topics, including inquiries into urban water, airport regulation and Australia's retail industry. In June 2011 he stated that the Commission would also be asked to conduct an inquiry into default superannuation funds prior to the introduction of the MySuper reforms in July 2013.

In November 2010 the Minister for Climate Change and Energy Efficiency, the Hon. Greg Combet, discussed the Commission's work on carbon pricing, stating:

I think we need to get as much rigour into that sort of analysis as possible and that's why we are going to the Productivity Commission to do it. (Combet 2010)

In July 2011, the Government announced several significant new tasks for the Commission as part of its *Clean Energy Future Plan*. This includes reviews of industry assistance under the Jobs and Competitiveness Program and the Coal Sector Jobs Package; reviews of the impact of the carbon price on industry; continued reporting on actions by other countries to reduce carbon pollution; and a review of fuel excise arrangements (Australian Government 2011a).

During the year COAG identified several further areas where Commission projects would assist it with its work, including a request by the Australian Government, with the agreement of COAG's Business Regulation and Competition Working Group, to examine the role of local government as a regulator; and a commitment to develop terms of reference for a future benchmarking review of regulation impact assessment processes.

The Federal Opposition proposed a number of tasks for the Commission during the year, including that it be reshaped as the Productivity and Sustainability Commission and inquire into and recommend future population policies; have its mandate broadened to include the regular consideration of immigration policy; conduct a comprehensive cost benefit analysis of the National Broadband Network; undertake an inquiry into foreign ownership of agricultural land in Australia; and undertake a comprehensive study of the economic consequences of the Murray Darling basin plan.

In its latest trade policy review of Australia, the World Trade Organisation stated:

Australia's trade policy framework continues to be characterized by an unusually high degree of transparency. This involves rigorous economic analysis undertaken by government institutions and independent advisory bodies (notably the Productivity Commission). (WTO 2011)

A number of policy analysts and newspaper editorials during the year variously advocated that the Commission be asked to undertake reviews on a wide range of topics, including defence procurement; public service costs; dairy market competition; flexible working arrangements; climate change adaptation; pharmacy ownership and location rules; private health insurance; taxation reform; and small business finance.

In its 2010 Economic Survey of Indonesia, the OECD suggested that Indonesia give further consideration to the creation of an independent productivity commission (OECD 2010d).

Details are provided in appendix C.

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## **Influence on government policy-making**

Government decisions in response to the Commission's inquiry reports and commissioned research studies provide a tangible indication of their usefulness to the Government, Parliament and the broader community.

During the year, the Australian Government announced the following decisions on Commission reports.

- In April 2011 the Australian Government released a Trade Policy Statement which provided detailed responses to the Commission's report on Bilateral and Regional Trade Agreements. It stated that:

The Productivity Commission's report into bilateral and regional trade agreements released in late 2010 has been closely considered in the preparation of this review, and its policy positions are highly consistent with the Productivity Commission's recommendations. (Australian Government 2011c, p. 16)

The Government accepted nine of the ten recommendations in the Commission's report. The Government agreed in part to the outstanding recommendation, but did not agree with the Commission's view that an independent and transparent assessment of the final text of agreements should be commissioned and published at the conclusion of negotiations, but before an agreement is signed.

- On 10 August 2011 the Australian Government provided an initial response to the Commission's report on Disability Care and Support (Gillard et al. 2011). The response supported 'the Productivity Commission's vision for a system that provides individuals with the support they need over the course of their lifetime, and wants reform of disability services that is financially sustainable.' It also stated that:

In line with the Productivity Commission's recommendations, the Government, with the States and Territories, will start work immediately on building the foundations for reform. We will:

- Deliver an immediate, additional \$10 million, consistent with the PC recommendations, to support this technical policy work;
- Move to establish a COAG Select Council of Ministers from the Commonwealth, States and Territories to lead reform in this area at COAG next month;
- Take steps to establish an Advisory Group to the Select Council, led by Dr Jeff Harmer, to provide expert advice on delivering the foundations for reform and preparation for launch. (Gillard et al. 2011)

The response stated that, in line with Commission recommendations, work on technical policy work would include development of common assessment tools to determine eligibility for support; development of service and quality

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standards; development of a national pricing structure; and capacity building in the disability sector, including in relation to the workforce.

- The Australian Government released a preliminary government response to the Commission's report on Rural Research and Development Corporations on 15 June 2011. The response stated that, while the Government acknowledged that improvements can be made to the RDC model, it would not adopt the Commission's recommendation to halve the cap on government matching contributions to RDCs in conjunction with the introduction of a new subsidy above the cap. The Government also stated that it would develop a more detailed final response to the report.
- On 25 May 2011, the Hon. Martin Ferguson, Minister for Resources and Energy released the Commonwealth Government's response to the 2009 Productivity Commission Review of Regulatory Burden on the Upstream Petroleum (Oil & Gas) Sector. The Government agreed to a large majority (25 of 30) of the recommendations made in the Commission's report.
- As part of the 2009-10 Budget, the Australian Government announced its intention to introduce a Paid Parental Leave scheme. The scheme introduced was closely based on that proposed in the Commission's final inquiry report on Paid Parental Leave, released in 2009. The Government included an income test in the eligibility rules which was not recommended by the Commission, and the Government initially deferred consideration of the two weeks paternity leave that was recommended by the Commission. Otherwise, the features of the Government's scheme reflected those recommended by the Commission. Subsequently, in 2011 the Government introduced provision for two weeks paternity leave in line with the Commission's recommendation.
- The Minister for Home Affairs and Justice, the Hon. Brendan O'Connor, and Minister for Trade, the Hon. Dr Craig Emerson, announced a response to the Commission's report on Australia's Anti-dumping and Countervailing System on 22 June 2011 (Australian Government 2011d). The Government agreed or agreed in-principle with 15 of the report's 20 recommendations. These covered a range of issues, including working groups to examine the close processed agricultural goods provisions; not adopting the practice of zeroing; updating actionable subsidies to align with the latest relevant WTO agreements; arrangements for Custom to seek extensions of investigation periods; the introduction of a 30 day time limit for the Minister to make decisions; adequate resourcing for Customs and Border Protection and the Trade Measures Review Officer; advice to the Minister in investigation reports of the details of comparable recent cases in other countries; consultation with the ABS regarding better access to import data; and a five-year review of proposed reforms. The

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Government did not accept the Commission's key recommendation concerning the introduction of a public interest test.

- The Australian Government released a response to the Commission's report *Annual Review of Regulatory Burdens on Business – Business and Consumer Services* on 13 September 2011 (Australian Government 2011e). The Commission's report made 18 recommendations, covering issues including government consultation, superannuation, rationalisation of legacy financial products, monetary thresholds applying to overseas investment in Australia and national registration of architects. The Government accepted or accepted in principle ten of the recommendations and noted eight recommendations.
- On 23 September 2011 the Government released a response to the Commission's report on wheat export marketing arrangements (Australian Government 2011f). The Government agreed in-principle with the Commission's recommendations to abolish the Wheat Export Accreditation Scheme, Wheat Exports Australia and the Wheat Export Charge on 30 September 2011, and remove the access test requirements for grain port terminal operators on 30 September 2014. However it proposed a more gradual, three-stage approach in transitioning to full market deregulation, involving:
  - a first stage introduction of a 'lighter touch' accreditation scheme between 1 October 2011 and 30 September 2012
  - removal in the second stage of Wheat Exports Australia and the Wheat Export Charge from 1 October 2012
  - introduction of full deregulation, with access issues governed by general competition law, in a third stage commencing from 1 October 2014.

In announcing the response, the Minister for Agriculture, Fisheries and Forestry, Senator the Hon. Joe Ludwig, stated that:

The Government supports the recommendations provided by the Commission and believes they will improve future wheat marketing arrangements. (Ludwig 2011)

Summaries of recent government responses to Commission reports are in appendix E.

Governments need not accept the Commission's advice, and sometimes do not (at least initially). That said, a review of the Commission's inquiry outputs since its inception in 1998 shows that governments have typically adopted a substantial majority of the Commission's recommendations and generally endorsed its findings (details are provided in appendix C and table C.7). Further, an assessment of the nature and extent of references made to Commission inquiry reports suggests that those reports have contributed to policy debates in federal, state and territory parliaments, as well as within the media and general community (appendix C).

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## Contribution to parliamentary debate

Commission inquiry and research reports continue to be used frequently by parliamentarians in debates and questions. During the 2010-11 sittings of the *Federal Parliament*:

- 86 Members and 47 Senators referred to 48 different Commission reports or inquiries, or to the Commission's role in policy processes
- in over three-quarters of the 339 mentions in debates and questions, federal parliamentarians cited the Commission as an authoritative source. Only 2 per cent of mentions were of a critical nature
- Commission inquiries and reports which featured most prominently were those on emissions reduction policies and carbon pricing, disability care and support, executive remuneration and aged care.

In addition, there were 70 mentions of the Commission and its work in the Hansard proceedings of *federal parliamentary committees* in 2010-11. The Commission was mentioned in the proceedings of 13 different committees, most prominently in proceedings of the Senate Standing Committee on Community Affairs; the Senate Standing Committee on Economics; the Senate Standing Committee on Environment, Communications and the Arts; the Senate Standing Committees on Rural Affairs and Transport; and the Joint Select Committee on Gambling Reform. The most frequent mentions were to the reports on gambling, disability care and support, and rural research and development corporations.

Eight parliamentary committees drew on a range of Commission inquiry and research outputs in their own reports during the year. The ten recent parliamentary committee reports listed in table C.1 referred to ten different Commission outputs.

Some seventeen Parliamentary Library reports in 2010-11 referred to Commission inquiry and research reports, or to reports on government services (table C.2). This included the use of Commission outputs to inform discussion of legislation in such key areas as telecommunications, health policy, occupational health and safety and paid parental leave. Use of Commission outputs by the Australian National Audit Office is also reported in appendix C.

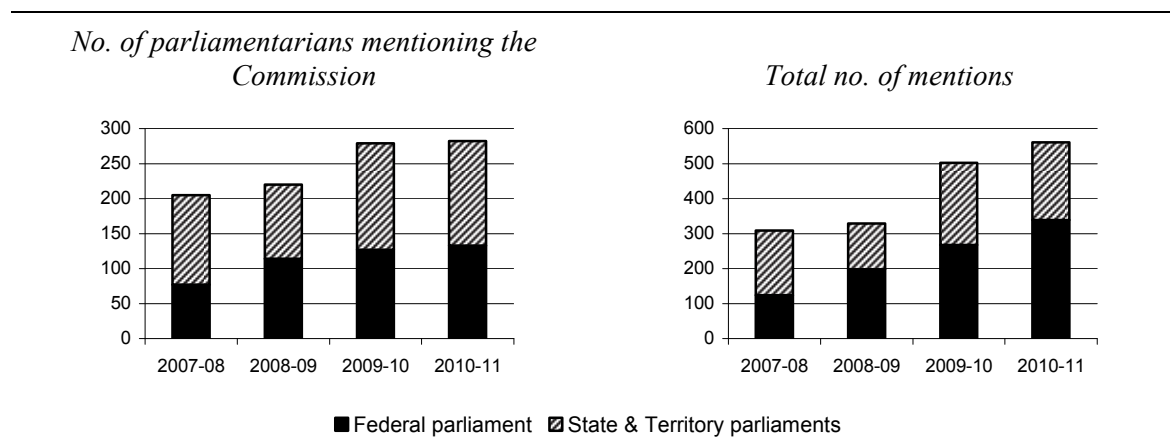
Commission inquiry and research reports, from this and previous years, were also used extensively in debate and questions by *state and territory parliamentarians*. During the 2010-11 sittings of the eight state and territory parliaments:

- 149 members referred to 44 different Commission publications or inquiries, the Report on Government Services, or to the Commission's role in policy processes

- in 68 per cent of the 222 mentions in debates and questions, State and Territory parliamentarians cited the Commission as an authoritative source, with only 2 per cent of mentions that were critical of a particular finding, report or Commission attribute
- the most frequent mentions were to the Report on Government Services, with the Commission's reports on consumer policy, disability care and support and gambling also featuring prominently.

Recent trends in mentions of the Commission in federal, state and territory parliamentary proceedings are shown in figure 2.3.

**Figure 2.3 Mentions of the Commission in Australian parliaments, 2007-08 to 2010-11**



## Other indicators of policy impact

Recognition of the contribution of the Commission's work to policy formulation and debate is also demonstrated by the following examples:

- use of Commission analysis during the year by the Prime Minister, Treasurer, Assistant Treasurer and other Ministers, the Leader of the Opposition and Shadow Ministers, including use of Commission reports on executive remuneration, emissions reduction policies and carbon prices, gambling, aged care and disability care and support
- the widespread use being made of the Report on Government Services by central and line government agencies, state Ministers, parliamentarians, parliamentary committees, Auditors-General, and community and industry groups
- the use made by the Commonwealth Treasury, COAG, state governments, federal parliamentary committees, the Parliamentary Library, the ABS, the AIHW, the National Health and Hospitals Reform Commission and others of a



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diverse range of Commission supporting research outputs, in particular its work on productivity analysis, health and aged care, climate change and rural and urban water use

- use of Commission outputs by key international agencies, including the OECD and the IMF.

One continuing indicator of the degree of interest in the Commission's inquiry and other work is the many invitations to give briefings and present papers to parliamentary, business and community groups and to conferences (table F.1). As part of a rolling program of briefings for state and territory governments on the Commission's work, presentations and visits were made to Queensland, Western Australia and Victoria, and visits to other jurisdictions are scheduled throughout 2011-12. The Commission also responded to requests for briefings to visiting officials and delegations from South Africa, Singapore, Canada, New Zealand, Malaysia, China, Iraq, Indonesia, India, Chile, Bhutan, Mexico, Brunei, the OECD and IMF (table F.2).

A further indicator of public interest in the Commission's work, and its potential influence, is the extent of media coverage. During 2010-11, 41 editorials in seven major metropolitan newspapers drew on the findings or recommendations in 13 different Commission reports, or referred to the Commission's role in assisting public policy making. The Commission's reports on gambling, urban water and anti-dumping and the studies on international carbon policies and bilateral and regional trade agreements featured prominently.

The Commission rated an average of 393 mentions a month in electronic media and an average of 328 mentions a month in print media in 2010-11. The Commission's inquiries into disability and aged care and its study of international carbon policies received the most coverage. Indicators of the influence of Commission outputs during the year — its inquiry, performance reporting, competitive neutrality work and supporting research — are discussed more fully in appendix C.

## **Associated reporting**

Management and accountability information for 2010-11 is reported in appendix B. The audited financial statements for the Commission are contained in appendix H.

In response to suggestions by the Senate Standing Committee on Economics (2008), details of Commission appearances at Senate Estimates during the year are provided in Appendix C.

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In association with this annual report, the Commission is preparing the following companion publication:

- *Trade & Assistance Review 2010-11*, which reports on trade policy and assistance developments and contains the Commission's latest estimates of assistance to Australian industry.