

---

## 2 Review of Commission activities and performance

### **Some highlights from 2008-09**

- published major reports on a range of topics including paid parental leave, government drought support and restrictions on the parallel importation of books
- governments accepted many of the Commission's findings and recommendations, particularly on paid parental leave, the regulatory burdens on business, consumer policy and chemicals and plastics regulation
- hosted a roundtable conference on promoting better environmental outcomes
- announcement in the 2009-10 Commonwealth Budget of three new streams of work for the Commission to assist the COAG reform agenda
- released the 2009 report on Overcoming Indigenous Disadvantage
- delivered the first tranche of reporting on National Agreement performance indicators (education and training) for the COAG Reform Council
- completed a range of supporting research to inform policy development and debate on productivity, aged care, fertility and government trading enterprises

### **Areas of focus for 2009-10**

- completion of current inquiries and government-commissioned research on Australia's gambling industries, the regulation of director and executive remuneration, the contribution of the not-for-profit sector, Australia's anti-dumping system, the performance of public and private hospitals, water recovery in the Murray Darling Basin and wheat export marketing
- continuing assessment of regulatory burdens on business and the inter-jurisdictional benchmarking of business regulation
- data development, modelling and analysis to assist in reporting on the economic impacts and benefits of COAG's agreed reform agenda
- provide ongoing secretariat assistance to the Steering Committee for the Review of Government Service Provision and the Indigenous Expenditure Report Steering Committee, and respond to any changes arising from the review of ROGS
- prepare for new role in assessing industry claims for assistance within the Government's proposed Carbon Pollution Reduction Scheme
- plan for, and further develop, capabilities to meet future work demands on economic, social and environmental issues of national significance

---

## 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 or categories of outputs:

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

There was again a considerable diversity of topics in the Commission's work program in 2008-09 (box 2.1). This included government commissioned inquiries and studies on the economic aspects of various cultural, social and environmental issues, including paid parental leave, drought support and restrictions on imports of books.

---

## Box 2.1 Commission publications in 2008-09

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

Paid Parental Leave Government Drought Support

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

Paid Parental Leave Government Drought Support

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

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

Restrictions on the Parallel Importation of Books Annual Review of Regulatory Burdens on Business – Social and Economic Infrastructure

Performance Benchmarking of Australian Business Regulation – Cost of Business Registrations Performance Benchmarking of Australian Business Regulation – Quantity and Quality

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

Chemicals and Plastics Regulation Annual Review of Regulatory Burdens on Business – Manufacturing and Distributive Trades

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

Performance Benchmarking of Australian Business Regulation – Cost of Business Registrations Performance Benchmarking of Australian Business Regulation – Quantity and Quality

Restrictions on the Parallel Importation of Books

### ***Performance reporting***

Report on Government Services 2009: education, justice, emergency management, health, community services and housing Report on Government Services 2009: Indigenous compendium

National Agreement performance information 2008: National Agreement for Skills and Workforce Development National Agreement performance information 2008: National Education Agreement

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

Annual Report 2007-08 Trade & Assistance Review 2007-08

### ***Commission research paper***

Financial Performance of Government Trading Enterprises 2004-05 to 2006-07 Trends in Aged Care Services: some implications

### ***Submission***

Submission to Infrastructure Australia's National Infrastructure Audit

(continued next page)

---

Box 2.1 (continued)

**Chairman's published speeches**

Industry Policy for a Productive Australia

Evidence-based policy-making: What is it? How do we get it?

**Conference/workshop proceedings**

Promoting Better Environmental Outcomes

**2008 Richard Snape Lecture**

Latin America in the Global Economy: Challenges and Opportunities (Dr Vittorio Corbo)

**Staff working papers**

Recent Trends in Australian Fertility

Productivity in the Mining Industry: Measurement and Interpretation

Investments in Intangible Assets and Australia's Productivity Growth

Public Infrastructure Financing: An International Perspective

**Supplement to research report**

*Chemicals and Plastics Regulation: Lessons for National Approaches to Regulation*

An emphasis on regulatory themes in the Commission's work program continued, with the completion of further stages of the review of regulatory burdens on business and the benchmarking study on business regulation. Reports on chemicals and plastics regulation, the regulatory burden on the upstream petroleum sector and mutual recognition agreements were also completed in the year.

A further continuing feature of the Commission's work program is its involvement in assisting Australia's jurisdictions and COAG through a mix of standing research responsibilities and specific projects. In the current year, for example, standing research activities included cross-jurisdictional reporting on the performance of government services and further reporting on indicators of Indigenous disadvantage. Specific projects undertaken to assist policy development across jurisdictions included the study on chemicals and plastics regulation, undertaken to inform the work of the COAG Ministerial Taskforce on Chemicals and Plastics Regulation, and current work on benchmarking business regulation in the areas of food safety and occupational health and safety to assist the work of the COAG Business Regulation and Competition Working Group. The Commission also provided 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 six National Agreements to the COAG Reform

---

Council, and provided secretariat, research and report services to the Indigenous Expenditure Steering Committee reporting in respect of the annual report on expenditure on services to Indigenous Australians.

The diversity of topics in the Commission's work program appears set to continue into 2009-10 and beyond. For example, current work to be completed by the Commission by early 2010 includes inquiries and studies on Australia's gambling industries, the regulation of director and executive remuneration, anti-dumping, the contribution of the not-for-profit sector, the performance of public and private hospital systems, market mechanisms for recovering water in the Murray-Darling Basin and wheat export marketing. In August 2009, the Prime Minister also announced that the Commission would be undertaking a series of projects spanning the life cycle of human services, commencing with an inquiry into aged care (Rudd 2009).

## 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 major outputs. The principal developments in these activities during 2008-09 are outlined below.

### Public inquiries and other commissioned studies

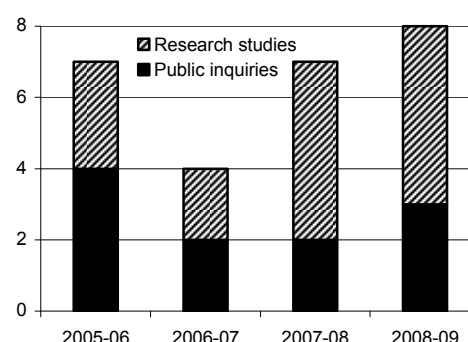
The Commission had 5 public inquiries and 10 commissioned research studies underway at some time during 2008-09. In addition to completing 7 references from the previous year, it received 8 new projects, maintaining the breadth of policy coverage evident in recent years (figure 2.1).

The Commission completed two inquiries commenced in the previous financial year: on government drought support and paid parental leave.

Three new inquiries commenced in 2008-09.

- The inquiry into Australia's gambling industries commenced in November 2008 following an earlier request by COAG. The inquiry is to provide an update of the Commission's 1999 gambling report across a range of gambling related issues. It

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



---

will also provide additional research into the impacts of recent harm minimisation measures.

- An inquiry into the regulation of director and executive remuneration in Australia commenced in March 2009. In conducting the inquiry, the Commission has been asked to consider a range of issues, including trends in director and executive remuneration in Australia and internationally, the effectiveness of the existing framework for regulating executive remuneration and the role of large institutional investors in current remuneration practices. A draft report was released in September 2009 and a final report is due by the end of December 2009.
- The Commission's inquiry into Australia's anti-dumping and countervailing system commenced in March 2009. It will assess the policy rationale for, and objectives of, Australia's anti-dumping system, and assess the effectiveness of the current system in achieving those objectives. It is also to make recommendations on the appropriate future role of an anti-dumping system within the Government's overall policy framework.

During 2008-09 the Commission finalised five government-commissioned research studies commenced in the previous year:

- a study of chemicals and plastics regulation that commenced in August 2007, and was released in final form in July 2008
- the second stages of the review of regulatory burdens on business, completed in August 2008, and the benchmarking study on business regulation, completed in November 2008
- a review of the Mutual Recognition Agreement (MRA) and the Trans-Tasman Mutual Recognition Arrangement (TTMRA) that was requested by COAG in March 2008, and which provided its final report to government in February 2009
- a study on Australia's framework for upstream petroleum regulation that was also announced by COAG in March 2008 and which reported to government in April 2009.

It also received a request for, and completed a research study on, the restrictions on the parallel importation of books into Australia.

The Commission commenced a further four new research studies during the year which are ongoing: further stages of its regulation benchmarking and regulatory burdens studies; a study of the Contribution of the Not-for-Profit sector; and a study on the performance of public and private hospitals.

---

Further information on public inquiries and commissioned research studies undertaken by the Commission during 2008-09 and government responses to reports is provided in appendices B and C.

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

The Commission has provided the Secretariat to the Steering Committee for the Review of Government Service Provision since 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 reporting on National Agreement performance indicators to the COAG Reform Council. In addition, the Secretariat is represented (as a member or observer) on many national advisory groups developing priorities and strategies for improved reporting, as well as providing expert advice to data collectors and users on concepts, definitions and classifications.

### *Report on Government Services*

The *Report on Government Services 2009* was the fourteenth 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 education, health, justice, community services, emergency management and housing. The services covered in the 2009 Report collectively account for approximately \$132 billion of government recurrent expenditure, equivalent to 12.8 per cent of gross domestic product. A separate *Indigenous Compendium* was also published, providing an easily accessible collation of data from the Report relating to the delivery of services to Indigenous Australians.

The Review strives for continuous improvement. The 2009 Report included new indicators for children's services, primary and community health, health management issues, and emergency management, and improved reporting on aspects of school education, vocational education and training, police services, corrective services, aged care services, services for people with a disability, protection and support services and housing.

In November 2008, COAG agreed to a review of the Report on Government Services. The review, to be conducted by a working group of Heads of Treasuries and Senior Officials, is aimed at ensuring that the report remains relevant and useful, and complements the new performance reporting arrangements under the

---

Intergovernmental Agreement on Federal Financial Relations. The review is scheduled to be completed by the end of 2009.

### *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.

Four editions of the report have been released, in November 2003, July 2005, June 2007 and July 2009. The 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 most recent edition was released in conjunction with a COAG meeting in Darwin with a focus on Indigenous policy. It showed that many Indigenous people have shared in Australia's recent economic prosperity, with increases in employment, incomes and home ownership. There have also been 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.

### *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 relates to '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'. 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, commencing with performance information for 2008
- by end-December on the health, housing, disability and Indigenous reform sectors, commencing with performance information for 2008-09.

The first tranche of reporting, delivered to the COAG Reform Council on 30 June 2009, 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 baseline reporting period of the 2008 calendar year (where 2008 data were not available, the most recent reporting year was included)
- comment on data quality for each performance indicator (based on the data quality statements provided by the collection agencies), and an overall comment on the key issues in reporting against the performance indicators
- additional contextual information (including outputs listed in the two National Agreements (NA) for education and training).

The second tranche of reports from the Steering Committee to the CRC is required by end-December 2009.

---

### *Indigenous Expenditure report*

The Productivity Commission also provides (separate) Secretariat services for the Indigenous Expenditure Report Steering Committee. In 2007, COAG agreed to the reporting of Indigenous expenditure, and the Steering Committee to take this forward was established in May 2008. The Productivity Commission assumed Secretariat responsibilities from November 2008. A Stocktake Report, including terms of reference for the report and a high level overview of the intended methodology and future development process, was endorsed by COAG in July 2009.

An annual report will present government expenditure on Indigenous-related programs and services. This information will be mapped to the Overcoming Indigenous Disadvantage framework, and will help inform policy decisions, facilitate high level analysis of program effectiveness, and provide the Commonwealth Grants Commission with more reliable estimates for use in funding allocations. The inaugural data report is planned to be released in mid-2010.

### *Other performance reporting*

The Commission's performance reporting activities also include a program of research on the performance of Australia's economic infrastructure industries and the impact of related microeconomic reforms.

Financial performance monitoring of government trading enterprises (GTEs) forms part of this research stream, with a report covering GTE performance in the period 2005-06 to 2006-07 released in July 2008. It included the final outputs of a research program on the capital management of GTEs. Capital management was identified as warranting closer analysis given that most GTEs have capital intensive operations. Improvements to capital productivity arguably offer the greatest scope for further gains in financial performance. The topics covered were the impact of inadequate compensation for community service obligations (CSOs) and poor profitability on capital management and investment.

The Commission reported that after almost two decades of reform, and despite significant progress, more than half the monitored GTEs continued to earn a return on assets that was below the risk-free rate.

A contributor to this outcome is that, contrary to stated policy objectives, not all governments have identified and funded all CSOs. Inadequate funding of CSOs affects a GTE's financial performance and can result in inadequate or misallocated

---

investment, price increases for non-CSO services, and/or lower quality service provision.

Poor profitability can lead to inadequate investment and asset maintenance, which can in turn reduce the future profitability of GTEs. Further, without a return to commercially sustainable operations, this cycle is likely to persist.

Further information on performance reporting activities in 2008-09 is provided in appendix B.

### **Competitive neutrality complaints activities**

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

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is staffed on a needs basis and 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 no written complaints in 2008-09 and completed no investigations.

The Office also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2008-09, 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 B.

### **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 wide ranging consultations with Australian Government departments, business, community and environmental groups, union bodies and academics.

In 2008-09 the Commission's supporting research program continued to emphasise the sustainability of productivity improvements, including environmental and social aspects. This included work on productivity and its determinants; labour markets; and the development of economic models and frameworks.

The Commission's published research during the year (box 2.1) included Commission staff working papers on a number of productivity-related topics, including productivity in the mining industry and the effects on productivity of investment in intangible assets. Commission and staff working papers were also published on aged care services, trends in fertility, public infrastructure financing and the financial performance of government trading enterprises. Several papers were also published connected to the Commission's statutory annual reporting requirements.

Further information on the Commission's supporting research activities and publications in 2008-09 is provided in appendix D. This also details the 61 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 D.1). The Commission briefed 25 international delegations and visitors during 2008-09, with a focus on the Commission's role and activities and related policy issues, particularly regulation (table D.2).

## **Transparency and public consultation**

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

### **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. An indication of the extent of consultation undertaken by the Commission is that during the course of its public inquiry activities in 2008-09, it met with more than 200 organisations or groups; held 17 days of public hearings; and received more than 740 submissions from participants.

---

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 970 submissions to these studies in 2008-09, 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 examples also demonstrate initiatives to ensure that the views and experiences of people living in regional areas are taken into account.

### **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.

For example, in order to help refine and improve proposed approaches and to narrow areas of contention in its research study on Mutual Recognition Schemes, the Commission:

- convened a total of six stakeholder roundtables in both Australia and New Zealand. This included two roundtables at the early stages of the study to publicise the review and canvass issues of interest with stakeholders. The Commission also held a further set of roundtables in both Canberra and Wellington following the release of the draft report to obtain feedback on draft proposals
- conducted presentations and discussions on the scope and aims of the review to a range of government officials, including to members of the Cross Jurisdictional Review Forum
- visited a total of 59 organisations located in Australia and New Zealand with an interest in the study.

In its staff working paper on Productivity in the Mining Industry, the Commission drew on the expertise of internal and external referees, including referees from the Reserve Bank of Australia, the Australian Bureau of Agricultural and Resource Economics and Monash University. Meetings were also held with key stakeholders, including the Minerals Council of Australia and the Australian Petroleum Producers and Exporters Association, to discuss key issues and refine the proposed approach.

---

## Box 2.2 Participative and transparent processes: two examples

The Commission seeks to facilitate public participation in, and the transparency of, its inquiries and commissioned research studies to the maximum extent possible.

In its inquiry on *Government Drought Support* the Commission:

- conducted initial meetings with a range of key bodies prior to the release of an Issues Paper, including the Australian Treasury, Australian Bureau of Agricultural and Resource Economics, the Department of Agriculture, Fisheries and Forestry, the National Farmers Federation, the New South Wales Farmers Association, and the Victorian Department of Primary Industries
- placed advertisements in the national press and local rural press and sent circulars to a wide range of individuals and organisations thought to have an interest in the inquiry, including over 370 individuals and organisations who had registered a direct interest in the inquiry
- conducted 82 meetings and 24 roundtables, in 31 towns and cities across Australia, prior to releasing its draft report. These fora were attended by a range of individuals and organisations who were provided with an opportunity to impart their views
- received more than 180 submissions from a wide range of interested parties across the course of the inquiry, with over 80 of these received in response to the Draft Report
- visited a total of 80 organisations over the course of the inquiry, including Australian, State and Territory government agencies involved in various aspects of drought policy
- released a Draft Report and widely distributed pamphlet which summarised the key points and recommendations in an easily accessible format
- held 8 days of public hearings across 7 states and territories following the release of the Draft Report, with evidence provided by 38 organisations or individuals.

In its inquiry on *Paid Parental Leave*, the Commission:

- placed advertisements in national and metropolitan newspapers following receipt of its reference and sent a circular to a wide range of individuals and organisations inviting participation in the inquiry
- received a total of 416 public submissions over the course of the inquiry, 163 of which were received after the release of the draft report
- received several hundred (mainly unsigned) emails that expressed opinions on paid parental leave and in some cases advised of their personal experiences
- consulted with around 40 interested parties in Australia to obtain an overview of the key issues
- visited New Zealand to discuss the operation of that country's paid parental leave scheme
- held 16 public hearings across 7 capital cities, with 6 of these occurring following the release of its draft report.

---

The Commission also involves outside policy advisers and researchers through hosting or co-sponsoring conferences or roundtables on topics of policy interest.

- In August 2008 the Commission held a Roundtable on Promoting Better Environmental Outcomes. Participants included government officials, academics, consultants, journalists and representatives of environmental organisations and agencies. Keynote addresses were presented by Professor Gary Libecap from the University of California and Professor Robert Stavins from Harvard University. The roundtable considered the conditions under which governments can improve environmental outcomes, and how governments should intervene to ensure effective and efficient results. Papers were initially made available on the Commission's website and the proceedings were subsequently published.
- Preparations were also made in 2008-09 for the Commission's Roundtable on Strengthening Evidence-Based Policy in the Australian Federation, held in August 2009. Invitees to the roundtable included international as well as local experts, together with senior officials, policy analysts and commentators.

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 fostering 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. In 2008-09 Dr Mark Harrison (formerly of the Australian National University and an independent economic consultant) continued as a Visiting Researcher. Dr Lixin Cai (Melbourne Institute of Applied Economic and Social Research) also joined the Commission as a Visiting Researcher during the year.

## **Research collaboration**

The Commission continued to participate in collaborative research projects with academic institutions in 2008-09. 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 Centrelink, the ABS and ten Australian Government departments)
- the Australian National University on setting priorities for 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 Columbia (Vancouver) on tackling the tough 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 sits on the GTAP advisory 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, as well as on the Advisory Board of the Economics Department at Monash University. He is on the judging panel for the BHP Billiton/Reconciliation Australia 'Indigenous Governance Awards'. In 2008, he was made a National Fellow of the Institute of Public Administration Australia (IPAA).
- Other Commissioners are also members of various advisory boards and committees, including university and non-profit organisations. For example, Deputy Chairman Mike Woods has been the Commission's principal contributor



---

to the China Australia Governance Program (CAGP) and chaired the Fiscal Reform Implementation Planning Committee. Robert Fitzgerald serves on a number of university advisory boards, including 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, the Foundation for Rural and Regional Renewal and Dairy Australia. Dr Neil Byron serves on the Editorial Boards of the International Journal of Agricultural Resources, Governance and Ecology, International Forestry Review (Oxford), the Journal of Forest Economics (published in Sweden), Forests, Trees and Livelihoods (published in Scotland). In 2005 he was appointed to the World Commission on Protected Areas of the IUCN (World Conservation Union). 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, and Pilotlight Australia, a small not for profit organisation doing work in the area of Corporate Social Responsibility. He is also on an advisory Board for Anglo American in Australia, is a director of the Molecular Plant Breeding Cooperative Research Centre, and does some teaching for Melbourne Business School in the Executive Education area.

- Members of the Secretariat for the Review of Government Services are observers or members of various national and intergovernmental advisory groups developing priorities and strategies for improved reporting. It also provides expert advice to data collectors and users on concepts, definitions and classifications. Following the formation of new high level COAG working groups and the adoption by COAG of major reform agendas, the Secretariat has been invited by several COAG working groups and sub-groups to advise on performance and outcome reporting for government services and for Indigenous people.
- 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 20<sup>th</sup> East Asian Seminar on Economics was held in Hong Kong in June 2009. Commission research on productivity and the trade and investment effects of preferential trading arrangements has featured in previous seminars.
- 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 research networking activities. Assistant Commissioner Patrick Jomini was a visiting researcher at the Groupe d'Economie Mondiale (GEM), Sciences Po, Paris, in 2009. Other members of staff served on bodies such as 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, thereby enhancing opportunities for 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 2009 there were more than 173 000 external requests for the index pages of inquiries and commissioned research studies current in 2008-09. The projects of most interest were the inquiries on paid parental leave (37 770 requests) and gambling (21 110 requests), and the research studies on the parallel importation of books (25 000 requests) and the contribution of the not for profit sector (17 000 requests). Other heavily accessed web pages were for the 2008 and 2009 Reports on Government Services (26 130 and 32 760 requests, respectively) and the 2007 Overcoming Indigenous Disadvantage Report (21 000 requests). Speeches by the Commission's Chairman attracted more than 47 000 requests.

---

Even after an inquiry or project is completed, community interest can remain high. For example, during the year, the web pages for the Commission's 1999 inquiry on Australia's gambling industries and the 2005 study of the economic implications of an ageing Australia were each requested over 9 500 times.

The Commission's website received nearly 18 million file requests from external users in 2008-09, a 50 per cent increase on activity in the previous financial year (figure 2.2).

## Feedback on the Commission's work

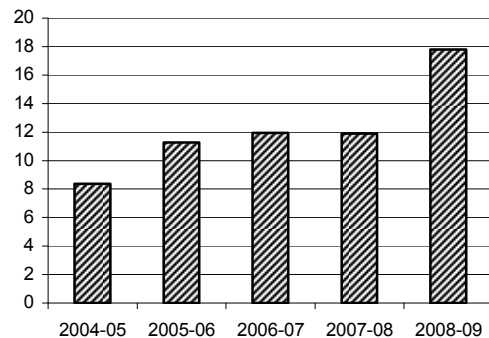
The Commission actively monitors reaction to, and seeks feedback on, its work in order to improve its performance and its contribution to public understanding and policy making. The results of past surveys were reported in previous annual reports and cover external perceptions about the quality of the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

The Steering Committee for the Review of Government Service Provision seeks feedback on the usefulness of the *Report on Government Services* every three years. A survey in 2007 found that 78 per cent of respondents were satisfied or very satisfied with the Report. Data comparability, quality and timeliness were identified as ongoing areas for improvement. Further details on the survey results are in appendix B.

Figure 2.2 Website hits  
Million



---

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 opposition to, specific pieces of Commission analysis or advice. Nevertheless, the examples in box 2.3 help illustrate the breadth of support for the Commission's policy-advising 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 2008-09. 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 in its four output groups 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 output groups are discussed in appendix B.)

---

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

In discussing the Commission's paid parental leave report on 24 February 2009, the Prime Minister stated:

... what we said was we would look at the Productivity Commission report – it's due soon - and that we'd consider it in the budget context. That is the right way to do public policy. (Rudd and Gillard 2009)

In August 2008, the then Minister for Small Business, Independent Contractors and the Service Economy, Craig Emerson, said that:

The Productivity Commission has a distinguished record in providing impartial, economically rigorous advice and continues to make an indispensable contribution to Australian public policy debate. (Emerson 2008)

During the year COAG requested that the Commission undertake several new inquiries and studies to assist it with its work. These included reviews of Australia's anti-dumping system, the parallel import restrictions on books and Australia's gambling industries. Additional funding was also announced in the 2009-10 Budget for the Commission's role in implementing the COAG Federal Financial Framework.

The Opposition also proposed a number of tasks for the Commission during the year, including that it be asked to inquire into the design and efficacy of the Carbon Pollution Reduction Scheme; conduct a review of the effectiveness and efficiency of the Government's deposit guarantee measures; and undertake a broad-ranging inquiry into Australia's broadband market.

A range of policy analysts and newspaper editorials during the year variously advocated that the Commission be asked to undertake reviews of the competitiveness of key markets; the funding of health care; the *Trade Practices Act 1974*; private health insurance; the viability of various forms of national feed-in electricity tariffs; the design of tender processes for job services; the current broadband network and possible improvements; the cost of diabetes to the health system and the wider community; the level and determinants of remuneration for school teachers; the real economic costs of policing the use of illicit drugs; and the effects of award modernisation on job creation and employment.

The final report of the Mortimer review of export policies and programs, delivered in September 2008, endorsed 'the contribution of the Productivity Commission in providing rigorous analysis across a wide range of economic, social and environmental matters.' (Mortimer 2008, p. 65)

A report on international institutions and policy transparency, prepared for the Rural Industries Research and Development Corporation in July 2008, found that:

Australia, through its Productivity Commission, is the standout example of good policy transparency. The Commission is independent and has a reputation for producing high quality credible reports. (Stoeckel and Fisher 2008, p. xiii)

In May 2009, the OECD stated that the Commission 'is viewed as an authoritative non-partisan well-resourced body. Its recommendations carry weight with all Australian governments and all sides of politics.' (OECD 2009b, p. 51)

Details are provided in appendix B.

---

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.

## **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 response to the Commission's report on *Paid Parental Leave*, the Australian Government announced its intention to introduce a Paid Parental Leave scheme as part of the 2009-10 Budget. The scheme being introduced is based on that proposed in the Commission's final inquiry report.
- In its response to the Commission's *Annual Review of Regulatory Burdens on Business in the Primary Sector*, the Government accepted or provided in-principle acceptance to most of the recommendations in the report. Of the 61 Commission recommendations, the Government accepted 36 recommendations and provided in principle acceptance to a further 13 recommendations.
- The Government also accepted or expressed in-principle agreement to a large majority of the Commission's recommendations in its *Annual Review of Regulatory Burdens on Business in the Manufacturing Sector and the Distributive Trades*. The Government accepted recommendations across a range of areas, including pricing processes in the Pharmaceutical Benefits Scheme, the Health Technology Assessment System for medical devices and technologies, the Water Efficiency Labelling and Standards (WELS) Scheme, and requirements for energy labelling and minimum energy performance standards.

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

With the Commission's reporting also focusing on cross-jurisdictional policy issues, its impact can also be assessed against COAG and ministerial council responses to its reports. For example:

- Across 2008-09 COAG continued to progress the establishment of a new national consumer policy objective and national consumer law in line with

---

recommendations made by the Commission in its *Review of Australia's Consumer Policy Framework*.

- At its meeting of October 2008, COAG welcomed the Commission's final report on *Chemicals and Plastics Regulation* and announced its intention to implement a series of reforms which provide broad endorsement of the reform blueprint proposed by the Commission. Subsequently, at its meeting on 29 November 2008, COAG agreed to a new governance structure to oversee chemicals and plastics regulatory reform as proposed in the Commission's report, including the establishment of a COAG Standing Committee on Chemicals (COAG 2008d). At the same meeting COAG also agreed to an interim response to the recommendations in the Commission's report (COAG 2008e). Of the 30 recommendations responded to, COAG welcomed or supported 20 and noted progress on the remaining recommendations. The supported recommendations covered chemicals and plastics regulatory reform in a range of areas, including national policy formulation and governance, national hazard and risk assessment, public health, occupational health and safety, transport safety, agricultural and veterinary chemical products, environment protection and national security.
- COAG also continued to put in place significant reforms in relation to the health workforce that implement recommendations made by the Commission in its 2005 report *Australia's Health Workforce*. In particular, it agreed to the establishment of a single national scheme for the registration and accreditation of health professionals by 1 July 2010.

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 B and table B.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 B).

The usefulness and influence of the Commission's work can extend over several years. Examples from the past year include continuing use of the Commission's 2005 report on *Australia's Health Workforce* in Federal and State parliamentary debate; by the Department of Health and Ageing (Legg 2008); by the Australian Institute of Health and Welfare (AIHW 2008); by the Parliamentary Library in research papers and bills digests (table B.2); and by academics (Dragon 2008; Gilling 2008; Stride 2008) and the media. Other examples in 2008-09 include continuing use of the Commission's reports on disability discrimination (2004), rail

---

reform (1999), aged care (1999), private health insurance (1997) and employment services (2002) in parliamentary and wider community debate (box B.2).

## **Contribution to parliamentary debate**

Commission inquiry and research reports continue to be used frequently by parliamentarians in debates and questions. During the 2008-09 sittings of the *Federal Parliament*:

- 84 Members and 30 Senators referred to 38 different Commission reports or inquiries, or to the Commission's role in policy processes
- in around three-quarters of the 198 mentions in debates and questions, federal parliamentarians cited the Commission as an authoritative source. Only 3 per cent of mentions were of a critical nature
- Commission inquiries and reports which featured most prominently were those on the *Disability Discrimination Act 1992*, aged care trends, paid parental leave and the role of policies to supplement an emissions trading scheme.

In addition, there were 188 mentions of the Commission and its work in the Hansard proceedings of *federal parliamentary committees* in 2008-09. The Commission was mentioned in the proceedings of 20 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 Committee on Rural and Regional Affairs and Transport; and the House of Representatives Standing Committee on Employment and Workplace Relations. The most frequent mentions were to the reports on paid parental leave, waste management, the *Disability Discrimination Act 1992* and aged care trends.

Seventeen parliamentary committees drew on a range of Commission inquiry and research outputs in their own reports. The 27 recent parliamentary committee reports listed in table B.1 referred to 22 different Commission outputs.

Some twenty Parliamentary Library reports in 2008-09 referred to Commission inquiry and research reports, or to reports on government services (table B.2). This included the use of Commission outputs to inform discussion of legislation in such key areas as land transport, broadcasting, trade practices, aged care, disability discrimination, health workforce reform and renewable energy. Use of Commission outputs by the Australian National Audit Office is also reported in appendix B.

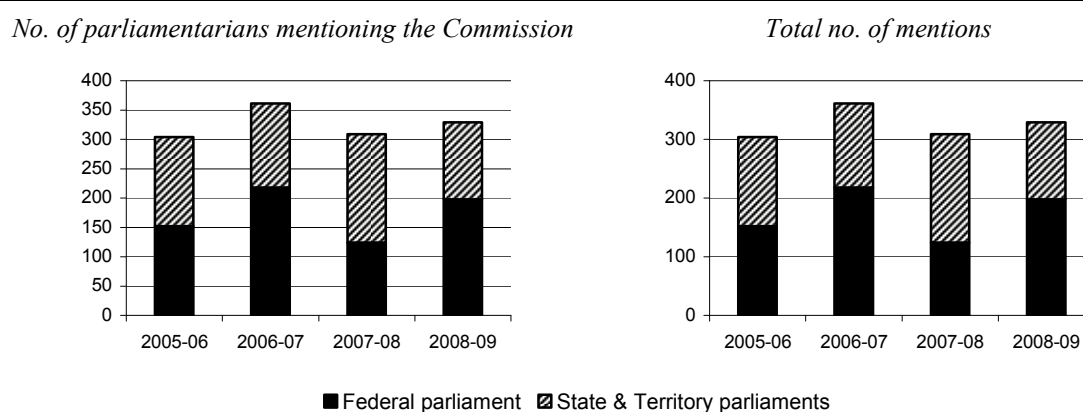


Commission inquiry and research reports, from this and previous years, were also used extensively in debate and questions by *State and Territory parliamentarians*. During the 2008-09 sittings of the eight State and Territory parliaments:

- 106 members referred to 24 different Commission publications or inquiries, the Report on Government Services, or to the Commission’s role in policy processes
- in 84 per cent of the 131 mentions in debates and questions, State and Territory parliamentarians cited the Commission as an authoritative source, with only 3 per cent of mentions that were critical of the particular finding, report or Commission attribute referred to
- around 40 per cent of mentions were to the Report on Government Services, with the Commission’s reports on consumer policy, the health workforce, the National Reform Agenda and paid parental leave 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, 2005-06 to 2008-09**



## 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 and other Ministers, the Leader of the Opposition and Shadow Ministers, the Henry Review of taxation, the Garnaut Climate Change Review, and the Australian Securities and Investments Commission, including use of Commission reports on paid parental leave, gambling, the economic implications of an ageing Australia, consumer policy, urban water, structural change and structural adjustment

- 
- use of recommendations from the Commission's 2001 *Review of the National Access Regime* by the Australian Government when designing a package of reforms to the Regime (Bowen 2009)
  - the introduction by the Australian Government of the *Disability Discrimination and Other Human Rights Legislation Amendment Bill 2008* which implemented recommendations made by the Commission in its 2004 review of the *Disability Discrimination Act 1992*
  - 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 diverse range of Commission supporting research outputs, in particular its work on productivity analysis, health and aged care, emissions trading, 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 D.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, New South Wales and Victoria, and visits to other jurisdictions are scheduled throughout 2009-10. The Commission also responded to requests for briefings to visiting officials and delegations from Korea, Vietnam, Mexico, the Philippines, China, Iraq, the United Kingdom, Canada, Singapore, New Zealand, Chile, Bhutan, APEC, the OECD and IMF (table D.2).

A further indicator of public interest in the Commission's work, and its potential influence, is the extent of media coverage. During 2008-09, 56 editorials in ten major metropolitan newspapers drew on the findings or recommendations in 12 different Commission reports, or referred to the Commission's role in assisting public policy making. The Commission's report on paid parental leave accounted for around one-half of all mentions. However, editorials also drew on the analysis in a range of other inquiry and research reports (including those on government drought support, restrictions on the parallel importation of books, urban water, government services and Indigenous disadvantage) or referred to the Commission's role in contributing to policy development. The Commission rated an average of 326 mentions a month in electronic media and an average of 205 mentions a month

---

in print media in 2008-09. The Commission's inquiries into paid parental leave, government drought support and executive remuneration 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 B.

## **Associated reporting**

Management and accountability information for 2008-09 is reported in appendix A. The audited financial statements for the Commission are contained in appendix F.

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 B.

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

- *Trade & Assistance Review 2008-09*, which reports on trade policy and assistance developments and contains the Commission's latest estimates of assistance to Australian industry.